Equity Research

April 10, 2017

BSE Sensex: 29576

ICICI Securities Limited is the author and distributor of this report

Top Picks

- Eicher Motors (EIM IN)
- TVS Motors (TVSL IN)
- Motherson Sumi Systems (MSS IN)
- Asahi India Glass (AISG IN)

Research Analysts:

Nishant Vass
nishant.vass@icicisecurities.com
+91 22 6637 7260

Venil Shah
venil.shah@icicisecurities.com
+91 22 2277 7649

INDIA

ICICI Securities

Auto & Auto Ancillaries

Steady recovery from after-effects of demonetisation

Reason for report: Q4FY17 results preview

- **Decent volume performance post demonetisation; but SC ruling at quarter-end to lead to one-offs and mar margins:** Volume performance in Q4FY17 has been decent, especially coming on the back of demonetisation.

  In Q4FY17, two-wheeler (2W) segment declined ~2% YoY, while passenger vehicle (PV) segment grew ~11% YoY, with the impact of demonetisation largely behind. In CVs, M&HCV volumes likely grew 7% YoY/50% QoQ and LCV volumes 2% YoY/17% QoQ.

- **OEMs (ex-Tata Motors) to witness decline in margin trend QoQ:** We expect EBITDA margins to decline QoQ on increase in commodity prices and some one-offs for BS-III stock clearance. In the 2W segment, we expect HMCL to register earnings decline of 19% YoY while Eicher and TVS are likely to post growth of 11% and 8% respectively. In four-wheelers (4W), we expect Maruti Suzuki (Maruti) and Ashok Leyland to post PAT growth of 67% and 41% respectively. Maruti is expected to benefit from rising share of premium vehicle sales, lowering discounts and currency tailwinds. Tata Motors' JLR business should post adjusted margin of 11.8% (+170 bps QoQ increase) on the back of operating leverage.

- **Auto component players to show relatively steady performance:** In the auto components space, we expect a more steady operating performance than in OEMs. On the earnings growth front, we expect Motherson Sumi Systems (23% YoY growth) and Wabco (25% YoY) to report the strongest performance while CEAT is likely to post decline of ~38% YoY on rising raw material costs. Mahindra CIE is also expected to post strong numbers on low base (PAT growth of ~3.5x).

- **Key factors to watch out:** 1) Demand outlook for FY18, 2) update on costs related to BS-III liquidation and unsold inventory levels, and 3) commodity price impact and price hikes taken to offset BS-IV migration.

- **Our view:** We feel valuations would remain under pressure till there are visible signs of demand normalisation. In the OEM segment, **Eicher Motors and TVS Motors** look attractive from the demand growth perspective amidst a sluggish macro-environment. In the components space, **Asahi India Glass** and **Motherson Sumi Systems** continue to remain our top ideas.

Quarterly summary

Company	Revenue			EBITDA			Adjusted PAT		
		% chg			% chg			% chg	
(Rs mn)	JFM' 17	(YoY)	(QoQ)	JFM' 17	(YoY)	(QoQ)	JFM' 17	(YoY)	(QoQ)
2 wheelers									
Bajaj Auto	54,927	-3.8	2.6	10,730	-28.5	2.8	9,206	-29.0	-0.4
Eicher Motors	18,977	22.8	3.5	5,883	28.4	0.9	4,400	10.6	6.0
Hero Motocorp	69,386	-7.5	9.0	9,626	-19.2	-10.9	6,752	-19.1	-12.5
TVS Motors	28,750	2.1	-3.6	2,112	18.3	-3.3	1,270	7.9	-4.2
4 wheelers									
Ashok Leyland	65,485	10.0	47.8	8,213	9.0	80.8	5,095	40.7	174.1
Maruti Suzuki	190,775	24.6	13.1	27,321	16.3	9.8	18,932	67.0	8.5
Tata Motors	834,602	3.4	23.6	89,034	-28.5	49.0	27,423	-40.0	LP
Ancillaries									
Asahi India	6,117	7.3	6.8	1,123	-2.4	6.3	349	10.1	14.9
Bharat Forge	9,946	-1.3	5.4	2,727	-8.6	4.6	1,421	-13.6	10.5
Bosch	27,204	10.3	1.8	5,606	1.8	110.2	4,279	-12.8	96.1
CEAT	15,612	12.2	12.9	1,487	-20.2	-1.2	685	-37.9	-27.3
Mahindra CIE	12,884	-2.9	-5.6	1,280	-9.8	20.4	396	-26.0	30.3
Motherson Sumi	113,873	11.3	7.4	12,805	20.8	15.4	5,105	23.3	22.7
Wabco Limited	6,184	9.2	25.4	1,088	35.1	42.8	713	24.5	66.6

Source: I-Sec research; **JFM**'17: Jan-Mar 2017; Mahindra CIE: Q1CY17E

Table 1: EPS revisions

Company	EPS (Rs) FY18E	EPS (Rs) FY19E	Target Price	Valuation P/E – 2-year rolling (x)
2-wheelers				
Bajaj Auto	157	179	2,688	15.0
Eicher Motors	833	1,118	29,444	(RE:25.0 PE; VECV:9.0 EV/EBITDA)
Hero MotoCorp	183	200	3,000	15.0
TVS Motors	18.1	25.6	511	20.0
4-wheelers				
Ashok Leyland	5.6	6.4	100	8.5 (EV/EBITDA)
Maruti Suzuki	293	323	6,464	20.0
Ancillaries				
Asahi India Glass	9.7	13.3	254	10.5 EV/EBITDA
Bharat Forge	35	43	953	22.0
Bosch	569	661	23,129	35.0
CEAT	110	144	1,473	(India: 10; SL:5)
Mahindra CIE Automotive	9.9	11.9	213	18 CY18E EPS
Motherson Sumi Systems	19.5	25.8	450	(India: 20; Europe:16)
Wabco Limited	137	178	5,340	30.0

