Motobahn

SATURDAY, MARCH 26, 2022

LEXUS CAR BUYBACK PLAN

Naveen Soni, President of Lexus India

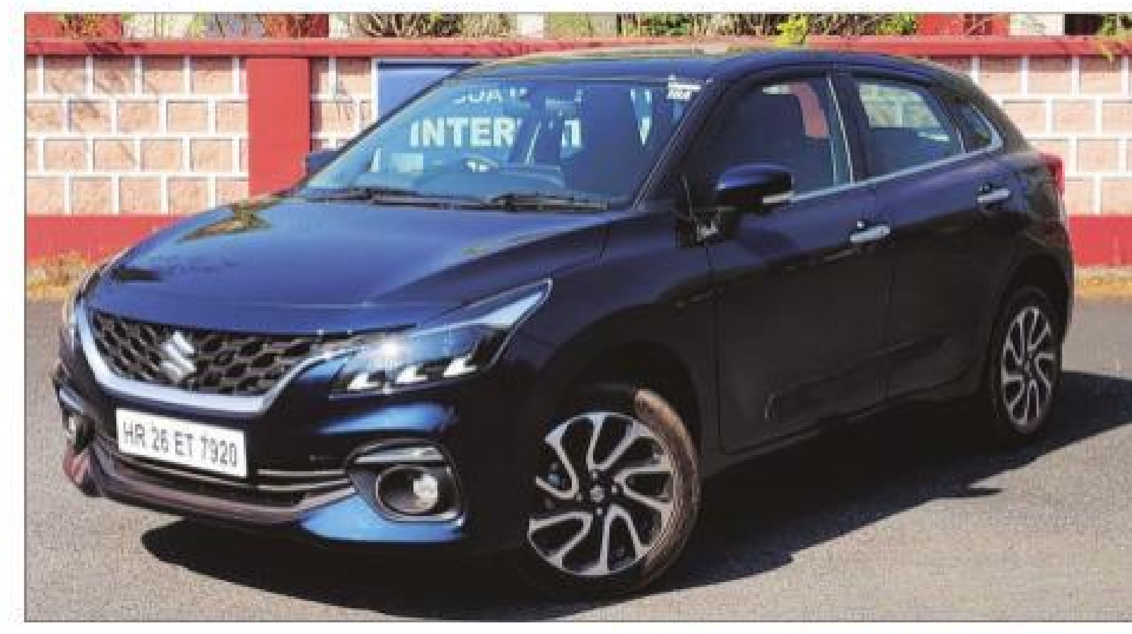
"Celebrating five years in India, Lexus India has launched the Buyback Promise starting with the ES300h car. With the Lexus BuyBack Promise, guests can enjoy industry's best buyback offer of up to 60% of the residual value of the car."

TOYOTA GLANZA vs MARUTI SUZUKI BALENO

Even among twins, one is better than the other

Under the shell, the Glanza and the Baleno are similar cars. But the way these are being offered to customers makes them different

VIKRAM CHAUDHARY



BUT FOR Maruti Suzuki, Toyota Kirloskar Motor (TKM) couldn't have succeeded in the small car segment (it failed with the Etios Liva). Thanks, however, to the global collaboration between Toyota Motor and Suzuki Motor, TKM has been fairly successful with the Glanza—rebadged version of the Baleno—by selling over 66,000 units of the same in almost three years (it was launched in June 2019).

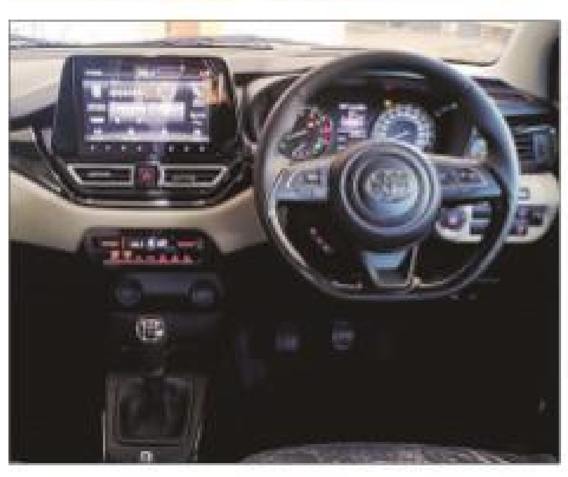
So, when Maruti Suzuki launched the all-new Baleno in February, the new Glanza had to follow, on which TKM designers have done a cracker of a job.

While under the shell the Baleno and the Glanza are similar cars, the way these are being offered to customers makes them like chalk and cheese.

