VISIT NOTE

# MAHINDRA & MAHINDRA

## Tractors: From local to global

India Equity Research| Automobiles

**At the recent Farm Equipment Segment (FES) investor day, Mahindra & Mahindra (M&M) management: (1) shed light on its ambition in the global agri-machinery space; 2) made a commitment to improve EBIT margin of the global FES business from -1% to 5% over the medium term (this would add 3–5% to consolidated profit in our view); 3) indicated strong underlying demand in the domestic market with tractor penetration at only 40% of the peak potential of 16.2m tractors; and 4) showcased digitization initiatives to facilitate customer experience. The FES investor day along with *Auto Day* held earlier vindicates our thesis (*Has its time come?*) that M&M is on track to address the two key investor concerns — UV and profitability of subsidiaries. Maintain 'BUY'.**

### Key takeaways

- **Global FES business:** M&M's strategy focuses on: a) small farmers (<50-hectare holdings); b) key agriculture markets such as USA, Mexico, Brazil and Turkey; c) tractor, implements and other related products; d) cross-leveraging the strength of tie-ups/stake acquisitions (Erkunt, Hisarlar, SAMPO, Mitsubishi Agri Machinery) to improve profitability. The aim is to increase the revenue share of global FES to 50% from ~35% currently.
- **India:** The aim is to increase the market share to 50% (FY18: 43%) and raise the bar in terms of customer experience through digitization and other support services. The lack of focus (right product, network and marketing led to below-average market shares in many states. Corrective actions have been taken.
- **Demand outlook India**: The demand undercurrent is strong driven by labour shortage (especially for hazardous activities), normal monsoon and government focus on infrastructure in rural India. Long-term demand outlook remains healthy given low penetration and rising awareness about the benefits of agri-implements. In India, agri-implements revenue is ~20% of tractors versus 2x globally.

### Outlook and valuations: Taking right steps; maintain 'BUY'

We believe M&M is taking the right steps to address key investor concerns relating to capital allocation and UVs. We maintain **'BUY/SO'** with a SoTP-based TP of INR1,040 (14x FY20E core EPS, INR115 cash/share and INR312 for listed subsidiaries). At CMP, the stock trades at FY19/20E PER of 16x/13.3x (ex subsidiaries).

**Financials** **(INR mn)**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Revenues | 418,954 | 475,774 | 546,974 | 631,709 |
| *Rev. growth (%)* | *7.8* | *13.6* | *15.0* | *15.5* |
| Adjusted Profit | 37,429 | 43,202 | 52,474 | 62,173 |
| Adjusted diluted EPS (INR) | 63.1 | 36.3 | 44.1 | 52.2 |
| Diluted P/E (x) | 14.2 | 24.6 | 20.2 | 17.1 |
| EV/EBITDA (x) | 9.3 | 14.8 | 12.3 | 9.8 |
| ROAE (%) | 15.3 | 15.2 | 16.0 | 16.5 |

**EDELWEISS 4D RATINGS**

| | |
|---|---|
| **Absolute Rating** | **BUY** |
| Rating Relative to Sector | Outperform |
| Risk Rating Relative to Sector | Medium |
| Sector Relative to Market | Overweight |

**MARKET DATA** *(R: MAHM.BO, B: MM IN)*

| | |
|---|---|
| CMP | : INR 893 |
| Target Price | : INR 1040 |
| 52-week range (INR) | : 934 / 612 |
| Share in issue (mn) | : 1,243.2 |
| M cap (INR bn/USD mn) | : 1,110 / 16,182 |
| Avg. Daily Vol.BSE/NSE('000) | : 2,622.4 |

**SHARE HOLDING PATTERN (%)**

| | Current | Q3FY18 | Q2FY18 |
|---|---|---|---|
| Promoters * | 20.5 | 20.5 | 25.2 |
| MF's, FI's & BK's | 19.5 | 19.2 | 20.0 |
| FII's | 31.9 | 31.7 | 34.0 |
| Others | 28.2 | 28.6 | 20.7 |

