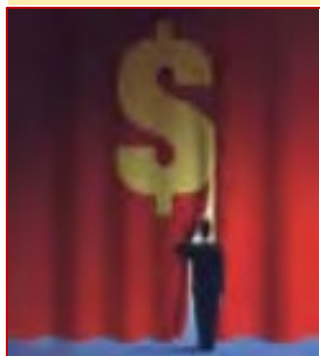


# Automobiles

## Results Preview



### Company name

Amara Raja Batteries
Ashok Leyland
Bajaj Auto
Bharat Forge
BOSCH
CEAT
Eicher Motors
Endurance technologies
Escorts
Exide Industries
Hero MotoCorp
Mahindra & Mahindra
Maruti Suzuki
Motherson Sumi
Tata Motors
TVS Motor Company

## Earnings growth to slow down amid rising pressures

### EBITDA margins contract after four consecutive quarters of expansion

- Timing difference in festive season would influence volume growth momentum in 2QFY19. However, healthy volume growth momentum continued in 2QFY19 in 2Ws (+9%), 3Ws (+35%) and CVs (27%). PVs (including UVs) took a breather in 2QFY19, with a volume decline of 2%, impacted by Kerala floods and rising fuel and financing costs.
- EBITDA margin for our OEM (ex-JLR) universe is likely to contract by 110 bp YoY (-40 bp QoQ to 13.6%) after four consecutive quarter of margin expansion, impacted by high commodity costs, weak INR and heightened competitive intensity in 2Ws. The base quarter of 2QFY18 witnessed one of the highest EBITDA margins in over 12 years.
- We have lowered our FY19/20E EPS estimates for MSIL (by 11%/13%), TTMT (35%/13%), ESC (7%/13%), EIM (3%/7%), and HMCL (7%/6%). We have raised our FY19/20E estimates for BJAUT by 3%/11%.

### Rural recovery drives 2W sales, CVs unfazed by change in axle load norms: A

healthy momentum in rural areas and a pick-up in construction/mining activities drove sustained recovery in volumes. Demand growth in rural markets continues to outpace urban markets. This has translated into strong 2W demand, which is estimated to have grown 9% YoY in 2QFY19. CV volumes grew ~27% driven by growth in infrastructural activities and the cyclical recovery in LCVs. PVs witnessed restraint in demand, with both cars and UVs declining by ~2%.

**Margins contract after four consecutive quarters of expansion:** EBITDA margin for the auto original equipment manufacturer (OEM) (ex-JLR) universe is likely to contract 110 bp YoY or 40 bp QoQ to 13.6%, impacted by RM inflation, currency depreciation and heightened competitive intensity in 2Ws. The base quarter of 2QFY18 witnessed one of the highest EBITDA margins in over 12 years. We expect YoY margin expansion for TTMT S/A (+270 bp) and AL (+100 bp). We expect YoY margin contraction for BJAUT (-290 bp), MM (-70 bp), HMCL (-210 bp), MSIL (-270 bp), EIM (-70 bp), and TVSL (-50 bp).

### Increased cost of ownership, higher fuel prices/interest rates to have a bearing on near-term demand outlook, particularly for 2Ws & PVs:

Demand for FY19 is likely to have an overhang of increased cost of ownership led by rising fuel costs, increase in insurance costs and higher cost of financing in the short-term, particularly for 2Ws and PVs. However, for the long-term, our view is positive across segments, driven by healthy rural sales momentum, largely normal monsoon for the third year in a row, and pick-up in economic activity. We estimate 8-10% CAGR for 2Ws, 6-8% for 4Ws, 18-20% for CVs and 10-12% for tractors over FY18-20E.

### Valuation and view

Near-term headwinds notwithstanding, our preference remains for CVs/PVs over 2Ws due to its stronger volume growth and a stable competitive environment. We have lowered our valuation multiple by 10-15% for all companies under our coverage to factor in the increase in discounting rates and risks to growth. Our top picks in autos are MSIL and MSS among large caps, and AL and EXID among midcaps. We also like MM as it is the best proxy for rural markets.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Exhibit 1: Summary of expected quarterly performance (INR m)**

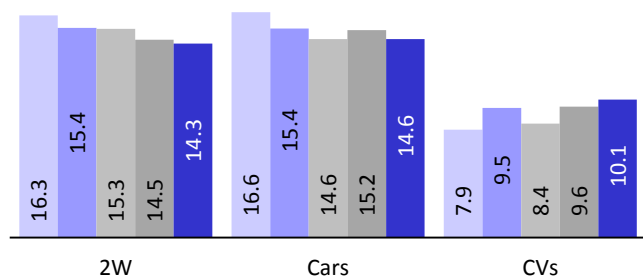
Sector	CMP (INR)	RECO	Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
			Sep-18	Var % YoY	Var % QoQ	Sep-18	Var % YoY	Var % QoQ	Sep-18	Var % YoY	Var % QoQ
<b>Automobiles</b>											
Amara Raja Batt.	737	Buy	16,131	13.0	-9.3	2,124	-10.8	-3.6	1,053	-17.2	-6.9
Ashok Leyland	119	Buy	76,701	26.8	22.7	8,541	39.6	31.9	5,212	55.9	37.0
Bajaj Auto	2,733	Buy	79,801	21.3	7.6	13,419	3.3	4.7	10,654	-4.2	-4.5
Bharat Forge	602	Buy	15,144	20.4	2.3	4,363	18.1	1.8	2,402	17.9	2.5
Bosch	19,684	Neutral	30,368	8.0	-5.5	5,982	17.8	-4.8	4,008	13.4	-7.0
CEAT	1,108	Buy	17,363	14.0	1.8	1,667	-4.6	-5.2	751	-3.6	2.1
Eicher Motors	23,171	Buy	23,785	9.7	-6.6	7,409	8.5	-8.5	5,812	12.2	0.9
Endurance Tech.	1,306	Buy	18,324	13.1	-1.5	2,704	18.0	-0.4	1,241	24.5	-0.4
Escorts	622	Neutral	12,755	5.3	-15.6	1,333	-5.4	-28.2	851	3.6	-28.8
Exide Inds.	258	Buy	27,863	17.5	0.5	3,944	33.3	0.9	2,244	37.6	6.9
Hero Motocorp	2,916	Neutral	90,432	8.1	2.6	13,866	-4.7	0.7	9,116	-9.8	0.3
Mahindra & Mahindra	791	Buy	128,864	7.2	-3.5	19,664	2.2	-6.8	13,899	-1.5	12.0
Maruti Suzuki	7,252	Buy	220,905	1.5	-1.6	31,385	-14.7	-6.3	20,145	-18.9	2.0
Motherson Sumi	243	Buy	151,100	12.5	2.3	14,799	18.3	4.8	4,659	5.9	5.2
Tata Motors	228	Buy	686,681	-2.9	2.4	60,182	-32.7	10.8	-4,570	PL	Loss
TVS Motor	542	Neutral	48,944	20.8	17.8	3,986	13.8	30.1	2,164	1.5	47.6
<b>Sector Aggregate</b>			<b>1,645,162</b>	<b>4.6</b>	<b>2.1</b>	<b>195,367</b>	<b>-11.8</b>	<b>2.7</b>	<b>79,643</b>	<b>-28.3</b>	<b>28.7</b>

**Exhibit 2: Volume snapshot for 2QFY19 ('000 units)**

	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	1HFY19	1HFY18	YoY (%)
Two wheelers	6,875	6,306	9.0	6,524	5.4	10,845	11,859	-8.5
Three wheelers	339	251	34.8	305	11.1	524	438	19.7
Passenger cars	734	748	-1.8	710	3.4	1,192	1,382	-13.7
UVs & MPVs	329	336	-1.8	327	0.7	545	609	-10.5
<b>Total PVs</b>	<b>1,064</b>	<b>1,083</b>	<b>-1.8</b>	<b>1,037</b>	<b>2.6</b>	<b>1,736</b>	<b>1,990</b>	<b>-12.8</b>
M&HCV	116	90	28.2	100	15.5	251	241	4.4
LCV	165	130	26.7	148	11.7	423	388	8.9
<b>Total CVs</b>	<b>281</b>	<b>221</b>	<b>27.3</b>	<b>248</b>	<b>13.3</b>	<b>674</b>	<b>629</b>	<b>7.2</b>
<b>Tractors</b>	<b>188</b>	<b>192</b>	<b>-2.5</b>	<b>219</b>	<b>-14.3</b>	<b>407</b>	<b>370</b>	<b>9.9</b>
<b>Total (ex-Tractor)</b>	<b>8,559</b>	<b>7,861</b>	<b>8.9</b>	<b>8,114</b>	<b>5.5</b>	<b>13,780</b>	<b>14,916</b>	<b>-7.6</b>

**Exhibit 3: Trend in segment-wise EBITDA margins (%)**

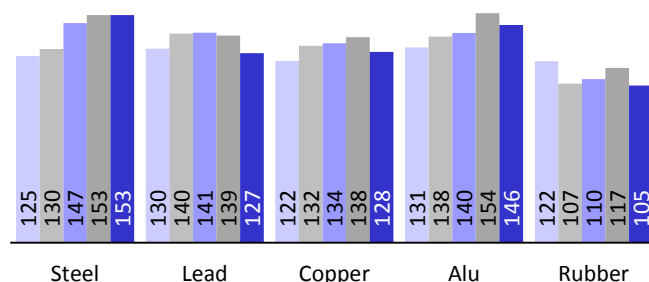
■ 2QFY18 ■ 3QFY18 ■ 4QFY18 ■ 1QFY19 ■ 2QFY19



