

On a recovery path- Maintain SELL

- SML delivered strong numbers in Q1 led by favourable mix. Revenue stood at Rs.5bn (+46%QoQ) attributed to 34.6% QoQ growth in volume (3511 units) and 8.6 % QoQ increase in net ASP. Bus to Truck volume mix was in the ratio of 69:31. Bus market share has improved to 9.15% in 1Q and expect bus volume continue to show significant recovery.
- Given the recovery in economic activities, we believe the special application segment covering school, college, staff, ambulance etc. has immense growth prospects in the near and mid-term. Cargo segment volume is expected to show strong growth in FY23 led by increased requirements for last-mile transportation, especially from ecommerce segment. However, the increasing penetration of EVs in the bus segment and rising competitive intensity are key threats for the company.
- We maintain our negative view led by- 1) Limited capabilities to compete with incumbents in the goods carrier segments, especially in the M&HCV category (vehicles above 12 tonne 2) increasing competitive intensity in bus segment and 3) weakening distribution network and deteriorating financial position.
- We expect going ahead the company will require high funds for its Capex compared to low capex of Rs.300mn in FY22, to develop its EV buses portfolio and fulfil its short-term obligation. Net Debt and FCF stood at Rs.2.82bn and -0.37bn in FY22 Vs 2.26bn and -0.65bn in FY21.
- We believe ISUZU's technical assistance would be key for business expansion in above 2-tonne segment and entering into the electric buses space. We believe SML is yet to take the complete benefits of ISUZU's technological capabilities. SML's existing range spans 5.5 to 12 tonnes in the cargo and bus segments.
- At CMP, stock is trading at 24x of FY24E EPS. We maintain sell, with a target price of Rs.636 (22x FY24E EPS).

Q1FY23 Result (Rs Mn)

Particulars	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)
Revenue	5,002	1,000	400.3	3,424	46.1
Total Expense	4,833	1,173	312.2	3,399	42.2
EBITDA	169	(173)	(197.8)	24	601.5
Depreciation	105	111	(5.2)	104	0.8
EBIT	64	(284)	(122.5)	(80)	(179.4)
Other Income	5	4	34.3	9	(47.8)
Interest	45	54	(16.6)	43	5.4
EBT	23	(334)	(107.0)	(114)	(120.5)
Tax	0	0		0	(100.0)
RPAT	23	(334)	(107.0)	(114)	(120.5)
APAT	23	(334)	(107.0)	(114)	(120.5)
			(bps)		(bps)
Gross Margin (%)	17.0	27.0	(1001)	17.0	(5)
EBITDA Margin (%)	3.4	(17.3)	2066	0.7	268
NPM (%)	0.5	(33.5)	3392	(3.3)	380
Tax Rate (%)	0.0	0.0	0	(0.1)	9
EBIT Margin (%)	1.3	(28.4)	2966	(2.3)	362

CMP	Rs 685
Target / Downside	Rs 636 / 7%
NIFTY	17,398

Scrip Details

Equity / FV	Rs 145mn / Rs 10
Market Cap	Rs 10bn
	USD 125mn
52-week High/Low	Rs 845/ 475
Avg. Volume (no)	28,965
Bloom Code	SM IN

Price Performance	1M	3M	12M
Absolute (%)	15	10	14
Rel to NIFTY (%)	7	4	6

Shareholding Pattern

	Dec'21	Mar'22	Jun'22
Promoters	44.0	44.0	44.0
MF/Banks/FIs	3.5	3.2	2.3
FIIIs	18.4	17.7	17.7
Public / Others	34.2	35.1	36.1

Valuation (x)

	FY22A	FY23E	FY24E
P/E	(7.0)	(1185.1)	23.7
EV/EBITDA	(15.4)	19.6	10.0
ROE (%)	(68.4)	(0.5)	23.7
RoACE (%)	(27.0)	5.5	15.2

Estimates (Rs mn)

	FY22A	FY23E	FY24E
Revenue	9,242	15,765	19,566
EBITDA	(830)	615	1,174
PAT	(1,426)	(8)	418
EPS (Rs.)	(98.5)	(0.6)	28.9

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Exhibit 1: Actual vs DART Estimates

Particulars (Rs.mn)	Actual	Dart Est	Var (%)
Revenue	5,002	4,520	11
EBIDTA	169	190	(11)
EBIDTA Margin (%)	3.4	4.2	(82)bps
APAT	23	54	(57)

