

EICHER MOTORS

In-line quarter

India Equity Research | Automobiles

Eicher Motors' (EIM) Q1FY18 operating performance for Royal Enfield (RE) was largely in line with estimates. Operating leverage benefits are not yet visible as the company is re-investing in the business. We expect the benefits to start filtering in from FY18. The average waiting period for *Classic 350* is of ~2 months and it is ~1 month for other models; high resale value and strong brand equity are key drivers for *Classic 350*. FY19 indicative capacity guidance of ~900K units is conservative in our view and likely to be upgraded in coming quarters. Brazil, Columbia, Thailand and Indonesia continue to remain key focus markets for exports and EIM is focusing on enhancing both quality and reach of its distribution network. Maintain 'BUY'.

In-line operating performance

Standalone revenue of ~INR20bn, up 28.4% YoY, was marginally above our estimates. However, higher-than-expected raw material cost pressure led to 40bps QoQ dip in gross margins at 47.3%. EBITDA, at INR6.3bn (up 31% YoY), was in line with estimate. RE cut prices in June to pass on GST benefit. VECV performance was in line with our estimates, with revenue of INR1.49bn, down 24% YoY and 8.3% EBITDA margin.

RE: Demand outlook robust, capacity ramp up plans on track

Classic 350 continues to witness strong demand in domestic markets across regions and seems to be now cannibalising siblings from the family. We believe domestic demand opportunity is reasonably big driven by shifting consumer preference – [refer our note Race of Unequals dated July 10, 2017](#). For exports, efforts to enhance brand identity and network presence across focus markets present the next level of growth. Steady progress on network expansion (~700 outlets) and production ramp up of third new plant should help sustain the volume momentum for RE.

Outlook and valuations: On firm footing; maintain 'BUY'

Our ~44% EPS CAGR over FY17-19E is driven by strong demand for RE and margin improvement, led by scale and vendor consolidation benefits. VECV is also focusing on profitable growth and has enhanced market share riding new launches. At CMP, the stock trades at FY19E PER of 25x. We maintain 'BUY/SO' with TP of INR34,891 (30x core EPS, 17x VECV core EPS and INR2,576 cash per share).

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA (R: EICH.BO, B: EIM IN)

CMP	: INR 31,489
Target Price	: INR 34,891
52-week range (INR)	: 32,465 / 19,530
Share in issue (mn)	: 27.2
M cap (INR bn/USD mn)	: 857 / 13,427
Avg. Daily Vol.BSE/NSE('000)	: 53.2

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	50.6	50.6	50.6
MF's, FI's & BK's	4.3	4.0	3.8
FII's	31.9	32.5	32.5
Others	13.2	12.9	13.0
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Auto Index
1 month	13.1	2.5	2.1
3 months	16.1	6.3	7.3
12 months	42.6	14.2	12.1

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Financials

(INR mn)

Year to March	Q1FY18	Q1FY17	% Chg	Q4FY17	% Chg	FY17	FY18E	FY19E
Net revenues	20,006	15,557	28.6	18,881	6.0	70,334	94,198	127,881
EBITDA	6,207	4,702	32.0	5,848	6.1	21,740	30,674	43,427
Adjusted Profit	4,596	3,763	22.1	4,594	0.0	16,671	24,570	34,663
Adjusted Diluted EPS	170.0	139.2	22.1	169.9	0.0	613.8	904.6	1,276.2
Diluted P/E (x)						51.3	34.8	24.7
EV/EBITDA (x)						31.3	23.3	16.2
ROAE (%)						37.1	38.6	39.3

Q1FY18 conference call: Key highlights

Royal Enfield (RE)

Demand

- Waiting period for Classic 350 is ~2 months and on average is less than 1 month for other models.
- Brand equity and resale value are extremely high for the Classic 350 model, which is driving volume growth. It appears customers were earlier buying other models from RE due to non-availability of Classic
- Classic has seen strong response across regions and geographies. Bullet is more of rural and semi-urban product, while the Thunderbird more of an urban product (good demand across Southern region).
- RE does not feel the need for a global partnership, instead wants to focus on executing its own strategy in terms of new products, marketing efforts and network expansion.
- Every future model launch will be domestic focused and the company will refrain from launching products exclusively for export markets. Models with domestic relevance will have more scale and hence better profitability.
- As per the company, demand for 500cc segment has been curtailed since the styling is similar to the 350cc variants and incremental power output is only slightly higher. EIM is watching the space and will come up with appropriate solutions at right time.