Source: Company, MOSL

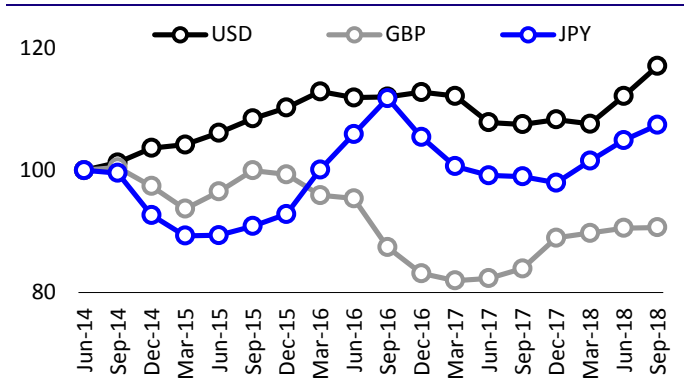
**Exhibit 4: Commodity prices cool-off sequentially**

■ 2QFY18 ■ 3QFY18 ■ 4QFY18 ■ 1QFY19 ■ 2QFY19



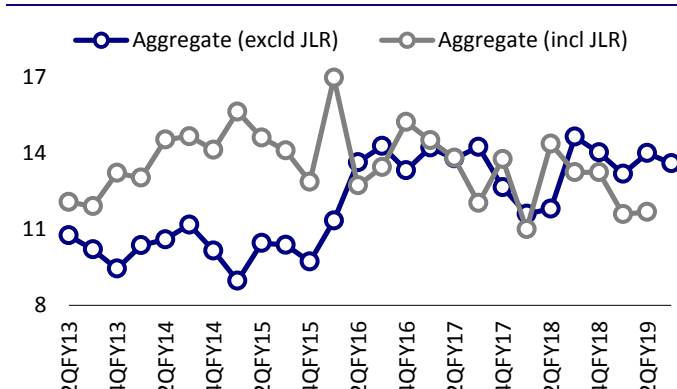
Source: Company, MOSL

Exhibit 5: Trend in key currencies v/s INR



Source: Bloomberg, MOSL

Exhibit 6: Margins (ex-JLR) to contract YoY and QoQ



Source: Company, MOSL

Exhibit 7: Revised estimates

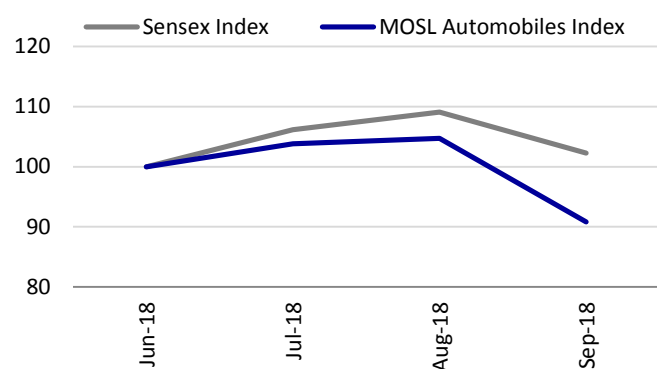
	FY19E			FY20E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Bajaj Auto	158.9	153.9	3.3	194.2	174.6	11.2
Hero MotoCorp	179.6	193.4	-7.1	205.1	219.0	-6.3
TVS Motor	15.9	15.4	3.1	23.1	22.6	2.2
Maruti *	276.0	311.2	-11.3	354.8	409.2	-13.3
M&M *	49.4	50.5	-2.2	55.4	55.2	0.3
Tata Motors *	20.3	31.4	-35.4	35.0	40.3	-13.0
Ashok Leyland	7.0	6.7	4.8	8.9	8.7	2.0
Eicher Motors *	955.6	985.7	-3.1	1199.2	1289.3	-7.0
Amara Raja	28.3	29.3	-3.4	35.5	36.3	-2.2
Bharat Forge *	24.1	23.5	2.3	30.1	29.3	2.6
BOSCH	560.5	584.8	-4.2	687.6	713.4	-3.6
Ceat	71.8	76.1	-5.7	92.5	99.2	-6.8
Escorts	49.4	52.8	-6.5	57.6	66.2	-13.0
Endurance Tech*	37.5	37.1	0.9	49.3	49.1	0.4
Exide Industries	10.2	10.6	-3.7	12.1	12.8	-5.4
Motherson Sumi	9.8	10.2	-3.1	14.1	14.6	-3.5

\* Consolidated

Exhibit 8: EBITDA margin to contract ~110 bp YoY after four consecutive quarters of margin expansion

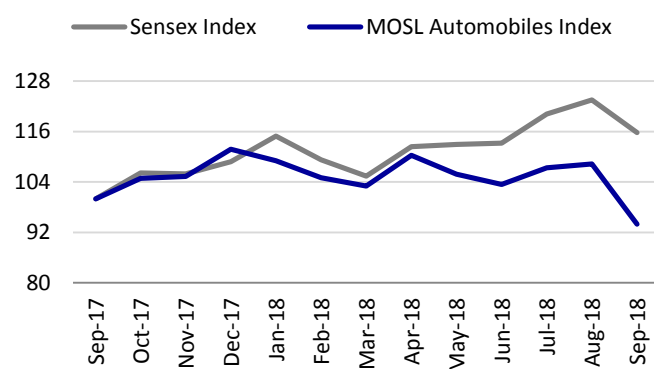
	Volumes ('000 units)			EBITDA margins (%)			Adj PAT (INR M)		
	2QFY19	YoY (%)	QoQ (%)	2QFY19	YoY (bp)	QoQ (bp)	2QFY19	YoY (%)	QoQ (%)
BJAUT	1,339	25.0	9.2	16.8	-290	-50	10,654	-4.2	-4.5
HMCL	2,134	5.5	1.4	15.3	-210	-30	9,116	-9.8	0.3
TVS Motor	1,088	14.7	17.2	8.1	-50	80	2,164	1.5	47.6
MSIL	485	-1.5	-1.1	14.2	-270	-70	20,145	-18.9	2.0
MM	229	3.7	-5.1	15.3	-70	-50	13,899	-1.5	12.0
TTMT (S/A)	190	24.2	8.0	9.7	270	40	4,421		62.8
TTMT (JLR) *	123	-19.9	-6.8	7.3	-450	100	-129	-133.5	-51.2
TTMT (Cons)				8.8	-390	70	-8,738	-128.4	-66
Ashok Leyland	52	26.8	23.3	11.1	100	80	5,212	55.9	37.0
Eicher (RE)	210	3.6	-6.8	31.1	-70	-120	5,031	3.4	-14.9
Eicher (VECV)	19	24.5	14.5	9.6	40	40	1,436	51.1	21.7
Eicher (Consol)				31.1	-70	-120	5,812	12.2	0.9
<b>Agg. (ex JLR)</b>	<b>5,747</b>	<b>11.2</b>	<b>5.4</b>	<b>13.6</b>	<b>-110</b>	<b>-40</b>	<b>71,424</b>	<b>5.2</b>	<b>-5.2</b>

Exhibit 9: Relative performance – three-month (%)



Source: Bloomberg, MOSL

Exhibit 10: Relative performance – one-year (%)



Source: Bloomberg, MOSL

Exhibit 11: Comparative valuation

Sector / Companies	Mkt Cap (USD B)	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
				FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Amara Raja Batt.	1.7	737	Buy	27.6	28.3	35.5	26.7	26.0	20.8	15.3	13.0	10.4	17.0	15.4	16.9
Ashok Leyland	4.8	119	Buy	5.4	7.0	8.9	22.1	17.0	13.4	13.4	8.6	6.3	23.7	26.4	28.4
Bajaj Auto	10.9	2,733	Buy	151.3	158.9	194.2	18.1	17.2	14.1	12.8	11.3	8.7	24.2	22.8	24.7
Bharat Forge	3.9	602	Buy	17.7	24.1	30.1	34.1	25.0	20.0	19.8	13.5	11.2	18.8	22.1	23.3
Bosch	8.5	19,684	Neutral	469.8	560.5	687.6	41.9	35.1	28.6	23.0	21.3	16.8	15.3	16.3	18.1
CEAT	0.6	1,108	Buy	64.0	71.8	92.5	17.3	15.4	12.0	11.1	9.2	7.2	10.3	10.6	12.4
Endurance Tech.	2.5	1,306	Buy	29.1	37.5	49.3	44.9	34.8	26.5	19.4	16.2	12.9	21.0	22.2	24.5
Eicher Motors	8.7	23,171	Buy	799.6	955.6	1199.2	29.0	24.2	19.3	25.1	16.2	13.2	35.2	32.4	31.5
Escorts	1.1	622	Neutral	39.5	49.4	57.6	15.7	12.6	10.8	16.6	9.8	8.1	18.3	18.3	18.3
Exide Inds.	3.0	258	Buy	8.2	10.2	12.1	31.5	25.4	21.3	13.5	12.8	10.6	12.9	14.4	15.4
Hero Motocorp	8.0	2,916	Neutral	185.1	179.6	205.1	15.7	16.2	14.2	12.0	9.3	8.2	33.8	29.2	30.4
Mahindra & Mahindra	13.2	791	Buy	41.0	49.4	55.4	19.3	16.0	14.3	5.4	4.6	3.8	14.2	14.9	15.2
Maruti Suzuki	30.2	7,252	Buy	266.7	276.0	354.8	27.2	26.3	20.4	19.3	13.9	11.3	18.5	17.6	20.1
Motherson Sumi	7.1	243	Buy	8.1	9.8	14.1	30.1	24.7	17.2	14.1	8.6	6.1	19.4	20.6	25.2
Tata Motors	10.7	228	Buy	22.9	20.3	35.0	9.9	11.2	6.5	3.3	3.1	2.5	10.1	7.0	11.0
TVS Motor	3.6	542	Neutral	13.9	15.9	23.1	38.9	34.1	23.5	27.1	18.5	13.5	25.1	24.1	28.8
<b>Sector Aggregate</b>							<b>21.8</b>	<b>20.4</b>	<b>15.5</b>	<b>9.9</b>	<b>7.8</b>	<b>6.2</b>	<b>15.5</b>	<b>15.0</b>	<b>17.4</b>