Source: Company, DART

Exhibit 2: Change in Estimates

Particulars (Rs Mn)	FY23E			FY24E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	15,765	14,941	5.5	19,566	18,510	5.7
EBITDA	615	583	5.5	1,174	1,111	5.7
EBITDA margin(%)	3.9	3.9	0	6.0	6.0	0
APAT	(8)	(42)	(80.0)	418	368	13.5
EPS	(0.6)	(2.9)	(80.0)	28.9	25.4	13.5

Source: Company, DART

Exhibit 3: Key Assumptions

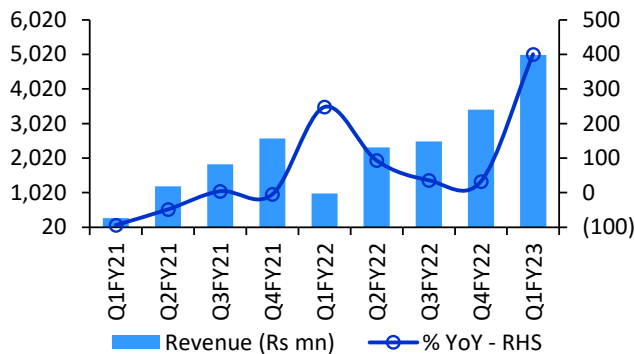
(in units)	FY20	FY21	FY22	FY23E	FY24E
Buses	6,581	947	1,660	5,174	6,468
% YoY	(15.9)	(85.6)	75.3	211.7	25.0
Trucks	3,318	3,647	4,791	5,321	6,265
% YoY	(35.5)	9.9	31.4	11.1	17.7
Domestic Volume	9,899	4,594	6,451	10,495	12,732
% YoY	(23.7)	(53.6)	40.4	62.7	21.3
Exports Volume	595	449	941	1,181	1,474
% YoY	(13.5)	(24.5)	109.6	25.5	24.8
Total Volume	10,494	5,043	7,392	11,676	14,207
% YoY	(23.2)	(51.9)	46.6	58.0	21.7

Source: Company, DART

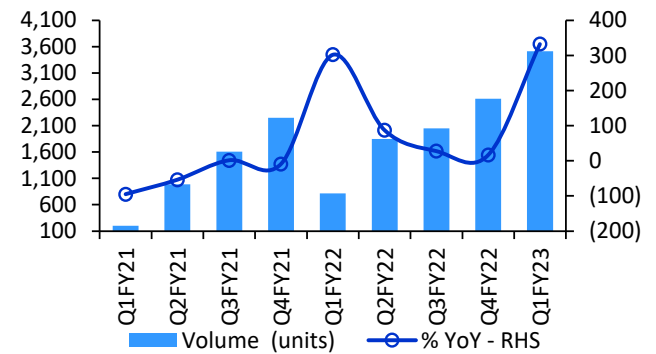
Exhibit 4: Summary of Quarterly performance

Particulars	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	FY23E
Net sales (Rs. Mn)	287	1,205	1,839	2,584	1,000	2,327	2,499	3,424	5,002	15,765
% QoQ	(89)	319	53	41	(61)	133	7	37	46	
% YoY	(93.9)	NA	4.2	(5.0)	NA	93.2	35.9	32.5	400.3	70.6
Materials	224	929	1,448	2,106	730	1,990	2,015	2,840	4,152	12,612
% sales	78	77	79	81	73	86	81	83	83	80.0
Employee cost	355	331	338	311	329	326	362	311	417	1,498
% sales	123.3	27.5	18.4	12.0	32.9	14.0	14.5	9.1	8.3	9.5
Other op cost	66	129	144	218	114	172	217	249	265	1,041
% sales	23.0	10.7	7.8	8.4	11.4	7.4	8.7	7.3	5.3	6.6
EBITDA (Rs mn)	(357)	(184)	(92)	(51)	(173)	(161)	(95)	24	169	615
% YoY	(197.8)	24.8	(50.2)	(158.9)	(51.6)	(12.7)	3.7	NA	NA	NA
Margin (%)	(124.1)	(15.3)	(5.0)	(2.0)	(17.3)	(6.9)	(3.8)	0.7	3.4	3.9