Dealerships

- Continues to make progress on expanding network, currently has ~700 outlets.

Exports

- Shifted to a new technical centre in UK, which is equipped with a testing facility of 36,000sq ft, and has over 100 employees. In the second phase, testing and validation capabilities will be added and is expected to be operational by Dec 2017.
- Presence across 27 markets with ~600 multi-brand stores. Brazil, Columbia, Indonesia and Thailand remain the key focus markets.
- Focus is on enhancing quantity and quality of network. Within multi-brand outlets, it is working on enhancing space within the stores. Focus is also on improving quality of dealers (increasing presence across larger urban centres).

Capacity

- Reiterated production guidance of 825K units for FY18.
- To ramp up the monthly production run-rate to 85K units/month from 60K currently in over 6-9 months, as production from Vallamvadagal plant ramps up.
- Indicated FY19 capacity at ~900K, but will give a correct production guidance at a later stage.

Margins

- Gross margins have been largely flattish in past few quarters. Price and costs went up due to BS-IV and company is seeing some impact of higher commodity costs as well. RE took a price cut in June to pass on GST benefit, but has since not taken any price hike.
- There was no GST related dealer compensation impact in the quarter.
- Believes products are fairly priced, better margins are a result of production efficiencies and low cost base. RE prefers to take smaller and more continuous price increases as opposed to a one-time sharp increase in price.
- All 3 plants are very close to each other, so there remains further scope of benefits from vendor consolidation.

VECV

- EBITDA was INR1.49bn, down 24% YoY and Q1FY18 margin stood at 8.3%.
- CV industry demand was affected by demonetisation, BS-IV transition issues and GST implementation. Transition to BS-IV was relatively smooth with lower BS-III stock.
- Volumes declined by 27% YoY in line with industry.
- VECV has lost market share across segments impacted by supply issues and higher inventory stocking by peers. The company believes there are no structural issues on demand front, while distribution continues to ramp up.
- M&HCV industry discounts remain at elevated levels.
- Medium duty engine volumes were 7,264 units, up 57% YoY.

Polaris

- Continues to expand distribution footprint.
- Plans to replicate the success seen in Kerala markets in rest of the country.

Table 1: Valuation snapshot

INR mn	FY19E	Target Multiple (x)	Target price
VECV (54.4% stake)	81	17.0	1,378
Standalone core EPS	1,031	30.0	30,936
Standalone cash per share			2,576
Value per share (INR)			34,891

Source: Edelweiss research

Table 2: Key assumptions

Volumes	FY16	FY17	FY18E	FY19E
Total CV	62,843	55,338	59,697	65,552
% YoY	23.4	10.1	7.9	9.8
MHCV	42,798	38,722	41,761	46,075
% YoY	22.9	13.1	7.8	10.3
LCV	18,546	15,453	16,657	18,070
% YoY	23.6	4.2	7.8	8.5
Volvo	1,499	1,163	1,279	1,407
% YoY	34.6	(3.0)	10.0	10.0
2-wh (RE)	601,000	666,490	841,162	1,112,407
% YoY	58.9	38.6	26.2	32.2

Financial Snapshot – Standalone (INR mn)

Year to March	Q1FY18	Q1FY17	YoY change (%)	Q4FY17	QoQ change (%)
Total income	19,999	15,575	28.4	18,844	6.1
Net RM cost	10,591	8,307	27.5	9,908	6.9
Employee expenses	1,160	865	34.1	1,014	14.4
Other expenses	1,971	1,605	22.8	2,012	(2.1)
EBIDTA	6,278	4,798	30.8	5,910	6.2
Depreciation	450	394	14.4	430	4.7
EBIT	5,827	4,404	32.3	5,481	6.3
Less: Interest Expense	7	7	1.5	7	(2.9)
Add: Other income	1,294	468	176.4	550	135.2
Profit before tax	7,115	4,866	46.2	6,024	18.1
Less: Provision for Tax	2,172	1,495	45.3	1,909	13.8
Reported Profit	4,943	3,763	31.4	4,116	20.1