# Amara Raja Batteries

Bloomberg	AMRJ IN
Equity Shares (m)	170.8
M. Cap. (INR b)/(USD b)	126 / 2
52-Week Range (INR)	908 / 665
1,6,12 Rel Perf. (%)	-6 / -17 / -11

## Financial Snapshot (INR b)

Y/E March	2017	2018	2019E	2020E
Sales	53.2	60.6	70.1	81.9
EBITDA	8.5	8.8	9.5	11.7
NP	4.8	4.7	4.8	6.1
EPS (INR)	28	27.6	28.3	35.5
EPS Gr. (%)	(2.7)	(1.5)	2.6	25.4
BV/Sh. (INR)	152	172	195	224
RoE (%)	20.3	17.0	15.4	16.9
RoCE (%)	19.4	16.3	14.7	16.1

## Valuations

P/E (x)	26.3	26.7	26.0	20.8
P/BV (x)	4.9	4.3	3.8	3.3
EV/EBITDA (x)	14.7	14.2	13.1	10.4
EV/Sales (x)	2.3	2.1	1.8	1.5

**CMP: INR737 TP: INR858 (+16%) Buy**

- We expect AMRJ's revenue to grow 13% YoY (-9.3% QoQ) to INR16.1b, driven by growth in automotive OEM and the replacement segment.
- Spot LME lead prices declined for the second consecutive quarter by 6.2% QoQ in 2QFY19 while they were flat YoY.
- EBITDA margin is likely to decline 350 bp YoY (+80 bp QoQ) to 13.2%.
- We expect PAT to decline 17% YoY to INR1.05b.
- We cut FY19/20 estimates by 3.4%/2.2% to factor in the unfavorable product mix.
- The stock trades at 26x FY19E and 20.8x FY20E EPS; maintain **Buy**.

## Key issues to watch

- Update on demand environment for OEMs, auto replacement, industrial battery segments and price actions.
- Outlook for raw material cost trend, recent pricing action
- Update on new agreement signed with Johnson Controls for advanced lead acid batteries
- Update on progress made on product development in lithium ion battery space and plans thereof

## Quarterly Performance

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	14,975	14,275	15,535	15,807	17,787	16,131	17,709	18,491	60,592	70,118
YoY Change (%)	14.5	7.1	17.1	17.6	18.8	13.0	14.0	17.0	14.0	15.7
RM Cost (% of sales)	70.0	66.0	66.9	68.7	71.5	69.5	68.8	68.6	67.9	69.6
Staff Cost (% of sales)	5.4	5.2	4.9	5.0	4.7	5.3	5.0	4.8	4.2	4.9
Other Exp (% of sales)	11.7	12.1	12.0	13.0	11.4	12.0	12.0	12.4	11.6	13.0
EBITDA	1,929	2,381	2,416	2,107	2,203	2,124	2,524	2,628	8,832	9,479
Margins (%)	12.9	16.7	15.6	13.3	12.4	13.2	14.3	14.2	14.6	13.5
Depreciation	544	584	587	588	630	673	710	731	2,303	2,743
Interest	14	13	11	13	15	10	10	11	51	46
Other Income	137	122	168	237	137	142	149	152	664	580
PBT	1,508	1,907	1,985	1,743	1,695	1,583	1,953	2,038	7,142	7,270
Tax Rate (%)	33.7	33.3	32.3	37.0	33.3	33.5	33.5	33.6	34.0	33.5
Adj PAT	999	1,272	1,345	1,098	1,130	1,053	1,299	1,353	4,713	4,835
YoY Change (%)	-23.6	-6.7	19.7	10.7	13.2	-17.2	-3.4	23.2	-1.5	2.6

E: MOSL Estimates

# Ashok Leyland

Bloomberg	AL IN
Equity Shares (m)	2927.1
M. Cap. (INR b)/(USD b)	348 / 5
52-Week Range (INR)	168 / 105
1,6,12 Rel Perf. (%)	-4 / -28 / -18

## Financial Snapshot (INR b)

Y/E March	2017	2018	2019E	2020E
Sales	200.2	262.5	304.6	365.1
EBITDA	22.0	27.4	33.7	42.5
NP	12.4	15.8	20.4	26.0
Adj. EPS (INR)	4.3	5.4	7.0	8.9
EPS Gr. (%)	3.0	23.9	29.6	27.3
BV/Sh. (INR)	21.5	24.5	28.4	34.1
RoE (%)	21.4	23.7	26.4	28.4
RoCE (%)	21.8	20.7	23.6	26.1

## Valuations

P/E (x)	27.4	22.1	17.0	13.4
P/BV (x)	5.5	4.9	4.2	3.5
EV/EBITDA (x)	15.2	11.6	9.5	7.1
Div. Yield (%)	1.3	2.0	2.1	2.2

**CMP: INR119**
**TP: INR151 (+27 %)**
**Buy**

- In 2QFY19, volumes increased 26.8% YoY (-23.3% QoQ), as M&HCV and LCV sales increased 22% YoY and 42% YoY, respectively, led by continued strong demand.
- We expect realization to remain flat YoY (-0.5% QoQ), led by product mix impact.
- Net revenue is likely to grow 26.8% YoY (-22.7% QoQ) to INR76.7b, led by volume and realization growth.
- EBITDA margin is likely to expand 100 bp YoY (+70 bp QoQ) to 11.1% led by operating leverage.
- EBITDA should increase 39.6% YoY (+31.9% QoQ) to INR8.5b.
- PAT should increase 55.9% YoY (+37% QoQ) to INR5.2b.
- We increase FY19/FY20 EPS by 4.8%/2% as we increase volumes by 6.6%/10.9%.
- The stock trades at EV/EBITDA of 9.5x FY19E and 7.1x FY20E EBITDA. Maintain **Buy**.

## Key issues to watch

- Update on CV demand post implementation of new axle norms and discount trends
- Update on LCVs, exports and defense business
- RM cost guidance and price hikes to mitigate the same
- Capex and investment guidance for FY19 and FY20

## Quarterly Performance

	FY18				FY19				FY18	FY19
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes (nos)	28,488	40,986	46,627	58,772	42,127	51,958	48,200	62,912	174,873	205,197
Growth %	-8.6	22.6	42.0	23.4	47.9	26.8	3.4	7.0	20.5	17.3
Realizations (INR '000)	1,495	1,475	1,532	1,493	1,484	1,476	1,484	1,492	1,501	1,484
% change	9.4	6.7	4.2	0.2	-0.7	0.1	-3.1	-0.1	8.8	-1.1
<b>Net operating revenues</b>	<b>42,579</b>	<b>60,469</b>	<b>71,412</b>	<b>87,725</b>	<b>62,501</b>	<b>76,701</b>	<b>71,510</b>	<b>93,856</b>	<b>262,479</b>	<b>304,568</b>
Change (%)	0.0	30.8	47.9	23.7	46.8	26.8	0.1	7.0	31.1	16.0
RM/sales %	69.1	71.3	71.0	71.9	69.6	70.5	70.4	70.4	70.9	70.3
Staff/sales %	9.9	8.1	6.6	5.2	7.9	6.7	7.1	5.7	6.9	6.7
Other exp/sales %	13.8	10.4	11.4	11.2	12.1	11.7	11.6	12.3	11.7	12.0
<b>EBITDA</b>	<b>3,061</b>	<b>6,118</b>	<b>7,884</b>	<b>10,327</b>	<b>6,475</b>	<b>8,541</b>	<b>7,804</b>	<b>10,859</b>	<b>27,390</b>	<b>33,679</b>
EBITDA Margins(%)	7.2	10.1	11.0	11.8	10.4	11.1	10.9	11.6	10.4	11.1
Other Income	384	557	380	577	500	575	650	355	1,898	2,080
Interest	366	410	335	201	116	225	175	236	1,312	752
<b>PBT before EO Item</b>	<b>1,730</b>	<b>4,826</b>	<b>6,576</b>	<b>9,299</b>	<b>5,366</b>	<b>7,341</b>	<b>6,679</b>	<b>9,303</b>	<b>22,433</b>	<b>28,751</b>
EO Exp/(Inc)	126	0	0	0	147	0	0	0	126	0
<b>PBT</b>	<b>1,605</b>	<b>4,826</b>	<b>6,576</b>	<b>9,299</b>	<b>5,220</b>	<b>7,341</b>	<b>6,679</b>	<b>9,303</b>	<b>22,307</b>	<b>28,751</b>
Tax	492	1,484	2,079	2,626	1,519	2,129	1,937	2,754	6,681	8,338
Effective Tax Rate (%)	30.7	30.7	31.6	28.2	29.1	29.0	29.0	29.6	30.0	29.0
<b>Adj. PAT</b>	<b>1,199</b>	<b>3,342</b>	<b>4,497</b>	<b>6,674</b>	<b>3,805</b>	<b>5,212</b>	<b>4,742</b>	<b>6,549</b>	<b>15,714</b>	<b>20,413</b>
Change (%)	-58.7	13.5	178.1	36.5	217.2	55.9	5.4	-1.9	27.1	29.9

E: MOSL Estimates



# Bajaj Auto

Bloomberg	BJAUT IN
Equity Shares (m)	289.4
M. Cap. (INR b)/(USD b)	791 / 11
52-Week Range (INR)	3473 / 2604
1,6,12 Rel Perf. (%)	6 / -10 / -29

## Financial Snapshot (INR b)

Y/E MAR	2017	2018	2019E	2020E
Sales	218	252	305	345
EBITDA	44.2	47.8	51.9	64.3
NP	40.8	43.8	46.0	56.2
Adj. EPS (INR)	141	151	159	194
EPS Gr. (%)	-1.7	7.3	5.0	22.2
BV/Sh. (INR)	589	660	737	836
RoE (%)	26.9	24.2	22.8	24.7
RoCE (%)	24.6	22.0	20.7	32.2
Payout (%)	46.9	47.7	45.4	43.3