Design

A key difference is at the front, where Toyota designers have used a horizontal, wing-like chrome design line that runs from one headlight to another, making the Glanza look wider than it is. The surface area of the front grille in the Glanza also appears to be bigger than in the Baleno. But from the sides and from the rear, both cars look similar, save for badging and the design of the alloy wheels.

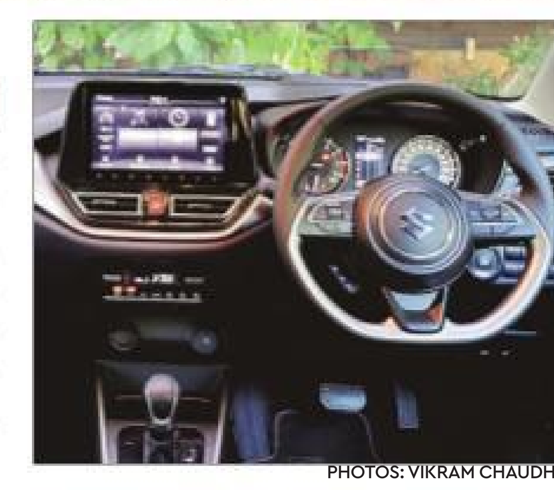
The Glanza has five colour options, but the Baleno is available in six shades (the Baleno gets an extra 'luxe beige' shade).



Chalk and cheese?

Toyota Glanza	Price	Maruti Suzuki Baleno	Price
E	₹6.39 lakh	Sigma	₹6.35 lakh
S	₹7.29 lakh	Delta	₹7.19 lakh
S (AMT)	₹7.79 lakh	Delta AGS	₹7.69 lakh
G	₹8.24 lakh	Zeta	₹8.09 lakh
G (AMT)	₹8.74 lakh	Zeta AGS	₹8.59 lakh
V	₹9.19 lakh	Alpha	₹8.99 lakh
V (AMT)	₹9.69 lakh	Alpha AGS	₹9.49 lakh

(Prices are ex-showroom; both cars are available only in petrol)



PHOTOS: VIKRAM CHAUDHARY

Cabin

The Baleno has a black and silver cabin, making it look sportier inside. The cabin of Glanza, on the other hand, has a shade of beige with matte black and piano black, making it look more premium. The Baleno gets the Suzuki Connect (with 40-odd connected car features), while the Glanza gets Toyota's i-Connect (with more than 45 connected car features).

Engine

The engine (1197cc petrol) and technical specifications are the same for both cars. Both get manual and AMT (automated manual transmission) gearbox options, but while Maruti Suzuki calls the latter as AGS (Auto Gear Shift), TKM calls it AMT. Claimed fuel efficiency is 22.35 km/l (manual) and 22.94 km/l (AMT/AGS).

Pricing

Variant to variant, the Glanza is ₹4,000 to ₹20,000 more expensive than the Baleno. A reason may be the Glanza looks more premium and has got more connectivity features, and perhaps also because Toyota has a stronger brand value. But despite its higher sticker price, the Glanza comes across as a better buy because it's being offered with a standard 3-year/100,000-km warranty, while the Baleno comes with a 2-year/40,000-km warranty. An advantage the Baleno has over the Glanza is that it can be owned through Maruti Suzuki Subscribe at an all-inclusive monthly subscription fee starting ₹13,999 (covers registration, service and maintenance, and insurance and roadside assistance).

If we, however, were to choose between the Baleno and the Glanza, and keep the car with us for at least a few years, the Glanza would be our choice.

ELECTRIC SCOOTERS

Is 100-plus-km range the new normal?

The week saw long-range e2Ws hitting the market

Okinawa's new flagship, the Okhi-90

VIKRAM CHAUDHARY

THIS WEEK, Gurugram-based Okinawa Autotech launched its new flagship electric scooter, the Okhi-90. Priced ₹1.22 lakh (ex-showroom, post FAME-2 subsidy, but doesn't include state subsidies), it has a claimed riding range (on full charge) of up to 160 km in the Sport mode and up to 200 km in the Eco mode.

Its electric motor draws power from the detachable 3.6 kWh lithium-ion battery. Using the fast charging mode, the battery can be charged up to 80% in one hour, after which charging slows down for better battery health and therefore 100% charge takes over three hours.

It is also fast in terms of acceleration, with a claimed 0-90 km/h acceleration time of 10 seconds. Top speed in the Sport mode is 90 km/h and in the Eco mode it is 60 km/h. In terms of range, performance and pricing, the Okhi-90 competes with Ola S1 Pro, Ather 450X and Bajaj Chetak, among others.