** Promoters pledged shares (% of share in issue) : 2.8*

**PRICE PERFORMANCE (%)**

| | Stock | Nifty | EW Auto Index |
|---|---|---|---|
| 1 month | 8.1 | 0.0 | (1.1) |
| 3 months | 26.6 | 3.8 | 1.5 |
| 12 months | 31.2 | 12.4 | 3.3 |

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## Global FES

- **USA:** The US is the second-largest farm machinery (farm implements excluding tractors) market in the world with annual sales of USD22bn and third-largest tractor market in the world with annual sales in excess of 200,000 units. M&M is the third-largest tractor manufacturer in the US in the less-than-80 HP category. It is also expanding the product portfolio by offering retrievers and UTVs. These products have been launched and present a market opportunity of ~USD7bn. The company plans to localize manufacturing to qualify for subsidies.
- **Mexico:** There are many similarities between India and Mexico in terms of climate, crop, cultivation, etc. More than 80% of the farm holding in Mexico is <10 hectares with focus on sustenance farming. M&M plans to introduce it JIVO series of products there.
- **Brazil:** M&M launched operations in Brazil, the fourth-largest tractor market in the world, in 2013 via a distributor. In 2016, it bought out the distributor. The company offers seven models in a range of 25–95 HP with focus on small and medium farmers. It has appointed 19 dealers to date. Brazil is a leading global producer of apples, oranges, sugarcane and soya beans. M&M has products suited for farming the aforementioned commodities. Brazil has potential to double the total tractor fleet.
- **The Americas –** M&M aims to achieve revenue of USD1bn (from USD600mn currently) from the three aforementioned geographies.
- **Japan:** Japan is third-largest agri-machinery market in the world with revenue of USD3.5bn. M&M has a presence in Japan via Mitsubishi Agri Machinery (MAM), which has a 7% market share and revenue of ~USD250mn. It aspires to touch USD1bn in revenue in the next few years. The Mitsubishi brand is old and well-established in Japan, but Mitsubishi under invested in products and dealers, which is being corrected. M&M has provided the required resources to develop new products and expand the dealer network. Given Japan has big paddy fields, M&M intends to cross-leverage MAM’s agri-implement technology for India and other locations.
- **Turkey:** Turkey’s is among the top 10 agricultural economies in the world with an agri-machinery market of USD3.5bn, out of which agri-implements account for USD1.3bn. M&M has acquired two companies in Turkey (Erkunt and Hisarlal). Erkunt is the country’s third-largest tractor manufacturer with a market share of ~10% while Hisarlal specialises in manufacturing high-end implements.

## Global FES market versus Indian market

- The global FES market is ~USD160bn with share of agri-implements at USD100bn. In comparison, the Indian tractor market is ~INR390bn while the agri-implements market is only INR70bn.
- The current penetration of rice transplanters (~0.2%) and harvesters (~0.5%) is similar to tractor penetration in India in 1960 and 1971, respectively.
- Hence, over the long term, there is a huge opportunity in the agri-implements space. A few years ago, dealers were unwilling to even hear about agri-implements.
- In recent times, there is improved awareness about the benefits of implements; their higher cost is the key hindrance.

**Table 1: M&M SOTP valuation**

| | Basis of valuation | Value/Mcap (INR mn) | M&M holding (%) | CMP (INR) | Value/share on CMP (INR) |
|---|---|---|---|---|---|
| **Investment in listed companies** | | | | | |
| Tech Mahindra | CMP | 182,962 | 26.7 | 714 | 162 |
| MMFSL | CMP | 148,618 | 51.2 | 470 | 132 |
| Mahindra Lifespace Developers | CMP | 15,282 | 51.1 | 578 | 14 |
| Mahindra Holidays and Resorts | CMP | 27,147 | 67.5 | 302 | 24 |
| Mahindra CIE* | CMP | 16,187 | 17.3 | 248 | 14 |
| CIE Automotive Spain# | CMP | 23,114 | 7.3 | 2,410 | 20 |
| Swaraj Engines | CMP | 7,533 | 33.2 | 1,865 | 7 |
| Mahindra Logistic | CMP | 23,958 | 58.8 | 573 | 21 |
| Ssangyong | 3x CY19 EV-EBITDA | 33,264 | 73.2 | | 22 |
| **Sub-total** | | | | | **416** |
| Investments valued at 25% discount | | | | | 312 |
| Core EPS (FY20E) | | | | | 44 |
| P/E | | | | | 14 |
| Core business | | | | | 614 |
| **Cash per share** | | | | | **115** |
| **Target price (INR)** | | | | | **1,040** |