As % of total income

Year to March	Q1FY18	Q1FY17	YoY change (bps)	Q4FY17	QoQ change (bps)
Raw material	53.0	53.3	(37.8)	52.6	37.8
Staff costs	5.8	5.6	24.5	5.4	42.0
Other expenses	9.9	10.3	(45.0)	10.7	(82.3)
EBIDTA	31.4	30.8	58.3	31.4	2.5
Reported PAT	24.7	24.2	55.7	21.8	287.8
Tax rate	30.5	30.7	(20.1)	31.7	(115.8)

Financial Snapshot – VECV (INRmn)

Year to March	Q1FY18	Q1FY17	YoY change (%)	Q4FY17	QoQ change (%)
Revenues	18,030	21,390	(15.7)	25,540	(29.4)
EBITDA	1,490	1,940	(23.2)	2,090	(28.7)
PAT	650	1,060	(38.7)	1,160	(44.0)
EBITDA margin (%)	8.3	9.1		8.2	
PAT margin (%)	3.6	5.0		4.5	

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	20,006	15,557	28.6	18,881	6.0	70,334	94,198	127,881
Raw material costs	10,573	8,314	27.2	9,925	6.5	37,045	48,865	65,876
Staff costs	1,206	906	33.1	1,060	13.8	4,024	5,174	6,005
Other expenses	2,021	1,636	23.5	2,048	(1.3)	7,526	9,485	12,573
EBITDA	6,207	4,702	32.0	5,848	6.1	21,740	30,674	43,427
Depreciation	452	394	14.8	432	4.7	1,538	2,196	2,592
EBIT	5,755	4,308	33.6	5,416	6.3	20,201	28,477	40,835
Other income	777	468	66.0	551	41.2	2,273	4,333	5,583
Interest	11	7	62.3	11	2.8	36	27	27
Add: Exceptional items								
Profit before tax	6,521	4,769	36.7	5,956	9.5	22,439	32,783	46,391
Provision for taxes	2,175	1,473	47.7	1,890	15.1	7,203	9,835	13,917
Minority interest								
Associate profit share	250	467	(46.4)	528	(52.6)	-	-	-
Reported net profit	4,596	3,763	22.1	4,594	0.0	16,671	24,570	34,663
Adjusted Profit	4,596	3,763	22.1	4,594	0.0	16,671	24,570	34,663
Diluted shares (mn)	27	27		27		27	27	27
Adjusted Diluted EPS	170.0	139.2	22.1	169.9	0.0	613.8	904.6	1,276.2
Diluted P/E (x)	-	-		-		51.3	34.8	24.7
EV/EBITDA (x)	-	-		-		31.3	23.3	16.2
ROAE (%)	-	-		-		37.1	38.6	39.3
As % of net revenues								
Raw material	52.8	53.4		52.6		52.7	51.9	51.5
Employee cost	6.0	5.8		5.6		5.7	5.5	4.7
Other expenses	10.1	10.5		10.8		10.7	10.1	9.8
EBITDA	31.0	30.2		31.0		30.9	32.6	34.0
Adjusted net profit	23.0	24.2		24.3		23.7	26.1	27.1
Reported net profit	23.0	24.2		24.3		23.7	26.1	27.1
Tax rate	33.4	30.9		31.7		32.1	30.0	30.0

Company Description

Incorporated in 1982, Eicher Motors (EIM) is the flagship company of the Eicher Group in India and a leading player in the Indian motorcycle and commercial vehicle (CV) segments. EIM manufactures and markets its motorcycle under the iconic brand name, 'Royal Enfield' and is market leader in the >250cc motorcycle segment with over 95% market share. EIM is a structural story on the premiumisation theme in motorcycles. The CV segment operates under a joint venture (JV) called VE Commercial Vehicles (VECV). We believe it is a strong candidate to break the duopoly of Tata Motors/Ashok Leyland in M&HCVs. Strong balance sheet, credible partner Volvo and management provide additional comfort.