## Valuations

P/E (x)	19.4	18.1	17.2	14.1
P/BV (x)	4.6	4.1	3.7	3.3
EV/EBITDA (x)	14.5	12.7	11.3	8.7
Div. Yield (%)	2.0	2.2	2.2	2.6

**CMP: INR2,733 TP: INR3,454 (+26%) Buy**

- Overall volume increased by 25% YoY (+9.2% QoQ) to ~1,339k units due to 20.2% YoY increase in domestic volume, while export volumes increased by 33.1% YoY.
- Total motorcycle volume increased 22.6% YoY while 3W volume grew 39.3% YoY.
- We expect realization to decline by 3% YoY (-1.5% QoQ) led by deterioration in the product mix. Consequently, net sales are expected to increase by 21.3% YoY (+7.6% QoQ) to INR79.8b.
- We expect EBITDA margin to contract by 290 bp YoY (-50 bp QoQ) to 16.8%.
- We expect PAT to decline by 4.2% YoY (-4.5% QoQ) to INR10.7b.
- We upgrade FY19/FY20 volume estimates by 8.6%/8.9%. While we keep FY19 margins unchanged, we upgrade FY20 margins by 120 bp to 18.6%, resulting in EPS increasing by 3.3%/11.2% for FY19E/FY20E.
- The stock trades at 17.2x FY19E and 14.1x FY20E EPS; maintain **Buy**.

## Key issues to watch

- Update on 2W demand outlook from urban and rural areas
- Price increase in domestic markets across segments
- Export demand outlook and pricing in key currency market
- Comments on 3W demand momentum in domestic market
- Update on EV strategy

## Quarterly Performance

(INR Million)

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volumes ('000 units)	888	1,072	1,001	1,045	1,227	1,339	1,291	1,220	4,007	5,077
Growth YoY (%)	-10.7	3.8	17.6	32.7	38.1	25.0	28.9	16.7	9.3	26.7
Realization (INR/unit)	61,258	61,408	63,600	64,793	60,485	59,577	60,173	60,162	62,806	60,088
Growth YoY (%)	6.0	4.7	6.9	4.2	-1.3	-3.0	-5.4	-7.1	5.7	(4.3)
<b>Net Sales</b>	<b>54,424</b>	<b>65,799</b>	<b>63,693</b>	<b>67,733</b>	<b>74,193</b>	<b>79,801</b>	<b>77,683</b>	<b>73,419</b>	<b>251,649</b>	<b>305,095</b>
Change (%)	-5.3	8.7	25.7	38.3	36.3	21.3	22.0	8.4	15.5	21.2
RM/Sales %	70.0	69.1	68.4	69.3	71.4	72.0	71.7	71.4	69.4	71.7
Staff cost/Sales %	5.0	4.0	4.2	3.9	4.2	4.1	4.1	4.4	4.2	4.2
Oth. Exp./Sales %	7.8	7.2	8.3	7.4	7.1	7.2	7.3	7.3	7.7	7.2
<b>EBITDA</b>	<b>9,384</b>	<b>12,984</b>	<b>12,315</b>	<b>13,152</b>	<b>12,814</b>	<b>13,419</b>	<b>13,209</b>	<b>12,428</b>	<b>47,290</b>	<b>51,870</b>
EBITDA Margins (%)	17.2	19.7	19.3	19.4	17.3	16.8	17.0	16.9	18.8	17.0
Other Income	4,573	2,964	2,269	3,667	4,044	2,750	3,250	3,325	13,473	13,369
Interest	2	5	3	3	3	3	3	2	13	10
Depreciation	753	770	747	879	700	725	750	795	3,148	2,970
<b>PBT</b>	<b>12,881</b>	<b>15,174</b>	<b>13,833</b>	<b>15,937</b>	<b>16,156</b>	<b>15,441</b>	<b>15,706</b>	<b>14,956</b>	<b>57,602</b>	<b>62,259</b>
Tax	3,642	4,055	4,309	5,138	5,003	4,787	4,869	4,641	17,145	19,300
Effective Tax Rate (%)	28.3	26.7	31.1	32.2	31.0	31.0	31.0	31.0	29.8	31.0
<b>Adj. PAT</b>	<b>9,469</b>	<b>11,119</b>	<b>9,524</b>	<b>10,799</b>	<b>11,152</b>	<b>10,654</b>	<b>10,837</b>	<b>10,315</b>	<b>41,001</b>	<b>42,959</b>
Change (%)	(3.2)	(1.0)	3.0	34.7	17.8	(4.2)	13.8	(4.5)	6.7	4.8

E: MOSL Estimates

# Bharat Forge

Bloomberg	BHFC IN
Equity Shares (m)	465.7
M. Cap. (INR b)/(USD b)	280 / 4
52-Week Range (INR)	800 / 575
1,6,12 Rel Perf. (%)	-3 / -24 / -17

## Financial Snapshot (INR b)

Y/E Mar	2017	2018	2019E	2020E
Sales	64.0	83.6	95.9	110.2
EBITDA	12.5	17.2	21.5	25.5
EPS (INR)	13.1	18.4	24.1	30.1
EPS Gr. (%)	-7.0	40.7	30.7	24.8
BV/Sh. (INR)	88.4	99.9	117.7	140.2
RoE (%)	16.2	19.6	22.1	23.3
RoCE (%)	9.6	11.6	14.6	16.5

## Valuations

P/E (x)	47.7	33.9	25.9	20.8
P/BV (x)	7.1	6.3	5.3	4.5
EV/EBITDA(x)	25.5	18.6	14.8	12.4
EV/Sales (x)	5.0	3.8	3.3	2.9

Consolidated

**CMP: INR602****TP: INR767 (+27%)****Buy**

- BHFC's shipment tonnage is expected to increase by 16% YoY (+2% QoQ) to 68,044 tons, led by robust demand for class 8 trucks as well as domestic CVs. Further, strong recovery in oil and gas and industrial segments (exports) should also drive BHFC's tonnage volume.
- Net realization is expected to increase 3.8% YoY (flat QoQ) to ~INR222.6k/ton led by the favorable mix. As a result, net revenue should increase 20% YoY (+2% QoQ) to ~INR15.1b.
- EBITDA margin is likely to contract ~60 bp YoY (-20 bp QoQ) to 28.8%.
- PAT is expected to increase by 18% YoY (+3% QoQ) to INR2.4b.
- We maintain our earnings estimate for FY19/FY20.
- The stock trades at 25x FY19E and 20x FY20E EPS; maintain **Buy**.

## Key issues to watch

- Update on FY19 outlook for Class 8 trucks and India CVs
- Impact of trade wars on demand and future outlook
- Update on new order wins and ramp-up of past order wins
- Update on defense business

## S/A Quarterly

(INR Million)

	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Tonnage</b>	<b>55,100</b>	<b>58,659</b>	<b>65,050</b>	<b>68,706</b>	<b>66,815</b>	<b>68,044</b>	<b>74,808</b>	<b>78,399</b>	<b>247,515</b>	<b>288,066</b>
Change (%)	12.2	27.0	38.2	24.5	21.3	16.0	15.0	14.1	25.3	16.4
<b>Realization (INR '000/ton)</b>	<b>217.9</b>	<b>214.5</b>	<b>213.8</b>	<b>213.5</b>	<b>221.5</b>	<b>222.6</b>	<b>223.1</b>	<b>224.3</b>	<b>214.8</b>	<b>222.9</b>
Change (%)	18.3	11.2	6.7	4.7	1.6	3.8	4.4	5.1	9.8	3.8
<b>Net operating income</b>	<b>12,008</b>	<b>12,580</b>	<b>13,906</b>	<b>14,666</b>	<b>14,797</b>	<b>15,144</b>	<b>16,691</b>	<b>17,581</b>	<b>53,160</b>	64,213.2
Change (%)	32.8	41.2	47.4	30.3	23.2	20.4	20.0	19.9	37.6	20.8
RM/Sales (%)	35.0	35.0	35.6	36.1	36.1	36.2	36.2	36.1	35.5	36.2
Staff Cost (% of Sales)	8.9	8.5	8.0	7.6	8.3	8.2	7.5	7.3	8.2	7.8
Other Exp. (% of Sales)	28.3	27.1	26.4	27.8	26.6	26.8	26.3	26.3	27.4	26.5
<b>EBITDA</b>	<b>3,333</b>	<b>3,694</b>	<b>4,163</b>	<b>4,177</b>	<b>4,286</b>	<b>4,363</b>	<b>5,007</b>	<b>5,333</b>	<b>15,368</b>	<b>18,990</b>
EBITDA Margins (%)	27.8	29.4	29.9	28.5	29.0	28.8	30.0	30.3	28.9	29.6
Non-Operating Income	259	366	219	342	343	335	335	337	1,187	1,350
Interest	185	217	143	303	253	256	260	260	848	1,029
Depreciation	774	781	807	705	824	830	850	901	3,068	3,405
EO Exp / (Inc)	0	0	0	1,332	0	0	0	0	1,332	0
<b>PBT after EO items</b>	<b>2,633</b>	<b>3,063</b>	<b>3,432</b>	<b>2,179</b>	<b>3,552</b>	<b>3,612</b>	<b>4,232</b>	<b>4,510</b>	<b>11,307</b>	<b>15,906</b>
Eff. Tax Rate (%)	33.5	33.5	33.5	37.4	34.0	33.5	33.5	0.0	37.4	33.5
<b>Rep. PAT</b>	<b>1,751</b>	<b>2,037</b>	<b>2,282</b>	<b>1,003</b>	<b>2,345</b>	<b>2,402</b>	<b>2,815</b>	<b>3,016</b>	<b>7,073</b>	<b>10,578</b>
Change (%)	43.4	60.5	77.4	-51.6	33.9	17.9	23.4	200.6	20.9	49.5
<b>Adj. PAT</b>	<b>1,751</b>	<b>2,037</b>	<b>2,282</b>	<b>2,335</b>	<b>2,345</b>	<b>2,402</b>	<b>2,815</b>	<b>3,016</b>	<b>8,404</b>	<b>10,578</b>
Change (%)	43.4	60.5	77.4	29.7	33.9	17.9	23.4	29.2	50.4	25.9