*Source: Edelweiss research*

## Company Description

M&M's operatons are classified into nine segments—automotive, which involves sales of UVs/CVs and 3Ws, spare parts and related services; farm equipment, which includes tractors, spare parts and related services; financial services; steel trading & processing; infrastructure; hospitality; IT services; Systech, the business relating to automotive components and other related products and services; and Others, spanning logistics, after-market, 2Ws and investments.

The company acquired a majority stake (70%) in Korea-based SsangYong Motor Company in FY11 with the objective of becoming a global SUV company.

## Investment Theme

In recent years, the main reasons for the loss of M&M's market share in UVs are: a) failure to exploit the strong demand for compact SUVs and crossovers; and b) subdued volume performance of new launches (TUV3OO and KUV1OO). However, we expect the business to get back on track given the company's strong focus on addressing product gaps (a new MPV and Tivoli-based SUV), as well as launching refreshed versions and petrol variants across its portfolio. Moreover, the tractor business is in a sweet spot to benefit from robust industry demand and sustain market share gains on the back of launches and network expansion.

## Key Risks

**UV market share:** M&M needs to realign itself with the changing customer profile. In light of limited success of its recent launches, namely KUV3OO and TUV1OO, it is critical for the company to get is next two launches right and start gaining market share.

**Losses in unlisted subsidiaries:** M&M has ventured into businesses such as 2Ws and is incurring operating losses therein. If it fails to turn around the business, the company might have to infuse more capital, which would drag the performance of its core business.

**Managing a complex group structure:** The conglomerate has interests in automotive, farm equipment, real estate, tech services and hospitality, among others. Managing this complex structure could divert focus from the core business and pose execution risks.

# Financial Statements

**Key Assumptions**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| **Macro** | | | | |
| GDP(Y-o-Y %) | 6.6 | 6.5 | 7.1 | 7.6 |
| Inflation (Avg) | 4.5 | 3.8 | 4.5 | 5.0 |
| Repo rate (exit rate) | 6.3 | 6.0 | 6.0 | 6.5 |
| USD/INR (Avg) | 67.1 | 64.5 | 65.0 | 66.0 |
| **Sector** | | | | |
| Tractor - dom. vol (% YoY) | 20 | 15 | 10 | 8 |
| UV - domestic vol. (% YoY) | 35.0 | 20.0 | 15.0 | 15.0 |
| LCV - dom. vol. (% YoY) | 8.0 | 14.0 | 12.0 | 10.0 |
| **Company** | | | | |
| Tractor - dom. vol (% YoY) | 27 | 16 | 10 | 8 |
| UV - domestic vol. (% YoY) | 0.1 | 8.8 | 8.6 | 7.8 |
| LCV - dom. vol. (% YoY) | 7.7 | 11.6 | 12.0 | 8.6 |
| 3-wheeler (Goods) - dom. Vol. (% | (5) | 2 | 3 | 3 |
| Avg realisation (INR) | 544,365 | 561,111 | 571,945 | 582,560 |
| Avg realisation (% YoY) | (3.1) | 3.1 | 1.9 | 1.9 |
| **Cost assumptions** | | | | |
| Net borrowings (INR mn) | 13,231 | 7,910 | - | - |
| RM cost/vehicle | 370,657 | 372,983 | 383,686 | 392,281 |
| Employee cost/vehicle | 37,329 | 38,694 | 40,579 | 42,490 |
| Average salary | 1,106,944 | 1,152,164 | 1,186,236 | 1,200,963 |
| EBITDA/vehicle | 73,486 | 82,023 | 85,809 | 88,835 |
| **Financial assumptions** | | | | |
| Avg. Interest rate (%) | 5.3 | 5.0 | 5.0 | 5.0 |
| Depreciation rate (%) | 8.9 | 8.6 | 8.8 | 8.6 |
| Dividend payout (%) | 23.9 | 24.4 | 24.1 | 24.4 |
| **B/S assumptions** | | | | |
| Tax rate (%) | 27.4 | 32.0 | 32.0 | 32.0 |
| Debtor days | 23 | 21 | 19 | 19 |
| Inventory days | 36 | 35 | 36 | 37 |
| Payable days | 97 | 92 | 86 | 85 |
| Cash conversion cycle | (39) | (36) | (31) | (29) |
| Capex (INR mn) | 10,701 | 24,500 | 25,000 | 25,000 |