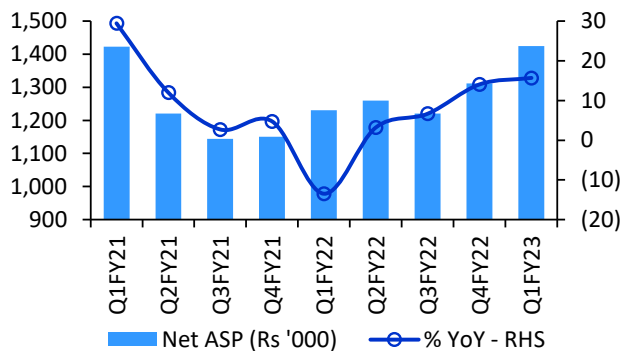
Source: Company, DART

Exhibit 5: Revenue grew YoY/ QoQ


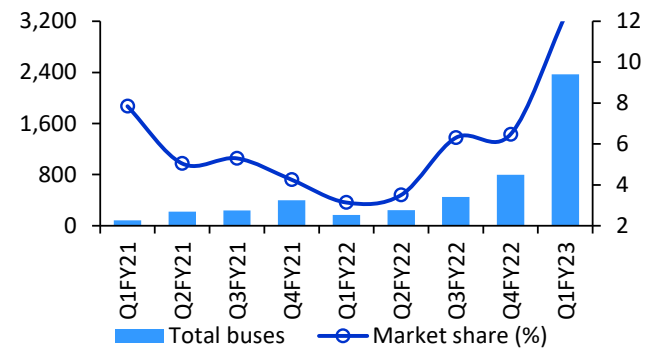
Source: Company, DART

Exhibit 6: Volume Jumped YoY/QoQ


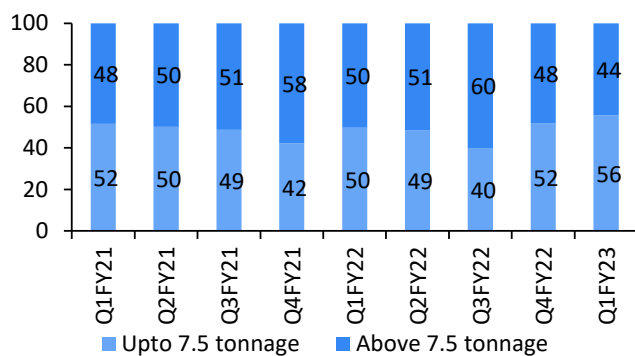
Source: Company, DART

Exhibit 7: Net ASP increased QoQ/YoY


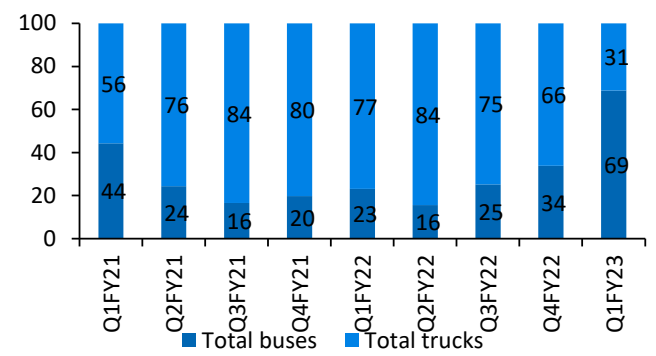
Source: Company, DART

Exhibit 8: Bus segment market share (%)


Source: Company, DART

Exhibit 9: Product mix by tonnage (%)


Source: Company, DART

Exhibit 10: Product mix by segment (%)


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
Revenue	5,915	9,242	15,765	19,566
Total Expense	6,598	10,072	15,150	18,392
COGS	4,707	7,993	12,612	15,457
Employees Cost	1,335	1,328	1,498	1,722
Other expenses	557	751	1,041	1,213
EBIDTA	(683)	(830)	615	1,174
Depreciation	462	435	444	465
EBIT	(1,145)	(1,266)	171	709
Interest	233	215	245	223
Other Income	45	60	66	72
Exc. / E.O. items	0	0	0	0
EBT	(1,334)	(1,421)	(9)	558
Tax	1	5	0	139
RPAT	(1,335)	(1,426)	(8)	418
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	(1,335)	(1,426)	(8)	418

Balance Sheet

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
Sources of Funds				
Equity Capital	145	145	145	145
Minority Interest	0	0	0	0
Reserves & Surplus	2,411	1,470	1,428	1,812
Net Worth	2,556	1,615	1,573	1,957
Total Debt	2,138	2,978	2,728	2,478
Net Deferred Tax Liability	(151)	(151)	(150)	(150)
Total Capital Employed	4,543	4,442	4,150	4,285