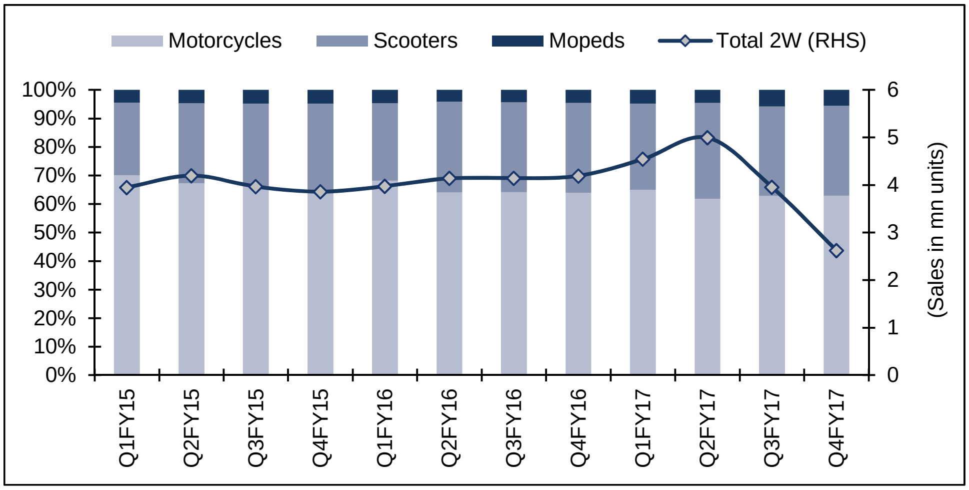
Source: Company, I-Sec research

Table 2: Valuation summary

Company	P/E (x) FY18E	P/E (x) FY19E	EV/EBITDA (x) FY18E	EV/EBITDA (x) FY19E	RoCE (%) FY18E	RoCE (%) FY19E	RoE (%) FY18E	RoE (%) FY19E
2-wheelers								
Bajaj Auto	18.1	15.8	12.6	10.6	27.2	27.1	27.9	27.7
Eicher Motors	31.0	23.1	23.9	18.0	55.0	51.8	45.1	42.8
Hero MotoCorp	17.6	16.1	11.6	10.5	34.5	32.5	35.4	33.2
TVS Motors	26.1	18.5	16.9	12.4	27.8	32.4	38.9	42.1
4-wheelers								
Ashok Leyland	15.0	13.1	8.5	7.2	18.3	18.7	22.8	22.4
Maruti Suzuki	21.4	19.4	13.9	12.6	25.8	24.3	24.3	22.4
Tata Motors	12.9	8.7	4.6	3.7	12.2	15.0	12.6	15.8
Ancillaries								
Asahi India	23.1	16.9	12.0	9.4	24.7	29.6	34.0	33.9
Bharat Forge	30.6	24.6	16.1	13.2	16.4	18.3	18.4	19.9
Bosch	40.2	34.6	31.4	26.4	15.3	15.9	16.3	16.5
CEAT	12.6	9.7	7.7	6.1	21.6	24.4	17.8	19.9
Mahindra CIE Automotive	22.1	18.5	12.0	10.1	10.7	11.7	10.4	11.3
Motherson Sumi	19.4	14.6	9.1	7.0	23.4	27.4	29.2	31.2
Wabco	42.3	32.6	26.0	20.5	21.5	23.0	17.4	18.8