Investment Theme

EIM (RE) remains key beneficiary of the shift in demand towards >250cc motorcycles given the ongoing premiumisation trend. Strong order book position, low penetration levels for premium motorcycles (3 per 1,000 males), network expansion across tier I/II cities and improving traction across export markets are likely to sustain the volume momentum. Operation leverage benefits are expected to drive robust ~280bps margin improvement over FY17-19E. We believe VECV is a strong candidate to break the duopoly of Tata Motors/Ashok Leyland in M&HCVs.

Key Risks

Capacity constraints for 2W: Slower pace of capacity addition will restrict EIM's ability to capitalise on the virtual monopolistic situation that it currently enjoys.

Excessive reliance on single model: Around 70% of 2W sales are currently accounted by its single model, Classic. We believe, it is pertinent for EIM to create an alternate successful model given the fast-changing consumer preferences.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Sector				
Motorcycle - dom. vol. (% YoY)	-	4.0	5.0	8.0
MHCV - domestic vol (% YoY)	30.0	1.0	8.0	8.0
Company				
Revenue assumptions				
Motorcycle - domestic volume (% YoY)	58.9	38.6	26.2	32.2
MHCV - domestic vol (% YoY)	27.0	7.5	7.8	9.8
LCV - dom. vol. (% YoY)	27.4	4.7	7.4	8.2
Average price (INR)				
Royal Enfield (INR)	107,651	109,217	110,310	112,295
Royal Enfield (% YoY)	6.0	1.5	1.0	1.8
VECV (INR)	872,260	863,537	949,891	978,387
VECV (% YoY)	8.2	(1.0)	10.0	3.0
Cost assumptions				
RM cost/vehicle	51,746	51,321	54,243	55,924
Employee cost/vehicle	5,275	5,574	5,744	5,098
EBITDA/vehicle	25,452	30,117	34,050	36,866
Financial assumptions				
Depreciation rate (%)	12.8	11.9	10.5	10.0
Tax rate (%)	31.2	32.1	30.0	30.0
Dividend payout (%)	26.4	23.1	17.3	17.3
B/S assumptions				
Net borrowings (INR mn)	(358)	218	(144)	-
Capex (INR mn)	(25,587)	5,036	8,000	5,000
Debtor days	18	2	2	2
Inventory days	51	32	29	28
Payable days	178	129	127	127
Cash conversion cycle	(110)	(95)	(96)	(97)

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	61,735	70,334	94,198	127,881
Materials costs	34,351	37,045	48,865	65,876
Employee costs	3,502	4,024	5,174	6,005
Total SG&A expenses	6,985	7,526	9,485	12,573
Total operating expenses	44,839	48,594	63,524	84,454
EBITDA	16,896	21,740	30,674	43,427
Depreciation	1,366	1,538	2,196	2,592
EBIT	15,530	20,201	28,477	40,835
Add: Other income	1,780.9	2,273.3	4,332.75	5,582.83
Less: Interest Expense	21	36	27	27
Profit Before Tax	17,290	22,439	32,783	46,391
Less: Provision for Tax	5,389	7,203	9,835	13,917
Associate profit share	-	1,435	1,621	2,189
Reported Profit	11,901	16,671	24,570	34,663
Adjusted Profit	11,901	16,671	24,570	34,663
Shares o /s (mn)	27	27	27	27
Adjusted Basic EPS	438.2	613.8	904.6	1,276.2
Diluted shares o/s (mn)	27	27	27	27
Adjusted Diluted EPS	438.2	613.8	904.6	1,276.2
Adjusted Cash EPS	438.1	625.1	924.6	1,301.8
Dividend per share (DPS)	100.2	100.0	136.0	191.9
Dividend Payout Ratio(%)	26.4	23.1	17.3	17.3

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	72.6	69.1	67.4	66.0
Materials costs	55.6	52.7	51.9	51.5
Staff costs	5.7	5.7	5.5	4.7
S G & A expenses	11.3	10.7	10.1	9.8
Depreciation	2.2	2.2	2.3	2.0
Interest Expense	-	0.1	-	-
EBITDA margins	27.4	30.9	32.6	34.0
Net Profit margins	19.3	23.7	26.1	27.1

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(39.9)	34.0	33.9	35.8
EBITDA	28.8	51.4	41.1	41.6
PBT	48.1	52.7	46.1	41.5
Adjusted Profit	64.4	64.8	47.4	41.1
EPS	64.0	64.8	47.4	41.1