> **The Okhi-90 has a conventional design, but what stands out are its motorcycle-sized, 16-inch wheels**

Unlike its rivals, however, the Okhi-90 has a conventional design, but what stands out are its motorcycle-sized, 16-inch alloy wheels—bigger wheels are better at navigating bumpy roads (that's one of the reasons why in rural India motorcycles are more popular than scooters).

Like most electric scooters, the feature-list of the Okhi-90 is long, including in-built navigation, digital speedometer, USB port for mobile charging, Bluetooth, keyless start, and so on. A lot of information about the scooter can be accessed via the Okinawa Connect app that also allows one to immobilise the scooter in case of theft.

Komaki DT 3000

Another 100-plus-km electric scooter launched this week is the DT 3000 by Komaki. Priced around ₹1.15 lakh in Delhi, the DT 3000 has a claimed range of 180-220 km on full charge and top speed of 90 km/h. It is the third product by Komaki (after the Ranger and the Venice). Gunjan Malhotra, director, Komaki Electric Division, said, "The DT 3000 is powered by a 3,000-watt brushless DC motor (BLDC) and the patented lithium battery of 62V52AH. In addition, a dozen cutting-edge features and affordable pricing offer value for money to customers."

Investor

HINDUSTAN UNILEVER RATING: BUY

Slowdown in FMCG market has worsened

Inflation denting sales; RM costs and adverse mix likely to keep margins under pressure in Q4; Buy retained with TP of ₹2520

OUR INDUSTRY INTERACTIONS indicate the FMCG market has seen a further slowdown, with industry reports pointing to flat revenues and a high-single digit volume decline in Jan/Feb. Inflation is denting consumer offtake, more in rural but also in urban. Home care is holding relatively better c.f. BPC. Input prices have increased further q-o-q, led by palm and crude. While HUL has taken price hikes, RM inflation and adverse mix would keep margins under pressure in Q4.

Industry slowdown: FMCG market growth for categories where HUL operates has slowed down further, from mid-single digit value growth in the December quarter to flat y-o-y in Jan/Feb-22. Volume trends are even weaker. Both urban and rural markets have been under pressure. Slowdown is visible even on a 2-year CAGR in the last few months. Consumers have cut down on volumes, as inflation hits disposable income. Slowdown is sharper at the bottom-of-the-pyramid, both in rural and urban. However, the weakness in urban has been partly masked by good growth at the premium end. While consumers are not down-trading to lower-priced brands, there is a visible shift to smaller pack sizes.

Category-wise performance: Beauty categories such as hair care and skin care have seen a sharper decline, even as home care categories have done relatively better. Market growth in nutrition has remained sluggish even in Jan/Feb.

Input inflation intensifying: Inflationary pressure in key raw materials remains elevated and there has been a high degree of volatility as well. RM prices have increased further q-o-q, led by commodities such as palm, crude oil and packaging materials. The impact of the Ukraine crisis and recent lockdowns in China on RM prices will however flow through fully only in the next quarter. RM inflation is now also seen in foods. Notably, prices have jumped for coffee, SMP, Barley, etc. HUL has taken further price hikes in skin cleansing, household care, laundry, hair care, coffee, etc.

Margins under pressure: Apart from sustained inflation in raw materials on a sequential basis, category mix for HUL is also likely to be adverse as home care performance has been better compared to beauty & personal care. This would mean further margin pressure, both y-o-y and on a sequential basis. Maintain **Buy.**

Estimates

(₹)	2021A	2022E	2023E	2024E
Rev. (MM)	4,53,110	5,02,869	5,64,790	6,23,474
Ebitda (MM)	1,13,240.0	1,26,002.9	1,31,664.8	1,59,318.8
Net Profit	79,630.0	87,847.5	92,938.9	1,13,916.0
ROAE	16.8%	18.3%	19.1%	23.2%
BV/Share	201.88	206.77	207.33	210.81
DPS	41.00	37.00	42.00	48.00
EPS	33.89	37.39	39.56	48.48

Source: Company data, Jefferies estimates

JEFFERIES

Financials

Year to Mar	FY21	FY22E	FY23E	FY24E
Revenue (₹ mn)	84,998	126,335	144,904	188,479
Ebitda (₹ mn)	6,787	9,074	11,121	15,618
Net Income (₹ mn)	4,238	5,957	7,670	11,462
EPS (₹)	15.3	21.5	27.7	41.5
P/E (x)	56.2	40.0	31.1	20.8
CEPS (₹)	19.0	26.0	32.6	46.4
EV/E (x)	35.2	26.2	21.0	14.4
Dividend Yield		0.4	0.5	0.7
RoCE (%)	26.3	27.7	27.6	28.7
RoE (%)	25.0	27.1	26.9	30.0