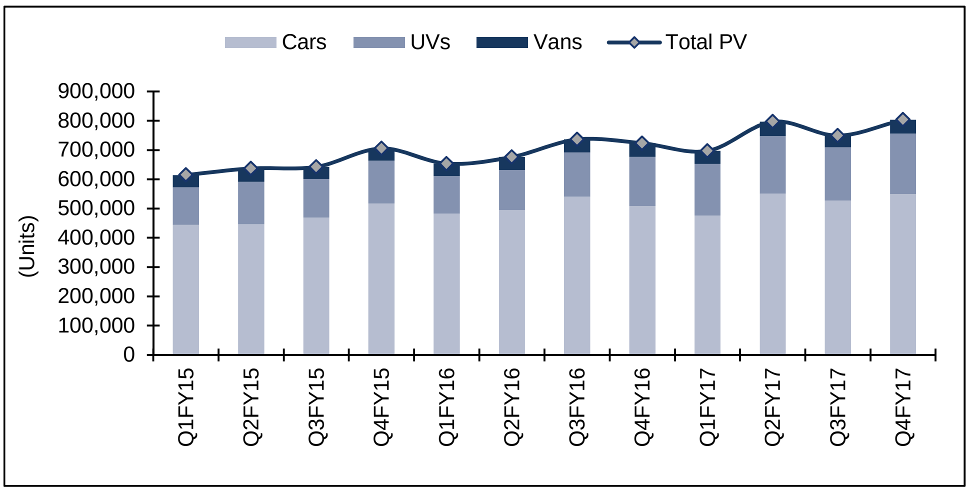
Source: Company, I-Sec research

Chart 1: Volume trend in two-wheelers



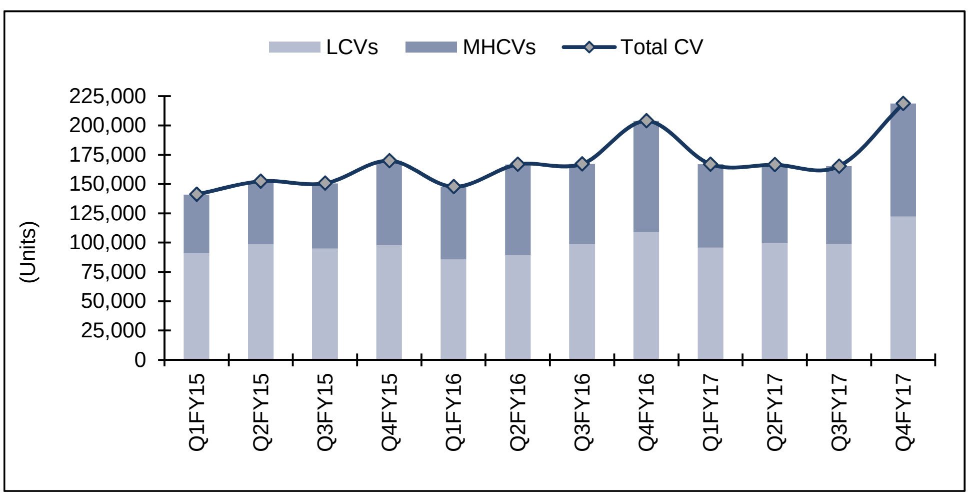
Source: Industry data, I-Sec research

Chart 2: Volume trend in passenger vehicles



Source: Industry data, I-Sec research

Chart 3: Volume trend in commercial vehicles



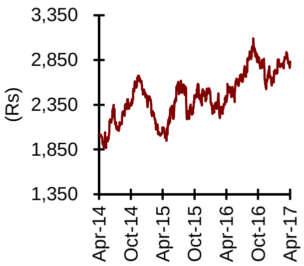
Source: Industry data, I-Sec research

2-wheelers

Bajaj Auto (HOLD)

(QoQ chg: 4.7%; YTD chg: 7.8%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**54,927**	**57,102**	**(3.8)**	**53,541**	**2.6**
Raw material costs	35,205	35,333	(0.4)	33,841	4.0
Employee costs	2,105	2,024	4.0	2,427	(13.3)
Other expenditures	4,090	4,737	(13.7)	3,962	3.2
Excise duty	2,797	3,475	(19.5)	2,872	(2.6)
Total operating expenses	**44,196**	**45,568**	**(3.0)**	**43,102**	**2.5**
EBITDA	**10,730**	**11,534**	**(7.0)**	**10,439**	**2.8**
EBITDA margin (%)	***20.6***	***21.5***	***-92 bps***	***20.6***	***-2 bps***
Depreciation & Amortisation	772	761	1.4	772	-
Other income	3,193	2,569	24.3	3,193	-
Interest costs	-	4	(100.0)	3	(100.0)
PBT	**13,151**	**13,338**	**(1.4)**	**12,858**	**2.3**
Exceptional Items	-	-	-	-	-
Taxes	3,945	3,844	2.6	3,612	9.2
PAT	**9,206**	**9,493**	**(3.0)**	**9,246**	**(0.4)**

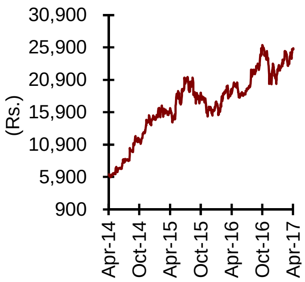
Source: Company data, I-Sec research

- Domestic volumes continued to be impacted by demonetisation after-effects and witnessed decline of 8% YoY, with domestic 2W/3W segments declining 5%/24% YoY respectively. Exports have remained weak with 12% YoY degrowth.
- We expect margins to decline (by 90bps YoY) due to weak product mix (lower share of three-wheelers and exports) and increasing commodity costs. Another drag on margins would be the costs on end-of-the-quarter clearance of BS-III inventory.
- However, we expect earnings decline (-3% YoY) to be lower than EBITDA decline (of 7% YoY), led by higher other income (+24% YoY).
- **Key monitorables:** Outlook in export markets, and new product strategy.

Eicher Motors (BUY)

(QoQ chg: 10.4%; YTD chg: 17.3%)

Price chart



Consolidated quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**18,977**	**15,449**	**22.8**	**18,336**	**3.5**
Raw material costs	9,804	8,218	19.3	9,421	4.1
Employee costs	1,021	742	37.7	1,015	0.6
Other expenditures	1,986	1,709	16.2	1,802	10.2
Purchase of traded goods	284	201	41.5	269	5.5
Total operating expenses	**13,095**	**10,869**	**20.5**	**12,508**	**4.7**
EBITDA	**5,883**	**4,580**	**28.4**	**5,828**	**0.9**
EBITDA margin (%)	***31.0***	***29.6***	***135 bps***	***31.8***	***-79 bps***
Depreciation & Amortisation	347	374	-7.2	355	-2.1
Other income	707	1,266	-44.2	590	19.8
Interest costs	0	6	-93.1	7	-94.4
PBT	**6,242**	**5,466**	**14.2**	**6,056**	**3.1**
Taxes	1,841	1,489	23.6	1,904	-3.3
PAT	**4,400**	**3,977**	**10.6**	**4,152**	**6.0**
Profit from associates	-	-	-	-	-
Net PAT	**4,400**	**3,977**	**10.6**	**4,152**	**6.0**