E: MOSL Estimates



Bosch

Bloomberg	BOS IN
Equity Shares (m)	31.4
M. Cap. (INR b)/(USD b)	618 / 8
52-Week Range (INR)	22400 / 16990
1,6,12 Rel Perf. (%)	-1 / -5 / -19

## Financial Snapshot (INR b)

Y/E Mar	FY17	FY18	FY19E	FY20E
Sales	104.4	116.9	132.2	153.9
EBITDA	19.6	20.9	25.6	32.0
NP	14.4	14.3	17.1	21.0
EPS (INR)	473.2	469.8	560.5	687.6
EPS Gr. (%)	-1.8	-0.7	19.3	22.7
BV/Sh. (INR)	2,883.1	3,270	3,603	4,010
RoE (%)	15.8	15.3	16.3	18.1
RoCE (%)	23.1	22.8	24.3	27.0

## Valuations

P/E (x)	41.6	41.9	35.1	28.6
P/BV (x)	6.8	6.0	5.5	4.9
EV/EBITDA(x)	29.8	27.8	22.7	17.9
EV/Sales (x)	5.6	5.0	4.4	3.7

**CMP: INR19,684 TP: INR20,905 (+6%) Neutral**

- Net revenue is expected to grow 8% YoY (-6% QoQ) to INR30.4b, as strong growth in CVs would be partially negated by moderate decline in PVs and tractors.
- EBITDA margin is expected to expand 160 bp YoY (+10 bp QoQ) to 19.7%, led by operating leverage.
- EBITDA is projected to grow 18% YoY (-5% QoQ) to INR6b.
- Adjusted PAT is likely to increase 13% YoY to INR4b (-7% QoQ).
- We lower our earnings estimate for FY19/FY20E by 4% each mainly to factor for higher commodity costs.
- The stock trades at 35.1x FY19E and 28.6x FY20E EPS; maintain **Neutral**.

## Key issues to watch

- Update on revenue growth in aftermarket business
- Revenue opportunity in 2Ws in BS VI
- Outlook for both auto and non-auto demand

## Quarterly performance (S/A)

(INR Million)

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Net Sales</b>	<b>26,484</b>	<b>28,119</b>	<b>30,719</b>	<b>31,580</b>	<b>32,122</b>	<b>30,368</b>	<b>33,177</b>	<b>36,517</b>	<b>116,902</b>	<b>132,183</b>
YoY Change (%)	4.2	6.8	14.1	22.7	21.3	8.0	8.0	15.6	12.0	13.1
RM Cost (% of sales)	54.4	55.1	52.8	53.5	54.4	53.6	53.1	53.0	53.9	53.5
Staff Cost (% of sales)	12.9	12.2	11.1	10.4	10.9	11.6	10.5	11.0	11.6	11.0
Other Expenses (% of sales)	16.2	14.5	21.5	14.2	15.1	15.1	21.0	13.6	16.6	16.2
<b>EBITDA</b>	<b>4,390</b>	<b>5,080</b>	<b>4,476</b>	<b>6,914</b>	<b>6,282</b>	<b>5,982</b>	<b>5,109</b>	<b>8,226</b>	<b>20,933</b>	<b>25,599</b>
Margins (%)	16.6	18.1	14.6	21.9	19.6	19.7	15.4	22.5	17.9	19.4
Depreciation	1,062	1,108	1,243	1,259	939	1,150	1,300	1,423	4,672	4,812
Interest	5	0	27	1	0	0	0	0	33	0
Other Income	1,295	1,290	1,023	1,582	1,147	1,150	1,200	1,251	5,118	4,748
<b>PBT before EO expense</b>	<b>4,618</b>	<b>5,262</b>	<b>4,229</b>	<b>7,236</b>	<b>6,489</b>	<b>5,982</b>	<b>5,009</b>	<b>8,054</b>	<b>21,346</b>	<b>25,535</b>
Extra-Ord expense	0	0	0	939	0	0	0	0	939	0
<b>PBT after EO Expense</b>	<b>4,618</b>	<b>5,262</b>	<b>4,229</b>	<b>6,297</b>	<b>6,489</b>	<b>5,982</b>	<b>5,009</b>	<b>8,054</b>	<b>20,407</b>	<b>25,535</b>
Tax	1,592	1,728	1,419	1,959	2,179	1,974	1,653	2,620	6,699	8,426
Tax Rate (%)	34.5	32.8	33.6	31.1	33.6	33.0	33.0	32.5	32.8	33.0
<b>Reported PAT</b>	<b>3,026</b>	<b>3,533</b>	<b>2,810</b>	<b>4,338</b>	<b>4,310</b>	<b>4,008</b>	<b>3,356</b>	<b>5,434</b>	<b>13,708</b>	<b>17,108</b>
<b>Adj PAT</b>	<b>3,026</b>	<b>3,533</b>	<b>2,810</b>	<b>4,985</b>	<b>4,310</b>	<b>4,008</b>	<b>3,356</b>	<b>5,434</b>	<b>14,339</b>	<b>17,108</b>
YoY Change (%)	-19.3	-16.5	30.8	13.2	42.4	13.4	19.4	9.0	4.7	19.3

E: MOSL Estimates

## CEAT

Bloomberg	CEAT IN
Equity Shares (m)	40.5
M. Cap. (INR b)/(USD b)	45 / 1
52-Week Range (INR)	2030 / 1085
1,6,12 Rel Perf. (%)	-13 / -39 / -50

## Financial Snapshot (INR Billion)

Y/E March	2017	2018	2019E	2020E
Sales	57.7	62.3	70.4	84.7
EBITDA	6.6	6.1	6.8	9.2
NP	3.7	2.6	2.9	3.7
EPS (Rs)	91.8	64.0	71.8	92.5
EPS Gr. (%)	-18.3	-30.3	12.3	28.8
BV/Share	597.0	644.3	706.2	786.5
RoE (%)	16.6	10.3	10.6	12.4
RoCE (%)	13.3	8.5	7.8	8.8

## Valuations

P/E (x)	12.1	17.3	15.4	12.0
P/BV (x)	1.9	1.7	1.6	1.4
EV/EBITDA (x)	8.2	8.6	9.2	7.3
EV/Sales (x)	0.9	0.8	0.9	0.8

CMP: INR1,108

TP: INR1,432 (+29%)

Buy

- We expect revenues to increase 14% YoY (+2% QoQ) to INR17.4b in 2QFY19.
- RM cost % is expected to increase by 200 bp QoQ (+210 bp YoY) to 62.7% in 2QFY19 led by an increase in crude prices, INR depreciation and rising carbon black prices.
- We estimate 70 bp QoQ (-190 bp YoY) contraction in EBITDA margin to 9.6%.
- EBITDA is likely to decline 5% YoY and QoQ to INR1.7b.
- We expect adjusted PAT to decline 4% YoY to INR751m.
- We have revised downward our earnings estimate for FY19 and FY20 by 6% and 7%, respectively, to factor in higher RM costs (mainly crude-linked RM prices and INR depreciation).
- The stock trades at 15.4x FY19E and 12x FY20E EPS. Maintain **Buy**.

## Key things to watch for

- Guidance on RM costs
- Extent of price increases taken/ planned across segments to mitigate RM inflation
- Whether capacity expansion is on track

## Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	14,597	15,230	15,742	16,739	17,063	17,363	17,630	18,354	62,308	70,410
YoY Change (%)	-0.7	6.7	12.6	13.7	16.9	14.0	12.0	9.7	8.1	13.0
RM cost (%)	65.8	60.6	58.2	60.3	60.7	62.7	62.8	62.4	61.1	62.2
Employee cost (%)	6.9	7.3	7.1	6.9	7.0	7.0	7.1	7.3	7.0	7.1
Other expenses (%)	23.6	20.6	22.8	21.0	22.1	20.7	20.8	20.9	22.0	21.1
EBITDA	547	1,747	1,870	1,976	1,758	1,667	1,640	1,730	6,139	6,795
Margins (%)	3.7	11.5	11.9	11.8	10.3	9.6	9.3	9.4	9.9	9.7
Depreciation	396	409	433	448	460	470	520	528	1,686	1,978
Interest	226	237	273	238	204	210	255	274	974	943
Other Income	103	65	66	69	37	45	50	63	303	195
PBT before EO expense	28	1,166	1,230	1,359	1,131	1,032	915	991	3,783	4,068
Extra-Ord expense	4	80	10	246	23	0	0	0	340	23
PBT	25	1,086	1,220	1,113	1,108	1,032	915	991	3,443	4,045
Tax Rate (%)	193.1	38.7	38.9	35.7	39.9	34.0	34.0	33.5	38.9	35.5
Minority Interest & P/L of Asso. Cos.	-39	-65	-82	-91	-54	-70	-75	-81	-277	-280
Reported PAT	16	730	826	807	720	751	679	739	2,380	2,889
Adj PAT	13	779	833	966	735	751	679	739	2,587	2,904
YoY Change (%)	-98.8	-27	-0.7	21.0	5,582	-4	-18.5	-23.4	-30.1	12.3

E: MOSL Estimates

# Eicher Motors

Bloomberg	EIM IN
Equity Shares (m)	27.3
M. Cap. (INR b)/(USD b)	632 / 9
52-Week Range (INR)	32763 / 23005
1,6,12 Rel Perf. (%)	-13 / -26 / -41