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	272	272	271	271	
Reserves & Surplus	36,259	53,179	73,491	102,148	
Shareholders' funds	36,531	53,451	73,762	102,419	
Short term borrowings	-	-	300	300	
Long term borrowings	226	444	-	-	
Total Borrowings	226	444	300	300	
Def. Tax Liability (net)	359	778	778	778	
Sources of funds	37,115	54,673	74,840	103,496	
Gross Block	10,708	12,951	20,951	25,951	
Net Block	7,942	8,728	14,531	16,939	
Capital work in progress	945	3,738	3,738	3,738	
Total Fixed Assets	8,886	12,466	18,269	20,677	
Cash and Equivalents	34,195	50,044	67,264	97,341	
Inventories	3,084	3,359	4,329	5,879	
Sundry Debtors	326	500	657	892	
Loans & Advances	2,830	3,535	5	6	
Other Current Assets	68	3	4,723	6,413	
Current Assets (ex cash)	6,309	7,397	9,713	13,191	
Trade payable	11,714	14,548	19,485	26,461	
Other Current Liab	561	686	922	1,251	
Total Current Liab	12,275	15,234	20,407	27,713	
Net Curr Assets-ex cash	(5,967)	(7,837)	(10,694)	(14,522)	
Uses of funds	37,115	54,673	74,840	103,496	
BVPS (INR)	1,345.0	1,968.0	2,715.8	3,770.9	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	11,901	16,671	24,570	34,663	
Add: Depreciation	1,366	1,538	2,196	2,592	
Interest (Net of Tax)	15	24	19	19	
Others	1,349	(392)	(1,468)	(1,746)	
Less: Changes in WC	1,683	1,870	2,857	3,829	
Operating cash flow	14,631	17,841	25,317	35,527	
Less: Capex	(25,587)	5,036	8,000	5,000	
Free Cash Flow	40,218	12,805	17,317	30,527	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		14,631	17,841	25,317	35,527
Investing cash flow		(10,014)	(18,797)	(18,159)	(31,417)
Financing cash flow		(4,655)	(3,668)	(4,429)	(6,033)
Net cash Flow		(38)	(4,624)	2,729	(1,923)
Capex		25,587	(5,036)	(8,000)	(5,000)
Dividend paid		(3,138)	(3,851)	(4,257)	(6,006)

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		32.8	37.1	38.6	39.3
ROACE (%)		47.2	49.6	51.3	52.5
Inventory Days		51	32	29	28
Debtors Days		18	2	2	2
Payable Days		178	129	127	127
Cash Conversion Cycle		(110)	(95)	(96)	(97)
Current Ratio		3.3	3.8	3.8	4.0
Gross Debt/EBITDA		-	-	-	-
Gross Debt/Equity		-	-	-	-
Adjusted Debt/Equity		-	-	5.6	5.5
Net Debt/Equity		(0.9)	(0.9)	-	-
Interest Coverage Ratio		732.6	567.5	-	-

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		1.6	1.5	1.5	1.4
Fixed Asset Turnover		4.0	8.4	6.1	6.6
Equity Turnover		1.7	1.6	1.5	1.5

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		438.2	613.8	904.6	1,276.2
Y-o-Y growth (%)		64.0	64.8	47.4	41.1
Adjusted Cash EPS (INR)		438.1	625.1	924.6	1,301.8
Diluted P/E (x)		71.9	51.3	34.8	24.7
P/B (x)		23.4	16.0	11.6	8.4
EV / Sales (x)		13.3	11.5	8.4	5.9
EV/Sales adjusted for Volvo		7.3	6.9	5.6	4.2
EV / EBITDA (x)		48.6	37.1	25.7	17.5
EV/EBITDA adjusted for Volvo		38.6	31.3	23.3	16.2
Dividend Yield (%)		0.3	0.3	0.4	0.6

Additional Data

Directors Data

S Sandilya, Chairman	Non-Executive Independent Directors	Priya Brat	Non-Executive Independent Directors
M J Sibbaiah	Non-Executive Independent Directors	Prateek Jalan	Non-Executive Independent Directors
Siddhartha Lal, MD	Executive Director	R L Ravichandran, Whole Time Director	Executive Director