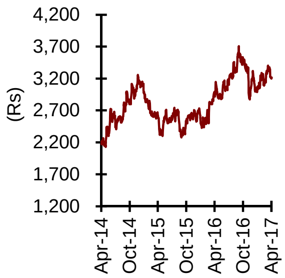
Source: Company data, I-Sec research

- Consistent growth in Royal Enfield volumes (+20.3% YoY) to aid revenue growth of ~23% YoY. Higher operating leverage is expected to aid EBITDA margin expansion of 135bps YoY to 31.0%, despite just a 2% price hike YoY.
- **Key monitorables:** Growth outlook for FY18, and capacity addition plans.

Hero MotoCorp (REDUCE)

(QoQ chg: 3.7%; YTD chg: 5.1%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**69,386**	**75,052**	**-7.5**	**63,646**	**9.0**
Raw material costs	45,785	49,549	-7.6	41,280	10.9
Employee costs	3,836	3,494	9.8	3,743	2.5
Other expenditures	10,140	10,090	0.5	7,826	29.6
Total operating expenses	**59,761**	**63,133**	**(5.3)**	**52,849**	**13.1**
EBITDA	**9,626**	**11,919**	**(19.2)**	**10,797**	**(10.9)**
EBITDA margin (%)	***13.9***	***15.9***	***-201 bps***	***17.0***	***-309 bps***
Depreciation & Amortisation	1,249	1,155	8.1	1,249	-
Other income	1,319	1,168	12.9	1,319	-
Interest costs	15	12	25.6	15	-
PBT	**9,681**	**11,920**	**-18.8**	**10,853**	**-10.8**
Exceptional Items	0	-	-	0	-
Taxes	2,929	3,574	-18.0	3,133	-6.5
PAT	**6,752**	**8,347**	**-19.1**	**7,720**	**-12.5**

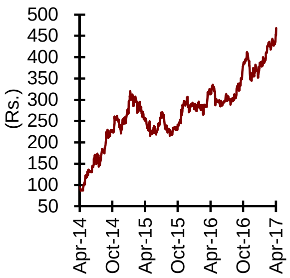
Source: Company data, I-Sec research

- Weak ASPs (-2/-1% YoY/QoQ) coupled with fall in volumes (down 6% YoY) are expected to lead to a revenue decline of 7.5% YoY.
- We expect EBITDA margin to decline 200bps/310 bps YoY/QoQ, with the decline in margins exaggerated by the BS-III stock clearance costs at the end of the quarter and higher raw material costs. We expect earnings to decline 19% YoY.
- **Key monitorables:** Outlook on demand in rural markets, guidance on margins, and status of unsold BS-III inventory if any.

TVS Motors (BUY)

(QoQ chg: 24.6%; YTD chg: 31.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**28,750**	**28,154**	**2.1**	**29,834**	**-3.6**
Raw material costs	20,371	19,775	3.0	21,491	-5.2
Employee costs	1,853	1,643	12.8	1,919	-3.4
Other expenditures	4,413	4,950	-10.8	4,239	4.1
Total operating expenses	**26,638**	**26,368**	**1.0**	**27,649**	**-3.7**
EBITDA	**2,112**	**1,785**	**18.3**	**2,185**	**-3.3**
EBITDA margin (%)	***7.3***	***6.3***	***100 bps***	***7.3***	***2 bps***
Depreciation & Amortisation	720	518	39.1	720	-
Other income	383	243	57.9	348	10.0
Interest costs	104	131	-20.6	115	-10.0
PBT	**1,671**	**1,380**	**21.1**	**1,698**	**-1.6**
Exceptional Items	0	0	-	-	-
Taxes	401	202	98.3	371	8.0
PAT	**1,270**	**1,178**	**7.9**	**1,326**	**-4.2**

Source: Company data, I-Sec research

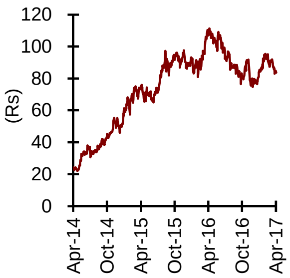
- With volumes up 2.2% YoY in a tough quarter for the industry, we expect margins for TVS Motors to increase 100bps YoY to 7.3%.
- We expect PBT growth to remain strong at 21% YoY, aided by higher other income (up 58% YoY). However, we expect PAT growth of 8% YoY as Q4FY16 had favourable tax rate of 15%.
- **Key monitorables:** Update on the BMW-TVS product launch and distribution network.