## Financial Snapshot (INR b)

Y/E March	FY17	FY18	FY19E	FY20E
Net Income	70.3	89.6	106.5	124.3
EBITDA	21.7	28.1	33.8	39.8
Net Profit	17.1	21.8	26.0	32.7
Adj. EPS (INR)	630	800	956	1,199
EPS Gr. (%)	59.7	27.0	19.5	25.5
BV/Sh. (INR)	1,964	2,579	3,329	4,295
RoE (%)	38.1	35.2	32.4	31.5
RoCE (%)	33.3	30.1	28.2	28.0
Payout (%)	0.4	0.5	0.8	0.9

## Valuations

P/E (x)	36.8	29.0	24.2	19.3
P/BV (x)	11.8	9.0	7.0	5.4
EV/EBITDA (x)	23.3	17.4	14.1	11.2
Div. Yield (%)	0.4	0.5	0.8	0.9

**CMP: INR23,171 TP: INR28,057 (+21%) Buy**

- Royal Enfield's volumes grew by just 3.6% YoY (-6.8% QoQ) to 210,102 units, impacted by Kerala floods and the decline in production led by strike at one of its plant. Net realization is expected to improve by 6.1% YoY (+0.2% QoQ), supported by price hikes and mix. We expect S/A EBITDA margin to contract by 80 bp YoY to 31.1% (-120 bp QoQ).
- VECV's volume increased by 24.5% YoY (+14.5% QoQ). We expect net realization to decline by 0.5% YoY (-3% QoQ). Margin is expected to expand 40 bp YoY and QoQ to 9.6%.
- Consolidated revenue would increase 9.7% YoY (-6.6% QoQ) to INR23.8b. Consolidated margin is likely to be 31.1%. Adj. PAT is estimated to grow 12.2% YoY (+0.9% QoQ) at INR5.8b.
- We downgrade consolidated EPS by 3.1% for FY19 and by 7% for FY20 as we cut RE's FY19/20 volume by 2.4%/4.4% and margins by 60/160 bp in FY19/FY20. We increase VECV margins by 20/60 bp.
- The stock trades at 24.2x FY19E and 19.3x FY20E EPS. Maintain Buy.

## Key issues to watch

- Outlook on RE demand from metros and tier 1 and tier 2 cities, and order book trend
- Inventory levels for RE

## Quarterly performance (Consolidated)

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Net Operating income</b>	<b>20,006</b>	<b>21,673</b>	<b>22,690</b>	<b>25,280</b>	<b>25,478</b>	<b>23,785</b>	<b>27,985</b>	<b>29,246</b>	<b>89,650</b>	<b>106,494</b>
Growth (%)	28.6	23.5	23.7	33.9	27.3	9.7	23.3	15.7	27.5	18.8
<b>EBITDA</b>	<b>6,207</b>	<b>6,825</b>	<b>7,072</b>	<b>7,972</b>	<b>8,095</b>	<b>7,409</b>	<b>8,834</b>	<b>9,418</b>	<b>28,076</b>	<b>33,756</b>
EBITDA Margins (%)	31.0	31.5	31.2	31.5	31.8	31.1	31.6	32.2	31.3	31.7
<b>Recurring PAT</b>	<b>4,708</b>	<b>5,180</b>	<b>5,274</b>	<b>6,486</b>	<b>5,761</b>	<b>5,812</b>	<b>6,734</b>	<b>7,742</b>	<b>21,797</b>	<b>26,049</b>
Growth (%)	25.1	25.4	26.1	39.1	22.4	12.2	27.7	19.4	27.2	19.5
<b>Standalone (Royal Enfield)</b>										
<b>Royal Enfield ('000 units)</b>	<b>184</b>	<b>203</b>	<b>207</b>	<b>227</b>	<b>225</b>	<b>210</b>	<b>240</b>	<b>247</b>	<b>820</b>	<b>922</b>
Growth (%)	24.8	21.5	18.8	27.4	22.5	3.6	16.2	8.8	23.1	12.4
<b>Net Realn (INR '000/unit)</b>	<b>109</b>	<b>107</b>	<b>110</b>	<b>111</b>	<b>113</b>	<b>113</b>	<b>117</b>	<b>119</b>	<b>109</b>	<b>115</b>
Change - YoY (%)	2.9	1.0	3.9	5.4	3.9	6.1	6.4	6.4	3.4	5.8
EBITDA Margins (%)	31.4	31.9	31.7	32.3	32.3	31.1	31.6	31.7	31.9	31.7
<b>Recurring PAT</b>	<b>4,943</b>	<b>4,864</b>	<b>4,720</b>	<b>4,146</b>	<b>5,912</b>	<b>5,031</b>	<b>6,087</b>	<b>6,493</b>	<b>18,674</b>	<b>23,524</b>
Growth (%)	46.6	22.8	13.7	0.7	19.6	3.4	29.0	56.6	19.7	26.0
<b>VECV</b>										
<b>Total CV Volumes</b>	<b>11,584</b>	<b>15,017</b>	<b>16,231</b>	<b>23,100</b>	<b>16,326</b>	<b>18,696</b>	<b>17,435</b>	<b>24,368</b>	<b>65,932</b>	<b>76,825</b>
Growth (%)	-27.9	12.0	37.7	33.2	40.9	24.5	7.4	5.5	12.5	16.5
<b>Net Realn (INR '000/unit)</b>	<b>1,556</b>	<b>1,558</b>	<b>1,596</b>	<b>1,436</b>	<b>1,598</b>	<b>1,550</b>	<b>1,535</b>	<b>1,541</b>	<b>1,524</b>	<b>1,554</b>
Change - YoY (%)	16.9	5.9	-0.2	-2.5	2.7	-0.5	-3.8	7.3	4.4	1.9
EBITDA Margins (%)	8.3	9.2	8.7	9.5	9.2	9.6	9.0	9.9	9.0	9.5
<b>Recurring PAT</b>	<b>670</b>	<b>950</b>	<b>1,328</b>	<b>1,783</b>	<b>1,180</b>	<b>1,436</b>	<b>1,190</b>	<b>2,053</b>	<b>4,731</b>	<b>5,859</b>
Growth (%)	-38.1	46.2	133.0	52.4	76.1	51.1	-10.4	15.1	35.8	23.8

E: MOSL Estimates

# Endurance Technologies

Bloomberg	ENDU IN
Equity Shares (m)	140.7
M. Cap. (INR b)/(USD b)	184 / 3
52-Week Range (INR)	1579 / 966
1,6,12 Rel. Perf. (%)	-8 / -5 / 18

## Financial Snapshot (INR Billion)

Y/E March	2017	2018	2019E	2020E
Sales	55.9	65.4	75.8	90.1
EBITDA	7.6	9.3	11.3	14.0
NP	3.3	4.1	5.3	6.9
Adj EPS (INR)	23.5	29.1	37.5	49.3
EPS Gr. (%)	10.3	23.8	28.9	31.6
BV/Sh. (INR)	122.9	154.5	183.8	218.3
RoE (%)	20.8	21.0	22.2	24.5
RoCE (%)	15.1	15.9	17.5	20.5

## Valuations

P/E (x)	55.6	44.9	34.8	26.5
P/BV (x)	10.6	8.5	7.1	6.0
EV/EBITDA (x)	24.9	20.1	16.3	12.9

**CMP: INR1,306 TP: INR1,556 (+19%) Buy**

- We expect 13% YoY growth (-1.5% QoQ) in consolidated revenue to INR18.3b, led by strong performance in standalone operations. We expect European operations to deliver flat revenue growth on YoY basis in constant currency terms.
- Consolidated EBITDA is expected to grow 18% YoY (flat QoQ), led by healthy growth in the operating performance of Indian operations.
- EBITDA margin is likely to expand 70 bp YoY (+20 bp QoQ) to 14.8%.
- We expect PAT to grow 25% YoY (flat QoQ) to INR1.2b.
- We maintain our EPS estimates for FY19 and FY20.
- The stock trades at 34.8x FY19E EPS and 26.5x FY20 EPS. Maintain **Buy**.

## Key issues to watch for

- Update on new order wins in India and Europe during the quarter
- Whether ABS launch is on track
- Update on outlook for European market

## Consolidated - Quarterly

(INR Million)

Y/E March	FY18				FY19E				FY18	FY19E
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Net Sales</b>	<b>15,057</b>	<b>16,204</b>	<b>15,809</b>	<b>17,350</b>	<b>18,604</b>	<b>18,324</b>	<b>18,637</b>	<b>20,262</b>	<b>65,381</b>	<b>75,827</b>
YoY Change (%)	4.5	11.9	19.8	25.7	23.6	13.1	17.9	16.8	17.0	16.0
RM Cost (% of sales)	57.8	59.3	57.4	58.5	58.6	59.4	59.1	58.8	58.8	59.0
Staff Cost (% of sales)	9.8	8.6	9.3	8.5	8.9	8.2	8.8	8.0	8.9	8.5
Other Exp. (% of sales)	18.1	18.0	19.2	18.2	17.9	17.6	17.3	17.6	18.1	17.6
<b>EBITDA</b>	<b>2,139</b>	<b>2,292</b>	<b>2,229</b>	<b>2,573</b>	<b>2,714</b>	<b>2,704</b>	<b>2,768</b>	<b>3,157</b>	<b>9,278</b>	<b>11,343</b>
Margins (%)	14.2	14.1	14.1	14.8	14.6	14.8	14.9	15.6	14.2	15.0
Depreciation	742	768	798	907	820	840	880	891	3,216	3,431
Interest	57	69	47	63	59	52	50	47	235	208
Other Income	56	62	84	77	41	50	56	57	235	204
<b>PBT after EO</b>	<b>1,397</b>	<b>1,517</b>	<b>1,199</b>	<b>1,680</b>	<b>1,876</b>	<b>1,862</b>	<b>1,894</b>	<b>2,276</b>	<b>5,793</b>	<b>7,909</b>
Eff. Tax Rate (%)	30.9	34.3	34.8	30.7	33.6	33.4	33.4	33.1	32.6	33.4
<b>Adj. PAT</b>	<b>965</b>	<b>997</b>	<b>957</b>	<b>1,164</b>	<b>1,246</b>	<b>1,241</b>	<b>1,263</b>	<b>1,522</b>	<b>4,089</b>	<b>5,271</b>
YoY Change (%)	9.7	11.6	28.8	39.3	29.1	24.5	31.9	30.8	23.8	28.9