**Income statement** (INR mn)

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Total volume (nos) | 769,619 | 851,673 | 956,374 | 1,064,701 |
| % Growth in volume | 11.2 | 10.7 | 12.3 | 11.3 |
| Income from operations | 418,954 | 475,774 | 546,974 | 631,709 |
| Materials costs | 285,265 | 316,280 | 367,871 | 428,724 |
| Manufacturing expenses | 48,404 | 57,286 | 59,328 | 63,186 |
| Employee costs | 28,729 | 31,773 | 36,692 | 41,466 |
| Total operating expenses | 362,398 | 405,339 | 463,891 | 533,376 |
| EBITDA | 56,556 | 70,434 | 83,083 | 98,333 |
| Depreciation | 14,721 | 16,254 | 18,070 | 20,604 |
| EBIT | 41,836 | 54,181 | 65,013 | 77,729 |
| Less: Interest Expense | 2,285 | 1,882 | 1,764 | 1,764 |
| Add: Other income | 12,034.6 | 9,517.1 | 11,714.4 | 12,852.92 |
| Profit Before Tax | 53,597 | 66,152 | 74,963 | 88,818 |
| Less: Provision for Tax | 14,708 | 19,920 | 22,489 | 26,645 |
| Add: Exceptional items | 2,012 | 4,336 | - | - |
| Reported Profit | 38,889 | 46,232 | 52,474 | 62,173 |
| Exceptional Items | 1,460 | 3,030 | - | - |
| Adjusted Profit | 37,429 | 43,202 | 52,474 | 62,173 |
| Shares o /s (mn) | 594 | 1,190 | 1,190 | 1,190 |
| Adjusted Basic EPS | 63.1 | 36.3 | 44.1 | 52.2 |
| Diluted shares o/s (mn) | 594 | 1,190 | 1,190 | 1,190 |
| Adjusted Diluted EPS | 63.1 | 36.3 | 44.1 | 52.2 |
| Adjusted Cash EPS | 87.9 | 50.0 | 59.3 | 69.6 |
| Dividend per share (DPS) | 13.6 | 7.5 | 9.5 | 11.4 |
| Dividend Payout Ratio(%) | 23.9 | 22.2 | 24.7 | 25.0 |

**Common size metrics**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Materials costs | 68.1 | 66.5 | 67.3 | 67.9 |
| Staff costs | 6.9 | 6.7 | 6.7 | 6.6 |
| S G & A expenses | 11.6 | 12.0 | 10.8 | 10.0 |
| Operating expenses | 86.5 | 85.2 | 84.8 | 84.4 |
| Depreciation | 3.5 | 3.4 | 3.3 | 3.3 |
| EBITDA margins | 13.5 | 14.8 | 15.2 | 15.6 |
| Interest Expense | 0.5 | 0.4 | 0.3 | 0.3 |
| Net Profit margins | 8.9 | 9.1 | 9.6 | 9.8 |