4-wheelers

Ashok Leyland (ADD)

(QoQ chg: -3.7%; YTD chg: 2.9%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**65,485**	**59,553**	**10.0**	**44,309**	**47.8**
Raw material costs	46,167	42,255	9.3	31,337	47.3
Employee costs	3,652	3,408	7.2	3,616	1.0
Other expenditures	7,453	6,358	17.2	4,813	54.8
Total operating expenses	**57,272**	**52,022**	**10.1**	**39,766**	**44.0**
EBITDA	**8,213**	**7,531**	**9.0**	**4,543**	**80.8**
EBITDA margin (%)	**12.5**	**12.6**	**-10 bps**	**10.3**	**229 bps**
Depreciation & Amortisation	1,193	1,177	1.3	1,193	-
Other income	271	320	-15.3	-402	-167.3
Interest costs	311	602	-48.3	311	-
PBT	**6,979**	**6,071**	**15.0**	**2,637**	**164.7**
Exceptional Items	-	-3,793	-100.0	-	-
Taxes	1,884	1,508	24.9	778	142.2
PAT	**5,095**	**770**	**561.5**	**1,859**	**174.1**
Adjusted PAT	**5,095**	**3,620**	**40.7**	**1,859**	**174.1**

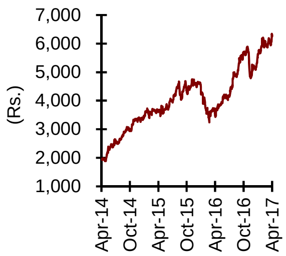
Source: Company data, I-Sec research

- Overall M&HCV demand has been decent (up 8.2% YoY) on a high base of FY16, which is expected to lead to revenue growth of 10% YoY.
- With ~45% QoQ growth in M&HCV volumes, we expect margins to grow 230bps QoQ to 12.5% (despite being dragged lower by BS-III inventory clearance costs).
- **Key monitorables:** M&HCV growth targets for FY18, and overall discounting trends.

Maruti Suzuki (ADD)

(QoQ chg: 8.8%; YTD chg: 17.9%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**190,775**	**153,057**	**24.6**	**168,648**	**13.1**
Raw material costs	135,470	100,950	34.2	116,738	16.0
Employee costs	6,762	6,030	12.1	6,169	9.6
Other expenditures	21,222	22,577	-6.0	20,851	1.8
Total operating expenses	**163,454**	**129,557**	**26.2**	**143,758**	**13.7**
EBITDA	**27,321**	**23,500**	**16.3**	**24,890**	**9.8**
EBITDA margin (%)	**14.8**	**15.7**	**-94 bps**	**15.0**	**-17 bps**
Depreciation & Amortisation	6,330	7,608	-16.8	6,349	-0.3
Other income	5,422	1,212	347.4	5,919	-8.4
EBIT	**26,413**	**17,104**	**-9.7**	**24,460**	**-36.8**
EBIT margin (%)	**13.8**	**11.2**	**267 bps**	**14.5**	**-66 bps**
Interest costs	183	203	-9.7	290	-36.8
PBT	**26,230**	**16,901**	**55.2**	**24,170**	**8.5**
Exceptional Items	-	-	-	-	-
Taxes	7,298	5,565	31.1	6,725	8.5
PAT	**18,932**	**11,336**	**67.0**	**17,445**	**8.5**

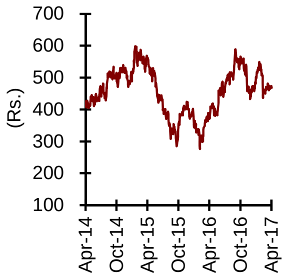
Source: Company data, I-Sec research

- Revenues are expected to grow ~25% YoY on the back of ~15% YoY volume growth and ~11% YoY ASP growth. We expect discounts to decrease to Rs17k/vehicle (down 6%/11% YoY/ QoQ respectively).
- EBITDA margins are likely to decline ~95 bps YoY on lower gross margins (increase in traded goods post commencement of Gujarat plant). Currency tailwinds (INR/YEN) are expected to offset higher commodity costs.
- We believe EBIT margins are a better indicator of profitability as Gujarat volumes ramp up. EBIT margin is likely to increase 267 bps YoY on higher share of premium-segment products and operating leverage benefits.
- **Key monitorables:** Position on hedges and net forex exposure, and production capacity situation*.*

Tata Motors

(QoQ chg: -8.5%; YTD chg: 0.6%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**834,602**	**806,844**	**3.4**	**675,313**	**23.6**
Raw material costs	500,171	464,923	7.6	400,123	25.0
Employee costs	79,322	77,702	2.1	70,446	12.6
Other expenditures	166,075	139,612	19.0	144,991	14.5
Total operating expenses	745,567	682,237	9.3	615,560	21.1
EBITDA	**89,034**	**124,607**	**-28.5**	**59,753**	**49.0**
EBITDA margin (%)	***10.7***	***15.4***	***-478 bps***	***14.1***	***-343 bps***
Depreciation & Amortisation	41,868	44,239	-5.4	42,300	-1.0
Other income	2,883	2,486	16.0	1,674	72.2
Interest costs	9,240	12,552	-26.4	8,707	6.1
Product Dev. Exp.	8,587	10,735	-20.0	8,141	5.5
PBT	**32,222**	**59,567**	**-45.9**	**2,280**	**1,313.5**
Taxes	7,733	13,546	-42.9	8,670	-10.8
PAT before MI, PA and Excep.	**24,489**	**46,021**	**-46.8**	**-6,390**	**-483.2**
Minority Interests	300	383	-21.6	178	68.5
Profit from Associates	3,234	89	3,538.0	3,799	-14.9
Less: Exceptional Items	2,492	-6,044	-141.2	-3,706	-167.2
PAT	**24,931**	**51,771**	**-51.8**	**938**	**2,558.7**
Adjusted PAT	**27,423**	**45,727**	**-40.0**	**-2,769**	**-1,090.5**