## Escorts

Bloomberg	ESC IN
Equity Shares (m)	122.6
M. Cap. (INR b)/(USD b)	76 / 1
52-Week Range (INR)	1019 / 581
1,6,12 Rel Perf. (%)	-18 / -38 / -21

## Financial Snapshot (INR Billion)

Y/E March	2017	2018	2019E	2020E
Sales	41.5	50.6	57.4	63.4
EBITDA	3.1	5.5	6.8	7.8
NP	1.8	3.5	4.4	5.1
EPS (INR)	21.0	39.5	49.4	57.6
EPS Growth (%)	86.3	88.0	24.9	16.6
BV/Sh (INR)	190.1	249.2	290.2	339.3
RoE (%)	11.6	18.3	18.3	18.3
RoCE (%)	11.2	18.3	18.5	27.2
Payout (%)	12.9	12.8	16.8	14.4

## Valuations

P/E (x)	29.6	15.7	12.6	10.8
P/BV (x)	3.3	2.5	2.1	1.8
EV/EBITDA (x)	17.0	9.4	7.5	6.1
EV/Sales(x)	1.3	1.0	0.9	0.8

**CMP: INR622 TP: INR691 (+11%) Neutral**

- Tractor volumes grew 33.3% YoY (-14.1% QoQ) to 21,039 units.
- Realizations are estimated to decline 0.5% YoY (-1% QoQ) to INR475.8k/unit due to product mix impact.
- Consequently revenues should grow 5.3% YoY to INR14.5b in 1QFY19.
- We expect EBITDA margins to decline 180 bp YoY (-120 bp QoQ) to 10.5%. EBITDA is expected to decline by 5.4% YoY (-28.2% QoQ) to INR1.3b.
- We expect PAT to be at INR851m, growing by 3.6% YoY (-28.8% QoQ).
- We have lowered EPS estimates for FY19/20E by 6.5%/13% as we cut tractor volumes by 5%/6% for FY19/20E and also cut FY20 margins by 50 bp to 12.3%.
- The stock trades at 12.6x/10.8x FY19/20E EPS. Maintain **Neutral**.

## Key things to watch for

- Market share movement and new launches in tractor segment
- Demand momentum in construction equipment segment
- Visibility of order book execution in railways division

## Standalone Quarterly Performance

(INR Million)

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	11,632	12,117	12,050	14,361	15,113	12,755	13,981	15,535	50,593	57,384
YoY Change (%)	11.0	23.3	12.2	40.5	29.9	5.3	16.0	8.2	22.6	13.4
Total Expenditure	10,656	10,708	10,600	12,624	13,257	11,422	12,457	13,535	45,057	50,612
EBITDA	975	1,409	1,450	1,738	1,855	1,333	1,524	2,000	5,536	6,771
Margins (%)	8.4	11.6	12.0	12.1	12.3	10.5	10.9	12.9	10.9	11.8
Depreciation	178	179	179	188	206	208	211	228	732	852
Interest	80	84	59	63	29	25	20	15	295	89
Other Income	205	81	82	226	170	175	183	191	653	718
PBT before EO expense	923	1,227	1,294	1,712	1,791	1,275	1,476	1,948	5,162	6,549
Extra-Ord expense	0	69	-1	0	0	0	0	0	68	0
PBT	923	1,159	1,295	1,712	1,791	1,275	1,476	1,948	5,094	6,549
Tax	297	383	375	587	595	424	491	649	1,625	2,158
Rate (%)	32.1	33.1	29.0	34.3	33.2	33.2	33.2	33.3	31.9	33.0
Adj PAT	626	822	919	1,125	1,196	851	985	1,299	3,512	4,387
YoY Change (%)	14.3	104.8	67.0	133.6	90.9	3.6	7.2	15.4	77.3	24.9
Margins (%)	5.4	6.8	7.6	7.8	7.9	6.7	7.0	8.4	6.9	7.6

E: MOSL Estimates

# Exide Industries

Bloomberg	EXID IN
Equity Shares (m)	850.0
M. Cap. (INR b)/(USD b)	220 / 3
52-Week Range (INR)	305 / 193
1,6,12 Rel Perf. (%)	-2 / 3 / 9

## Financial Snapshot (INR b)

Y/E MARCH	2017	2018	2019E	2020E
Net Sales	75.8	91.9	111.1	129.8
EBITDA	10.8	12.4	15.6	18.5
Adj. PAT	6.9	7.0	8.7	10.3
Adj. EPS (INR)	8.2	8.2	10.2	12.1
EPS Gr. (%)	11.1	0.4	24.3	19.3
BV/Sh. (INR)	58.4	63.4	70.5	78.9
RoE (%)	14.0	12.9	14.4	15.4
RoCE (%)	14.3	13.3	15.3	16.3

## Valuations

P/E (x)	31.7	31.5	25.4	21.3
P/BV (x)	4.4	4.1	3.7	3.3
EV/EBITDA (x)	18.0	16.0	12.8	10.6
Div. Yield (%)	0.9	0.9	1.0	1.2

CMP: INR258

TP: INR312 (+21%)

Buy

- We expect revenues to grow 17.5% YoY to INR28.7b, led by strong OEM and replacement demand, as well as ramp-up in telecom and new segments such as E-rickshaw and Solar.
- Spot LME lead prices declined for the second consecutive quarter by 6.2% QoQ in 2QFY19 while they remained flat YoY.
- EBITDA margin is likely to expand 170 bp YoY (+10 bp QoQ) to 14.2%.
- PAT is likely to grow by 37.6% YoY (+6.9% QoQ) to INR2.2b.
- We cut FY19/20 EPS by 3.7%/5.4% as we cut EBITDA margins by 20 bp/50 bp to factor in the unfavorable product mix.
- The stock trades at 25.4x FY19E and 21.3x FY20E EPS. Maintain **Buy**.

### Key issues to watch

- Update on demand environment for OEMs, auto replacement and industrial battery segments post demonetization
- Market share in autos and non-autos
- Outlook for raw material cost trend and recent pricing, if any

## S/A Quarterly Performance

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Net Sales</b>	<b>21,029</b>	<b>23,713</b>	<b>22,783</b>	<b>24,594</b>	<b>27,725</b>	<b>27,863</b>	<b>26,656</b>	<b>28,863</b>	<b>91,863</b>	<b>111,106</b>
Growth YoY (%)	4.6	23.2	32.8	25.8	31.8	17.5	17.0	17.4	21.1	20.9
RM (%)	62.9	67.0	65.5	65.2	66.4	65.9	65.4	65.5	65.4	65.8
Employee cost (%)	6.8	6.2	6.7	6.3	5.8	5.8	6.3	5.9	6.5	6.0
Other Exp(%)	14.9	14.3	15.4	14.8	13.6	14.1	14.6	14.6	14.6	14.2
<b>EBITDA</b>	<b>3,243</b>	<b>2,959</b>	<b>2,826</b>	<b>3,380</b>	<b>3,909</b>	<b>3,944</b>	<b>3,656</b>	<b>4,052</b>	<b>12,408</b>	<b>15,561</b>
EBITDA Margin (%)	15.4	12.5	12.4	13.7	14.1	14.2	13.7	14.0	13.5	14.0
Change (%)	3.2	2.3	24.3	34.2	20.6	33.3	29.4	19.9	14.6	25.4
Non-Operating Income	132	139	111	203	42	150	150	145	584	487
Interest	16	21	9	6	11	16	10	18	52	55
Depreciation	563	597	625	674	719	724	732	801	2,459	2,976
<b>PBT after EO Exp</b>	<b>2,796</b>	<b>2,061</b>	<b>2,302</b>	<b>2,903</b>	<b>3,221</b>	<b>3,354</b>	<b>3,064</b>	<b>3,377</b>	<b>10,062</b>	<b>13,016</b>
Tax	906	706	759	1,007	1,122	1,110	1,014	1,114	3,378	4,361
Effective Tax Rate (%)	32.4	34.3	33.0	34.7	34.8	33.1	33.1	33.0	33.6	33.5
<b>Adj. PAT</b>	<b>1,890</b>	<b>1,630</b>	<b>1,543</b>	<b>1,896</b>	<b>2,099</b>	<b>2,244</b>	<b>2,050</b>	<b>2,263</b>	<b>6,961</b>	<b>8,656</b>
Change (%)	-3.6	-10.3	1.8	15.4	11.1	37.6	32.9	19.4	0.4	24.3

E: MOSL Estimates



# Hero MotoCorp

Bloomberg	HMCL IN
Equity Shares (m)	199.7
M. Cap. (INR b)/(USD b)	582 / 8
52-Week Range (INR)	3895 / 2850
1,6,12 Rel Perf. (%)	-3 / -28 / -38

## Financial Snapshot (INR b)

Y/E March	2017	2018	2019E	2020E
Sales	285.0	322.3	358.0	393.5
EBITDA	46.3	52.8	54.1	60.6
NP	33.8	37.0	35.9	41.1
Adj. EPS (INR)	169.1	185.1	179.6	205.1
EPS Gr. (%)	6.9	9.5	-3.0	14.2
BV/Sh. (INR)	506.3	589.3	642.4	707.3
RoE (%)	35.7	33.8	29.2	30.4
RoCE (%)	34.5	32.5	28.0	29.3

## Valuations

P/E (x)	17.2	15.7	16.2	14.2
P/BV (x)	5.8	4.9	4.5	4.1
EV/EBITDA (x)	11.3	9.6	9.3	8.2
Div. Yield (%)	2.9	3.3	3.6	3.9

**CMP: INR2,916 TP: INR3,238 (+11%) Neutral**

- Volumes increased by 5.5% YoY (1.4% QoQ) to 2.1 units, led by healthy rural sentiment.
- Realization to grow by 2.5% YoY (1.3% QoQ) at INR42,376/unit, largely led by price hikes.
- Net revenue should increase by 8.1% YoY (+2.6% QoQ) to INR90.4b.
- EBITDA margin is expected to shrink by 210 bp YoY (-30 bp QoQ) to 15.3%.
- EBITDA is likely to decline by 4.7% YoY (-0.7% QoQ) to ~INR13.9b.
- We expect PAT to decline 9.8% YoY (+0.3% QoQ) to INR9.1b.
- We cut FY19/20 EPS by 7%/6% as we cut margins by 80 bp/60 bp to factor in higher RM. We also cut volumes by 1% each for FY19/20.
- The stock trades at 16.2x FY19E and 14.2 FY20E EPS; maintain **Neutral**.