Applications of Funds

Net Block	3,886	3,639	3,557	3,392
CWIP	51	164	200	200
Investments	0	0	0	0
Current Assets, Loans & Advances	3,875	4,205	5,996	7,221
Inventories	2,601	2,960	3,941	4,892
Receivables	392	789	1,095	1,359
Cash and Bank Balances	331	136	615	602
Loans and Advances	551	320	345	370
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	3,269	3,566	5,602	6,528
Payables	977	680	2,409	2,989
Other Current Liabilities	2,291	2,886	3,194	3,539
<i>sub total</i>				
Net Current Assets	606	639	393	693
Total Assets	4,543	4,442	4,150	4,285

E – Estimates

Important Ratios

Particulars	FY21A	FY22A	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	20.4	13.5	20.0	21.0
EBIDTA Margin	(11.6)	(9.0)	3.9	6.0
EBIT Margin	(19.4)	(13.7)	1.1	3.6
Tax rate	(0.1)	(0.4)	5.0	25.0
Net Profit Margin	(22.6)	(15.4)	(0.1)	2.1
(B) As Percentage of Net Sales (%)				
COGS	79.6	86.5	80.0	79.0
Employee	22.6	14.4	9.5	8.8
Other	9.4	8.1	6.6	6.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.8	1.8	1.7	1.3
Interest Coverage	(4.9)	(5.9)	0.7	3.2
Inventory days	160	117	91	91
Debtors days	24	31	25	25
Average Cost of Debt	13.3	8.4	8.6	8.6
Payable days	60	27	56	56
Working Capital days	37	25	9	13
FA T/O	1.5	2.5	4.4	5.8
(D) Measures of Investment				
AEPS (Rs)	(92.2)	(98.5)	(0.6)	28.9
CEPS (Rs)	(60.3)	(68.4)	30.1	61.0
DPS (Rs)	0.0	1.0	2.0	2.0
Dividend Payout (%)	0.0	(1.0)	(346.1)	6.9
BVPS (Rs)	176.5	111.5	108.6	135.2
RoANW (%)	(41.7)	(68.4)	(0.5)	23.7
RoACE (%)	(22.9)	(27.0)	5.5	15.2
RoAIC (%)	(25.7)	(29.7)	4.4	19.6
(E) Valuation Ratios				
CMP (Rs)	685	685	685	685
P/E	(7.4)	(7.0)	(1185.1)	23.7
Mcap (Rs Mn)	9,917	9,917	9,917	9,917
MCap/ Sales	1.7	1.1	0.6	0.5
EV	11,724	12,758	12,029	11,793
EV/Sales	2.0	1.4	0.8	0.6
EV/EBITDA	(17.2)	(15.4)	19.6	10.0
P/BV	3.9	6.1	6.3	5.1
Dividend Yield (%)	0.0	0.1	0.3	0.3
(F) Growth Rate (%)				
Revenue	(48.8)	56.2	70.6	24.1
EBITDA	(674.9)	21.5	(174.0)	90.9
EBIT	297.2	10.5	(113.5)	314.1
PBT	248.0	6.6	(99.4)	(6432.2)
APAT	533.9	6.8	(99.4)	(5099.1)
EPS	533.9	6.8	(99.4)	(5099.1)

Cash Flow

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
CFO	(512)	(1,004)	1,406	793
CFI	(105)	(301)	(398)	(300)
CFF	543	607	(529)	(507)
FCFF	(618)	(1,305)	1,007	493
Opening Cash	363	331	136	615
Closing Cash	331	136	615	602

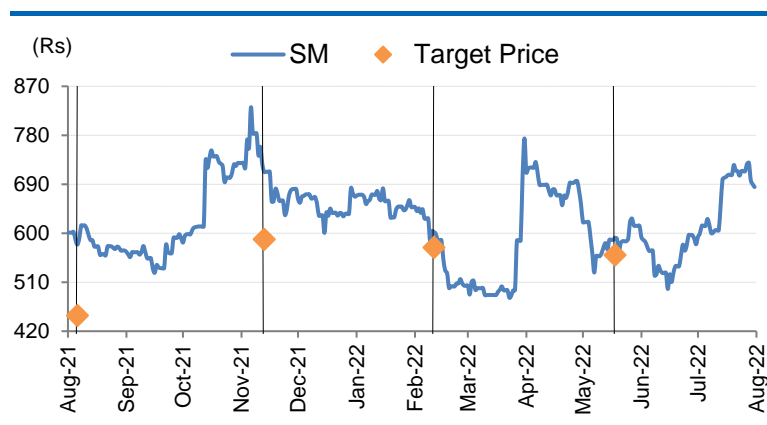
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-21	Sell	449	579
Nov-21	Sell	589	713
Feb-22	Sell	574	602
May-22	Sell	560	592

*Price as on recommendation date

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