Source: Company data, I-Sec research

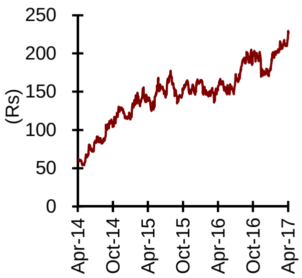
- JLR retail volumes grew ~13% YoY (at around 179.5K units) while higher incentives in North America are expected to hurt ASPs (down 1.8% QoQ) as FX remains neutral QoQ.
- We expect JLR to post revenues of GBP7.95bn (up 21% YoY driven by volume growth and steep FX depreciation) with adjusted EBITDA margin of 11.8% (up 170bps QoQ).
- We expect PAT of GBP390.7mn, including CJLR contribution of GBP36.7mn.
- Standalone businesses combined are expected to incur losses (of Rs5.0bn) on account of higher commodity costs and increased discounting in the M&HCV segment.
- **Key monitorables:** Capital expenditure outlook, demand and discounting trends across key markets, and free cashflow outlook.

Ancillaries

Asahi India Glass (BUY)

(QoQ chg: 12.4%; YTD chg: 25.6%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**6,117**	**5,703**	**7.3**	**5,730**	**6.8**
Raw material costs	2,172	2,179	-0.3	1,834	18.4
Employee costs	554	532	4.3	567	-2.3
Other expenditures	1,560	1,278	22.0	1,592	-2.0
Power & Fuel	709	564	25.7	681	4.1
Total operating expenses	**4,994**	**4,552**	**9.7**	**4,673**	**6.9**
EBITDA	**1,123**	**1,150**	**-2.4**	**1,056**	**6.3**
EBITDA margin (%)	**18.4**	**20.2**	**-181 bps**	**18.4**	**-8 bps**
Depreciation & Amortisation	282	262	7.3	276	2.0
Other income	14	7	107.2	14	-
Interest costs	325	341	-4.8	345	-5.8
PBT	**531**	**553**	**-4.1**	**450**	**18.1**
Exceptional Items	-20	42	-147.2	45	-144.2
Taxes	182	236	-23.1	146	24.8
PAT before MI	**369**	**275**	**34.4**	**259**	**42.7**
Minority Interests	-	-	-	-	-
PAT after MI	**369**	**275**	**34.4**	**259**	**42.7**
Adjusted PAT	**349**	**317**	**10.1**	**304**	**14.9**

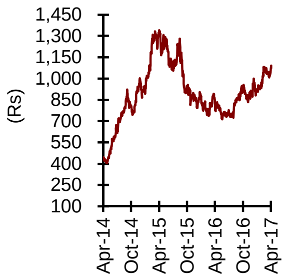
Source: Company data, I-Sec research

- We expect moderate topline growth (7.3% YoY) as the company's non-auto segment demand could remain tepid.
- On a QoQ basis, we expect similar operating performance (flat margins at 18.4%).
- We expect PAT to grow 34.4% YoY, led by lower interest costs (down 5% YoY) and forex gains (around Rs20mn).
- **Key monitorables:** Taloja plant progress, and demand scenario in the architectural glass segment.

Bharat Forge (HOLD)

(QoQ chg: 13.6%; YTD chg: 19.3%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**9,946**	**10,080**	**-1.3**	**9,437**	**5.4**
Raw material costs	3,256	3,616	-10.0	3,076	5.9
Employee costs	896	929	-3.6	905	-1.0
Other expenditures	1,125	976	15.3	1,052	6.9
Manufacturing exps.	1,943	1,577	23.2	1,799	8.0
Total operating expenses	**7,220**	**7,098**	**1.7**	**6,831**	**5.7**
EBITDA	**2,727**	**2,982**	**-8.6**	**2,606**	**4.6**
EBITDA margin (%)	**27.4**	**29.6**	**-217 bps**	**27.6**	**-20 bps**
Depreciation & Amortisation	739	644	14.7	739	0.0
Other income	303	225	34.7	208	45.9
Interest costs	201	202	-0.3	183	9.9
PBT	**2,089**	**2,361**	**-11.5**	**1,892**	**10.4**
Exceptional Items	-	-	-	-	-
Taxes	669	716	-6.6	606	10.4
PAT after exceptionals	**1,421**	**1,645**	**-13.6**	**1,286**	**10.5**
Profit from Associates	-	-	-	-	-
PAT	**1,421**	**1,645**	**-13.6**	**1,286**	**10.5**
Adjusted PAT	**1,421**	**1,645**	**-13.6**	**1,286**	**10.5**

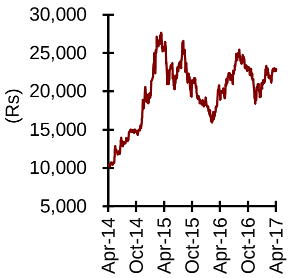
Source: Company data, I-Sec research

- Slower pre-buy in domestic M&HCV segment and only a moderate recovery in the North American truck market would be lead to revenue decline of 1.3% YoY.
- Operating profitability is expected to remain stable on QoQ basis. We expect EBITDA margin to drop by 20bps YoY to 27.4%.
- **Key monitorables:** Update on the North America truck market, any new orders from the Indian non-auto segment, and update on overseas expansion program.