**Growth ratios (%)**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Revenues | 7.8 | 13.6 | 15.0 | 15.5 |
| EBITDA | 8.8 | 24.5 | 18.0 | 18.4 |
| PBT | 18.7 | 23.4 | 13.3 | 18.5 |
| Adjusted Profit | 13.6 | 15.4 | 21.5 | 18.5 |
| EPS | 18.9 | (42.4) | 21.5 | 18.5 |

**Balance sheet** (INR mn)

| As on 31st March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Share capital | 2,968 | 5,950 | 5,950 | 5,950 |
| Reserves & Surplus | 261,132 | 298,924 | 344,705 | 398,857 |
| Shareholders' funds | 264,101 | 304,874 | 350,655 | 404,806 |
| Long term borrowings | 27,337 | 25,457 | 32,098 | 32,098 |
| Short term borrowings | 11,311 | 6,685 | 6,685 | 6,685 |
| Total Borrowings | 38,648 | 32,142 | 38,783 | 38,783 |
| Def. Tax Liability (net) | 8,581 | 4,557 | 4,557 | 4,557 |
| **Sources of funds** | **311,329** | **341,573** | **393,995** | **448,146** |
| Gross Block | 173,364 | 192,906 | 196,418 | 226,418 |
| Net Block | 92,586 | 96,141 | 90,524 | 99,920 |
| Capital work in progress | 20,864 | 33,928 | 51,476 | 51,476 |
| Total Fixed Assets | 113,449 | 130,070 | 141,999 | 151,395 |
| Non current investments | 139,222 | 154,624 | 160,624 | 161,624 |
| Cash and Equivalents | 42,181 | 53,609 | 83,163 | 136,354 |
| Inventories | 31,861 | 33,271 | 44,957 | 51,921 |
| Sundry Debtors | 28,554 | 30,984 | 29,971 | 34,614 |
| Loans & Advances | 5,599 | 10,182 | 21,812 | 24,202 |
| Other Current Assets | 61,369 | 80,553 | 57,692 | 55,406 |
| Current Assets (ex cash) | 127,383 | 154,991 | 154,432 | 166,143 |
| Trade payable | 78,199 | 93,737 | 94,409 | 109,035 |
| Other Current Liab | 32,707 | 57,984 | 51,814 | 58,336 |
| Total Current Liab | 110,906 | 151,720 | 146,224 | 167,371 |
| Net Curr Assets-ex cash | 16,477 | 3,270 | 8,208 | (1,227) |
| **Uses of funds** | **311,329** | **341,573** | **393,995** | **448,146** |
| BVPS (INR) | 444.9 | 256.2 | 294.7 | 340.2 |

**Free cash flow** (INR mn)

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Reported Profit | 38,889 | 46,232 | 52,474 | 62,173 |
| Add: Depreciation | 14,721 | 16,254 | 18,070 | 20,604 |
| Interest (Net of Tax) | 1,658 | 1,315 | 1,235 | 1,235 |
| Others | (1,658) | (1,315) | (1,235) | (1,235) |
| Less: Changes in WC | 33,340 | (13,207) | 4,938 | (9,436) |
| Operating cash flow | 20,270 | 75,693 | 65,607 | 92,212 |
| Less: Capex | 10,701 | 26,245 | 30,000 | 30,000 |
| **Free Cash Flow** | **9,569** | **49,448** | **35,607** | **62,212** |

**Cash flow metrics**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Operating cash flow | 20,270 | 75,693 | 65,607 | 92,212 |
| Financing cash flow | 4,673 | (8,213) | (6,159) | (8,021) |
| Investing cash flow | (54,249) | (53,053) | (46,000) | (41,000) |
| Net cash Flow | (29,307) | 14,427 | 13,448 | 43,191 |
| Capex | (10,701) | (26,245) | (30,000) | (30,000) |
| Dividend paid | 9,604 | 5,299 | 6,693 | 8,021 |