Auditors - Deloitte Haskins & Sells

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
The Simran Siddhar Tara Ben Trst	44.19	Vanguard Group	1.64
Capital Group Companies Inc	3.83	Lal Simran Vikram	1.16
Citigroup Gbl Mkts Maurit	2.01	Lal Tara Vikram	1.16
Brinda Lal Trust	1.78	Joshi Rukmani	1.12
Blackrock	1.74	Tiaa-Cref	0.79

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
03 Apr 2017	KARVANSARAI TRAVEL & LIFESTYLE PVT. LTD.	Buy	15143.00
03 Apr 2017	EICHER GOODEARTH PVT. LTD.	Sell	15143.00
31 Mar 2017	KARVANSARAI TRAVEL & LIFESTYLE PVT. LTD.	Buy	15143.00
31 Mar 2017	EICHER GOODEARTH PVT. LTD.	Sell	15143.00
02 Feb 2017	THE SIMRAN SIDDHARTHA TARA BENEFIT TRUST	Buy	2479907.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Amara Raja Batteries	BUY	None	None	Ashok Leyland	BUY	SO	H
Bajaj Auto	HOLD	SU	L	Ceat Ltd	BUY	SO	L
Eicher Motors	BUY	SO	M	Exide Industries	BUY	SP	L
Hero MotoCorp	HOLD	SU	H	Mahindra & Mahindra Ltd	BUY	SO	M
Maruti Suzuki India Ltd	BUY	SO	H	Minda Corporation	BUY	SO	M
Motherson Sumi Systems	HOLD	SU	H	Suprajit Engineering	BUY	SO	H
Tata Motors Ltd	HOLD	SP	H				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss
Ideas create, values protect



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Coverage group(s) of stocks by primary analyst(s): Automobiles

Ashok Leyland, Amara Raja Batteries, Bajaj Auto, Ceat Ltd, Eicher Motors, Exide Industries, Hero MotoCorp, Minda Corporation, Mahindra & Mahindra Ltd, Maruti Suzuki India Ltd, Motherson Sumi Systems, Suprajit Engineering, Tata Motors Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
08-Aug-17	Amara Raja Batteries	Auto healthy, industrial sluggish; pressure on margin; <i>Result Update</i>	801	Buy
04-Aug-17	Mahindra & Mahindra	Resilient margins; demand outlook robust; <i>Result Update</i>	1,418	Buy
04-Aug-17	Ceat	Weak quarter; worst behind; <i>Result Update</i>	1,740	Buy

Distribution of Ratings / Market Cap

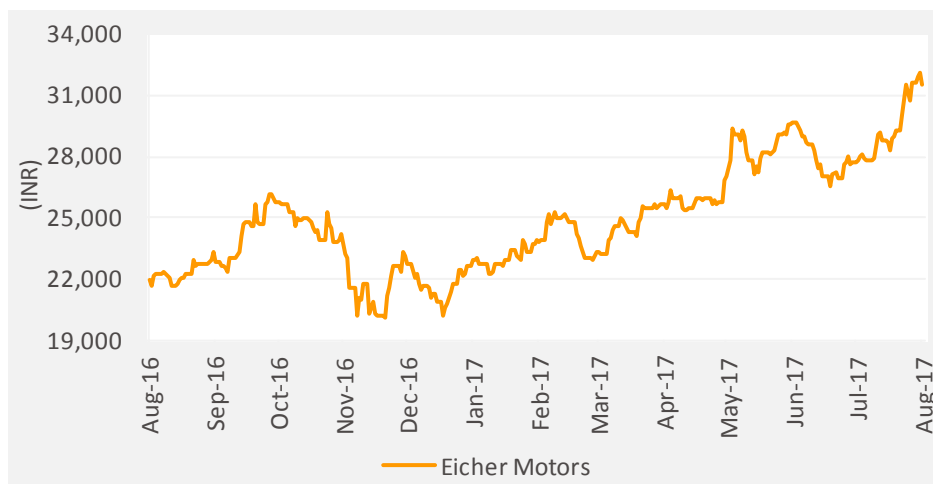
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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