Bosch (HOLD)

(QoQ chg: 7.3%; YTD chg: 8.0%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**27,204**	**24,672**	**10.3**	**26,720**	**1.8**
Raw material costs	14,397	12,517	15.0	14,609	-1.5
Employee costs	3,599	3,417	5.3	3,875	-7.1
Other expenditures	3,602	3,231	11.5	5,568	-35.3
Total operating expenses	**21,598**	**19,165**	**12.7**	**24,053**	**-10.2**
EBITDA	**5,606**	**5,507**	**1.8**	**2,667**	**110.2**
EBITDA margin (%)	**20.6**	**22.3**	**-171 bps**	**10.0**	**1063 bps**
Depreciation & Amortisation	1,390	1,177	18.1	1,294	7.4
Other income	2,079	1,779	16.9	1,634	27.2
Interest costs	2	14	-83.3	17	-85.9
PBT	**6,293**	**6,096**	**3.2**	**2,991**	**110.4**
Exceptional Items	-	-	-	-3	-100.0
Taxes	2,014	1,375	46.4	812	148.0
PAT before MI	**4,279**	**4,720**	**-9.3**	**2,182**	**96.1**
Minority Interests	-	-	-	-	-
PAT after MI	**4,279**	**4,720**	**-9.3**	**2,182**	**96.1**
Profit from Associates	-	185	-100.0	-	-
PAT	**4,279**	**4,906**	**-12.8**	**2,182**	**96.1**

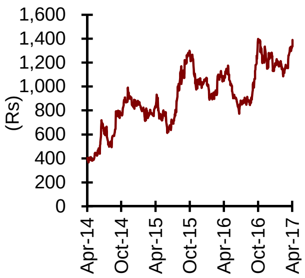
Source: Company data, I-Sec research
Note: YoY not comparable due to change of fiscal year-end from December to March

- We expect revenue growth to clock double-digits (10.3% YoY) aided by strong growth in the tractor segment.
- The company is expected to witness 170bps YoY reduction in EBITDA margin on lower gross margins.
- **Key monitorables:** Details on content increase and market share post new emission norm**s** adoption in the M&HCV segment.

CEAT (BUY)

(QoQ chg: 12.6%; YTD chg: 19.0%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**15,612**	**13,914**	**12.2**	**13,823**	**12.9**
Raw material costs	9,524	7,849	21.3	8,135	17.1
Employee costs	998	901	10.7	998	-
Other expenditures	3,604	3,302	9.2	3,186	13.1
Total operating expenses	**14,125**	**12,052**	**17.2**	**12,318**	**14.7**
EBITDA	**1,487**	**1,862**	**-20.2**	**1,505**	**-1.2**
EBITDA margin (%)	**9.5**	**13.4**	**-386 bps**	**10.9**	**-136 bps**
Depreciation & Amortisation	349	283	23.1	349	-
Other income	111	61	81.5	238	-53.3
Interest costs	259	229	13.2	185	39.8
PBT	**991**	**1,412**	**-29.8**	**1,210**	**-18.1**
Exceptional Items	-	104	-100.0	-	-
Taxes	306	286	7.0	268	14.3
PAT	**685**	**1,126**	**-39.2**	**942**	**-27.3**
Adjusted PAT	**685**	**1,103**	**-37.9**	**942**	**-27.3**

Source: Company data, I-Sec research

- We expect the impact of demonetisation to recede and revenue growth in Q4FY17 to be back in double digit territory, while steep commodity costs increases may hurt EBITDA margin (down 386bps YoY to 9.5%).
- Higher interest costs and lower other income could also affect earnings growth.
- **Key monitorables:** Outlook on replacement market demand on the 2W side, and industry pricing outlook in H1FY18E.

Mahindra CIE Automotive (ADD)

(QoQ chg: 13.4%; YTD chg: 20.8%)

Quarterly estimates

(Rs mn, year ending December 31)

	Standalone					Consolidated				
	Q1CY17	Q1CY16	YoY (%)	Q4CY16	QoQ (%)	Q1CY17	Q1CY16	YoY (%)	Q4CY16	QoQ (%)
Total operating income	**4,123**	**4,042**	**2.0**	**4,026**	**2.4**	**12,884**	**13,269**	**-2.9**	**13,642**	**-5.6**
EBITDA	**404**	**381**	**6.0**	**377**	**7.1**	**1,280**	**1,420**	**-9.8**	**1,063**	**20.4**
EBITDA Margin	*9.8*	*9.4*	*37 bps*	*9.4*	*42 bps*	*9.9*	*10.7*	*-77 bps*	*7.8*	*214 bps*
Reported PAT	**115**	**153**	**-24.5**	**109**	**5.6**	**396**	**535**	**-26.0**	**304**	**30.3**
PAT Margin	*2.8*	*3.8*	*-99 bps*	*2.7*	*8 bps*	*3.1*	*4.0*	*-96 bps*	*2.2*	*85 bps*
EPS	**0.36**	**0.47**	**-24.5**	**0.34**	**5.6**	**1.23**	**1.66**	**-26.0**	**0.94**	**30.3**

Source: Company data, I-Sec research

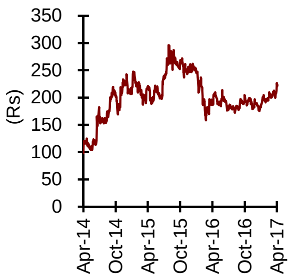
Subsidiaries

(EUR mn, year ending December 31)