**Profitability and efficiency ratios**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| ROACE (%) | 19.5 | 19.9 | 21.1 | 21.7 |
| ROAE (%) | 15.3 | 15.2 | 16.0 | 16.5 |
| Inventory Days | 36 | 32 | 33 | 36 |
| Debtors Days | 23 | 23 | 20 | 19 |
| Payable Days | 97 | 99 | 93 | 87 |
| Cash Conversion Cycle | (39) | (45) | (40) | (32) |
| Current Ratio | 1.5 | 1.4 | 1.6 | 1.8 |
| Gross Debt/EBITDA | 0.7 | 0.5 | 0.5 | 0.4 |
| Gross Debt/Equity | 0.1 | 0.1 | 0.1 | 0.1 |
| Adjusted Debt/Equity | 0.1 | 0.1 | 0.1 | 0.1 |
| Net Debt/Equity | - | (0.1) | (0.1) | (0.2) |
| Interest Coverage Ratio | 18.3 | 28.8 | 36.9 | 44.1 |

**Operating ratios**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Total Asset Turnover | 1.5 | 1.5 | 1.5 | 1.5 |
| Fixed Asset Turnover | 4.4 | 5.0 | 5.9 | 6.6 |
| Equity Turnover | 1.7 | 1.7 | 1.7 | 1.7 |

**Valuation parameters**

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|
| Adj. Diluted EPS (INR) | 63.1 | 36.3 | 44.1 | 52.2 |
| *Y-o-Y growth (%)* | *18.9* | *(42.4)* | *21.5* | *18.5* |
| Adjusted Cash EPS (INR) | 87.9 | 50.0 | 59.3 | 69.6 |
| Diluted P/E (x) | 14.2 | 24.6 | 20.2 | 17.1 |
| P/B (x) | 2.0 | 3.5 | 3.0 | 2.6 |
| EV / Sales (x) | 1.2 | 2.1 | 1.8 | 1.5 |
| EV / EBITDA (x) | 9.3 | 14.8 | 12.3 | 9.8 |
| Dividend Yield (%) | 1.5 | 0.8 | 1.1 | 1.3 |

**Peer comparison valuation**

| | Market cap | Diluted P/E (X) | | EV / EBITDA (X) | | P/B (X) | |
|---|---|---|---|---|---|---|---|
| Name | (USD mn) | FY19E | FY20E | FY19E | FY20E | FY19E | FY20E |
| Mahindra & Mahindra Ltd | 16,318 | 20.2 | 17.1 | 12.3 | 9.8 | 3.0 | 2.6 |
| Ashok Leyland | 5,689 | 20.3 | 15.9 | 10.7 | 8.3 | 4.6 | 4.0 |
| Maruti Suzuki India Ltd | 39,436 | 26.3 | 22.7 | 15.5 | 13.0 | 5.5 | 4.7 |
| Tata Motors Ltd | 12,917 | 9.7 | 7.2 | 2.7 | 2.4 | 0.9 | 0.8 |
| Median | - | 20.3 | 16.5 | 11.5 | 9.1 | 3.8 | 3.3 |
| AVERAGE | - | 19.1 | 15.7 | 10.3 | 8.4 | 3.5 | 3.0 |

*Source: Edelweiss research*

# Additional Data

### Directors Data

| | | | |
|---|---|---|---|
| Nadir B Godrej | Non-Executive Independent Director | R K Kulkarni | Non-Executive Independent Director |
| Anupam Puri | Non-Executive Independent Director | Dr. Vishakha N. Desai | Non-Executive Independent Director |
| Vikram Singh Mehta | Non-Executive Independent Director | Anand G Mahindra, Chairman and MD | Executive Director |
| Pawan Goenka | Executive Director | S B Mainak | Non-Executive Director |
| T N Manoharan | Non-Executive Independent Director | M M Murugappan | Non-Executive Independent Director |