Source: Company data, I-Sec research

APL APOLLO TUBES RATING: BUY

Shankara deal to be EPS-accretive

Mgmt expects investment to boost growth momentum; 'Buy' retained with TP of ₹1,110

APL APOLLO (APL) has announced a minority equity investment proposal by its wholly owned subsidiary APL Apollo Mart Ltd (Apollo Mart) into Shankara Building Products Ltd (Shankara). APL will end up owning ~9.9% of Shankara for a total investment of ₹1.8 bn (~6% of APL's total capital employed as of end-Dec'21). This will be through a combination of purchase of secondary promoter shares (1mn shares @₹755/share) and proposed preferential allotment of convertible warrants (1.4mn shares @₹750/share). Shankara was valued at 0.9x EV/sales (FY22 annualised).

The investment will be funded via internal accruals and is expected to be EPS and RoCE accretive from the very first year. APL sees an opportunity to potentially double its existing sales from Shankara. We maintain **Buy** on APL with a target price of ₹1,110/share.

Investment rationale: According to management, (i) the investment is aligned with APL's growth plan, (ii) Shankara would be an ideal launch platform for APL's new products, (iii) there would be synergies through Shankara's retail/ wholesale network, (iv) expansion of the structural steel tubes market and (v) association would ensure sales consistency as Shankara is amongst APL's key distributors.

APL Apollo + Shankara associations: Shankara distributes ~0.1mnte of APL Apollo's volumes. In April'19, APL acquired Shankara's 0.2mnte Hyderabad plant for ~₹700 mn. APL recovered its entire investment cost within three years, boosting its overall ROCE. Current Ebitda generation (estimated) from that plant is ₹400-500 mn pa. With the current investment, management expect sales consistency to be maintained along with growth momentum. APL sees an opportunity of potentially doubling sales through Shankara using its extensive retail/wholesale network.

About the deal: The investment will be made through a combination of purchase of secondary promoter shares and proposed preferential allotment of convertible warrants, taking the total investment size to ₹1.8 bn. Apollo Mart will make an immediate investment of ~₹1.018 bn (secondary market purchase +25% warrant subscription money) and the remaining investment of ~₹787 mn will be made within 18 months (75% on warrant conversion). The target deal is expected to be completed in Q1FY23 subject to approvals.

Risks: We haven't factored in any additional investments for strengthening the distribution/retailing framework for APL. More such investments, going forward, may have implications for future RoCE.

ICICI SECURITIES

PRE-OWNED CARS

What's driving used car sales

Pandemic, chip shortage, desire for upward mobility are driving demand

NIRAJ SINGH

INDIA'S USED CAR market is logging greater growth percentage than new cars. Going by a Frost & Sullivan report, sales of pre-owned cars were estimated at 3.8 million units against 2.6 million for new vehicles in FY21. This gap is expected to increase to 8.2 million used cars versus 3.9 million new vehicles by FY25.

The study reveals that first-time buyers accounted for 64% of these used car owners. This is partly because people wish to hone driving skills via used cars first before graduating to new ones. Despite being divided between organised, partly organised, unorganised and customer-to-customer groups, India's used car segment has been growing continuously.

But what is propelling this growth? Multiple drivers are behind this, and these include economic drivers, the need for personal mobility as people seek to avoid public transport and shared mobility due to health concerns, as well as the desire for upward mobility, among other reasons.

All four segments of the used car market are growing. In the organised sector, these include traditional auto companies and start-ups, which have been recording steady sales growth. Affordability and easy availability of used cars is a big draw for consumers, particularly first-time buyers.

The other driver is greater supply of pre-owned vehicles. Since many white-collar employees who own more than one car are still working from home, they prefer to sell their second vehicle given limited usage. The Vehicle Scrappage Policy has also led to greater sales of used cars as those who were forced to sell old vehicles have preferred to opt for pre-owned cars as these are more value for money.

Owners have reduced their duration of new car ownership to 3-4 years, which was higher earlier. The ongoing shortage of semiconductors has severely affected automakers, and deliveries of new cars are being delayed for months because of supply constraints. Naturally, people looking for personal mobility at the earliest are opting for second-hand cars. Younger cohorts of aspiring car buyers are also preferring to go in for pre-owned cars rather than waiting to purchase a new vehicle.

Besides these, other reasons for rising sales of used cars are the trust and transparency that online retail players have fostered among prospective buyers through better deals and allied benefits.

A Mordor Intelligence report states that India's used car market was pegged at $27 billion in 2020. At a CAGR of 15%, this is expected to touch $50 billion by 2026. There is little doubt the market will notch up more milestones in the years ahead.

The author is founder & CEO, Spinny