	Q1CY17	Q1CY16	YoY (%)	Q4CY16	QoQ (%)
Total operating income	**122**	**122**	**0.0**	**128**	**-4.6**
EBITDA	**12.2**	**14**	**-11.2**	**9**	**33.8**
EBITDA Margin	*10.0*	*11.3*	*-126 bps*	*7.1*	*287 bps*
Reported PAT	**3.9**	**5**	**-22.7**	**3**	**51.1**
PAT Margin	*3.2*	*4.1*	*-94 bps*	*2.0*	*118 bps*
EPS	**0.01**	**0.02**	**-22.7**	**0.01**	**51.1**

Source: Company data, I-Sec research

Price chart

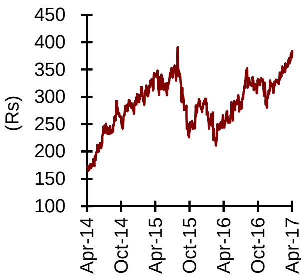


- Turnaround in European operations and reduced one-offs are expected lead to a QoQ operating recovery (consolidated EBITDA margin likely to be up 214 bps QoQ to 9.9%).
- **Key monitorables:** Update on turnaround in MFE plants, and domestic demand scenario (key customers include M&M and Tata Motors).

Motherson Sumi Systems (BUY)

(QoQ chg: 15.3%; YTD chg: 16.6%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**113,873**	**102,349**	**11.3**	**106,041**	**7.4**
Raw material costs	68,633	59,428	15.5	65,427	4.9
Employee costs	19,267	20,086	-4.1	19,964	-3.5
Other expenditures	12,882	12,192	5.7	9,903	30.1
Forex Loss/(Gain)	285	44	543.0	-346	-182.6
Total operating expenses	**101,068**	**91,751**	**10.2**	**94,948**	**6.4**
EBITDA	**12,805**	**10,598**	**20.8**	**11,093**	**15.4**
Adj. EBITDA margin (%)	***11.5***	***10.4***	***110 bps***	***10.1***	***136 bps***
Depreciation & Amortisation	2,786	3,488	-20.1	2,733	2.0
Other income	70	55	28.3	433	-83.8
Interest costs	1,064	656	62.2	1,084	-1.9
PBT	**9,026**	**6,509**	**38.7**	**7,710**	**17.1**
Exceptional Items	-	3	-100.0	-	-
Taxes	2,642	704	275.3	2,845	-7.1
PAT before MI	**6,383**	**5,802**	**10.0**	**4,864**	**31.2**
Minority Interests	1,733	1,662	4.3	1,314	31.9
PAT after MI	**4,650**	**4,140**	**12.3**	**3,550**	**31.0**
Profit from Associates	455	-3	-16,940.8	609	-25.3
PAT	**5,105**	**4,137**	**23.4**	**4,159**	**22.7**
Adjusted PAT	**5,105**	**4,140**	**23.3**	**4,159**	**22.7**

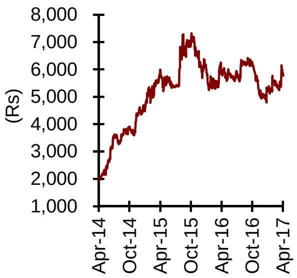
Source: Company data, I-Sec research

- Consolidated revenues are expected to jump 11% YoY driven by strong revenue growth (around 14%) in the SMRPBV vertical.
- Better operating performance (on QoQ basis) at SMRPBV and continued traction in India business margins are expected to drive performance. Overall EBITDA margin could rise by 110 bps YoY.
- **Key monitorables:** Progress on ramp-up of greenfield facilities in SMP (China, Mexico, Germany), and details about PKC's business growth plans.

Wabco India (HOLD)

(QoQ chg: 24.6%; YTD chg: 31.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Total operating income	**4,642**	**4,289**	**8.2**	**5,367**	**-13.5**
Raw material costs	2,730	2,546	7.3	3,168	-13.8
Employee costs	496	416	19.0	435	14.0
Other expenditures	734	676	8.7	720	1.9
Total operating expenses	**3,960**	**3,638**	**8.9**	**4,323**	**-8.4**
EBITDA	**682**	**651**	**4.7**	**1,044**	**-34.6**
EBITDA margin (%)	**14.7**	**15.2**	**-49 bps**	**19.5**	**-476 bps**
Depreciation & Amortisation	149	139	6.8	152	-1.7
Other income	94	92	2.4	93	0.5
Interest costs	0	-	-	-	-
PBT	627	604	3.9	986	-36.4
Exceptional Items	-	-	-	-	-
Taxes	155	121	28.3	247	-37.3
PAT	**472**	**483**	**-2.2**	**739**	**-36.1**

Source: Company data, I-Sec research

- We expect relatively soft revenue growth of 8.4% YoY on modest growth in OEM demand due to weak pre-buy and overhang on BS-III inventory clearance.
- We expect EBITDA margin to expand (338bps YoY) due to higher gross margin and better cost control measures.
- **Key monitorables:** Outlook for volume growth in H1FY18, and adoption rates of new products like AMT amongst large M&HCV OEMs.

In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company.

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #37-16 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

ANALYST CERTIFICATION

We /I, *Nishant Vass, MBA (Finance); Venil Shah, MBA (Finance);* Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our 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 the ICICI Securities Inc.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990.ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securitiesis under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that *Nishant Vass, MBA (Finance); Venil Shah, MBA (Finance);* Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that *Nishant Vass, MBA (Finance); Venil Shah, MBA (Finance);* Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.