Auditors - Deloitte Haskins & Sells

**as per last annual report*

### Holding – Top10

| | Perc. Holding | | Perc. Holding |
|---|---|---|---|
| Prudential mgmt & se | 11.38 | M & m benefit trust | 8.34 |
| Commonwealth bank of | 5 | M&m employees welfar | 4.34 |
| Mahindra & mahindra | 4.27 | Icici prudential lif | 2.37 |
| Blackrock | 2.01 | Sbi funds management | 1.98 |
| Vanguard group | 1.75 | Franklin templeton i | 1.29 |

**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 |
|---|---|---|---|
| 09 Jan 2018 | Mrs. Yuthica Keshub Mahindra jointly with Sudha K. Mahindra | Sell | 36000.00 |
| 08 Jan 2018 | Vivek Nayer | Buy | 21188.00 |
| 08 Jan 2018 | Vivek Nayer | Sell | 21188.00 |
| 05 Jan 2018 | Kairas Vakharia | Sell | 16000.00 |
| 05 Jan 2018 | Mrs. Uma R. Malhotra jointly with Sudha K. Mahindra | Sell | 55000.00 |

**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 | None | None |
| Eicher Motors | BUY | SO | M | Exide Industries | BUY | None | None |
| 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 | BUY | SO | H | Suprajit Engineering | BUY | None | 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 |

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DN: c=IN, o=EDELWEISS SECURITIES LIMITED, ou=HEAD RESEARCH, cn=ADITYA NARAIN, serialNumber=e0576796072ad1a3266c27990f20bf0213f69235fc3f1bcd0fa1c30092792c20, postalCode=400005, 2.5.4.20=3dc92af943d52d778c99d69c48a8e0c89e548e5001b4f8141cf423fd58c07b02, st=Maharashtra
Date: 2018.06.27 19:24:32 +05'30'

## *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 |
|---|---|---|---|---|
| 25-Jun-18 | **Tata Motors** | Free cash flow: The vital cog; *Visit Note* | 308 | Hold |
| 14-Jun-18 | **CEAT** | In investment phase; *Visit Note* | 1348 | Buy |
| 11-Jun-18 | **Suprajit Engineering (Cofee with CEO)** | Ready to soar; *Visit Note* | 266 | Buy |

### Distribution of Ratings / Market Cap

**Edelweiss Research Coverage Universe**

| | Buy | Hold | Reduce | Total |
|---|---|---|---|---|
| Rating Distribution* | 161 | 67 | 11 | 240 |

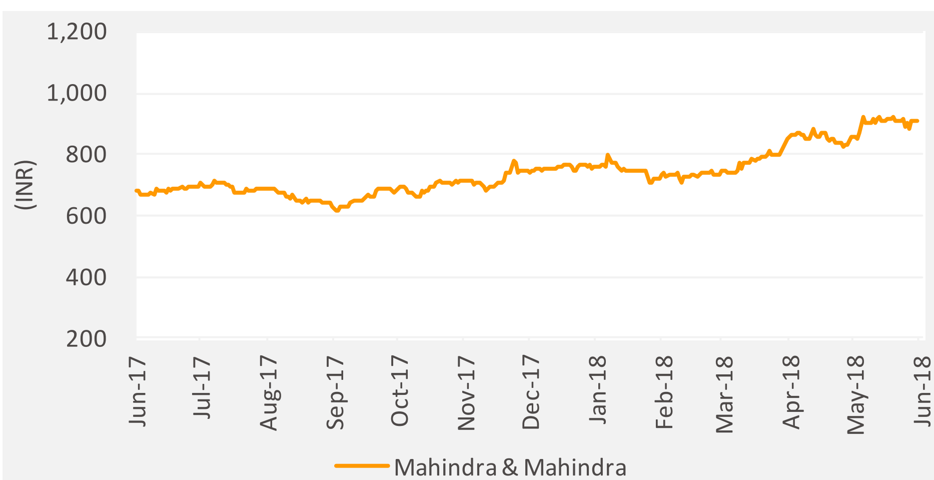
* 1stocks under review

| | > 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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