## Key issues to watch

- Update on demand trend in rural and urban markets
- Level of inventory in the system
- New product launches and the timelines
- Outlook on exports

## Quarterly Performance

(INR Million)

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes ('000 nos)	1,858	2,023	1,709	1,997	2,105	2,134	2,035	2,159	7,587	8,433
Growth YoY (%)	6.5	10.9	16.0	23.1	13.3	5.5	19.1	8.1	13.9	11.1
Net Realization	42,950	41,339	42,796	42,880	41,853	42,376	42,673	42,912	42,480	42,454
Growth YoY (%)	1.3	-3.3	-0.9	0.5	-2.6	2.5	-0.3	0.1	-0.7	-0.1
<b>Net Op Revenues</b>	<b>79,805</b>	<b>83,620</b>	<b>73,142</b>	<b>85,640</b>	<b>88,098</b>	<b>90,432</b>	<b>86,839</b>	<b>92,639</b>	<b>322,305</b>	<b>358,008</b>
RM Cost (% sales)	67.7	68.1	67.4	67.6	70.0	70.0	69.5	69.5	67.7	69.8
Staff Cost (% sales)	4.7	4.6	5.5	4.4	4.7	4.7	5.1	4.7	4.8	4.8
Other Exp (% sales)	11.4	9.9	11.3	11.9	9.7	10.0	10.6	11.1	11.1	10.4
<b>EBITDA</b>	<b>12,959</b>	<b>14,557</b>	<b>11,580</b>	<b>13,706</b>	<b>13,773</b>	<b>13,866</b>	<b>12,860</b>	<b>13,608</b>	<b>52,802</b>	<b>54,107</b>
EBITDA Margins (%)	16.2	17.4	15.8	16.0	15.6	15.3	14.8	14.7	16.4	15.1
Other Income	1,317	1,176	1,100	1,665	1,157	1,050	1,275	1,230	5,258	4,713
Interest	16	16	16	15	21	10	10	9	63	50
Depreciation	1,330	1,360	1,383	1,483	1,482	1,500	1,520	1,524	5,556	6,025
<b>PBT</b>	<b>12,931</b>	<b>14,357</b>	<b>11,282</b>	<b>13,872</b>	<b>13,427</b>	<b>13,406</b>	<b>12,605</b>	<b>13,306</b>	<b>52,442</b>	<b>52,744</b>
Effective Tax Rate (%)	29.3	29.6	28.6	30.3	32.3	32.0	32.0	31.7	29.5	32.0
<b>Adj. PAT</b>	<b>9,140</b>	<b>10,105</b>	<b>8,054</b>	<b>9,674</b>	<b>9,092</b>	<b>9,116</b>	<b>8,571</b>	<b>9,087</b>	<b>36,974</b>	<b>35,866</b>
Growth (%)	3.5	0.6	4.3	34.8	-0.5	-9.8	6.4	-6.1	9.5	-3.0

E: MOSL Estimates

# Mahindra & Mahindra

Bloomberg	MM IN
Equity Shares (m)	1209.0
M. Cap. (INR b)/(USD b)	956 / 13
52-Week Range (INR)	992 / 628
1,6,12 Rel Perf. (%)	-9 / -5 / 10

## Financial Snapshot (INR b)

Y/E March	2017	2018	2019E	2020E
Sales	440.5	486.9	561.9	633.2
EBITDA	45.1	62.2	74.9	86.3
NP (incl. MVML)	35.1	43.2	51.3	59.0
Adj. EPS (INR) *	27.4	40.2	43.1	49.6
EPS Gr. (%)	4.1	46.9	18.7	15.0
BV/Share (INR)	226	255	285	321
RoE (%)	12.6	14.2	14.9	15.2
RoCE (%)	11.9	13.0	13.8	14.3
<b>Valuations</b>				
P/E (x)	26.7	21.8	18.4	16.0
P/BV (x)	3.5	3.1	2.8	2.5
EV/EBITDA (x)	9.8	14.5	11.9	8.9
Div. Yield (%)	0.8	1.3	1.3	1.3

\* incl. MVML

**CMP: INR791 TP: INR1,048 (+33%) Buy**

- Overall volumes were up 3.7% YoY (-5.1% QoQ) to 228.6k units, as UV and 3W volume increased 4.9% YoY and 30.5% YoY, respectively. Tractor sales declined 4.1% YoY (-22.6% QoQ).
- MM's (including MVML) realization is expected to increase 3.1% YoY (+1.7% QoQ), led by favorable product mix.
- Revenue is likely to increase 7.2% YoY (-3.5% QoQ) to INR128.9b.
- EBITDA margin is expected to contract 70 bp YoY (-50 bp QoQ) to 15.3%.
- Expect PAT to decline 1.5% YoY (+12% QoQ) to INR13.9b.
- We have maintained FY19/FY20E EPS.
- The stock trades at 18.4x FY19E and 16x FY20E EPS; maintain **Buy**.

## Key issues to watch

- Outlook for UV and tractor businesses for FY19 and FY20
- Update on response to the newly launched—Marazoo
- Update on average discounts per unit during festivals
- Update on new launches and timelines

## Quarterly Performance (incl MVML)

(INR Million)

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes (nos)	202,130	220,478	210,223	236,376	240,885	228,590	257,500	263,583	869,118	993,138
Growth YoY (%)	3.1	17.4	6.5	25.4	19.2	3.7	22.5	11.5	12.9	14.3
Net Realization	538,146	545,083	546,632	557,957	554,524	563,736	553,268	558,790	547,421	556,010
Growth YoY (%)	0.3	1.7	3.6	0.2	3.0	3.4	1.2	0.1	1.8	1.6
<b>Net Op. Income</b>	<b>108,775</b>	<b>120,179</b>	<b>114,915</b>	<b>131,888</b>	<b>133,577</b>	<b>128,864</b>	<b>142,467</b>	<b>147,287</b>	<b>475,774</b>	<b>552,195</b>
Growth YoY (%)	3.4	19.4	10.3	25.6	22.8	7.2	24.0	11.7	15.0	16.1
<b>Gross operating income</b>	<b>123,048</b>	<b>120,179</b>	<b>114,915</b>	<b>131,888</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>475,774</b>	<b>604,660</b>
Growth YoY (%)	4.0	5.8	10.3	25.6	-100.0	-100.0	-100.0	-100.0	15.0	27.1
RM Cost (% of sales)	67.8	65.9	66.2	66.2	67.4	67.6	67.0	66.7	66.5	67.2
Staff (% of sales)	7.3	6.6	7.0	6.0	6.3	6.4	6.3	6.3	6.7	6.3
Oth. Exp. (% of Sales)	11.7	11.6	12.1	12.6	10.4	10.7	10.6	11.5	12.0	10.9
<b>EBITDA</b>	<b>14,341</b>	<b>19,233</b>	<b>16,926</b>	<b>19,950</b>	<b>21,101</b>	<b>19,664</b>	<b>22,963</b>	<b>22,326</b>	<b>70,434</b>	<b>86,052</b>
EBITDA Margins (%)	13.2	16.0	14.7	15.1	15.8	15.3	16.1	15.2	14.8	15.6
Other income	1,283	5,549	1,011	1,659	1,930	5,563	1,113	1,476	9,517	10,081
Interest	509	440	435	499	431	470	490	541	1,882	1,932
Depreciation	3,820	3,992	4,052	4,390	4,295	4,900	5,000	5,182	16,254	19,377
<b>PBT</b>	<b>11,296</b>	<b>20,350</b>	<b>17,307</b>	<b>17,199</b>	<b>18,550</b>	<b>19,856</b>	<b>18,585</b>	<b>18,079</b>	<b>66,152</b>	<b>75,069</b>
Effective Tax Rate (%)	33.4	30.7	24.6	32.9	32.2	30.0	31.5	32.2	30.1	31.4
<b>Adj PAT</b>	<b>7,518</b>	<b>14,109</b>	<b>10,147</b>	<b>11,227</b>	<b>12,406</b>	<b>13,899</b>	<b>12,731</b>	<b>12,266</b>	<b>43,202</b>	<b>51,300</b>
Change (%)	-16.0	22.0	22.0	60.4	65.0	-1.5	25.5	9.2	23.0	18.7

E: MOSL Estimates

# Maruti Suzuki

Bloomberg	MSIL IN
Equity Shares (m)	302.1
M. Cap. (INR b)/(USD b)	2191 / 30
52-Week Range (INR)	10000 / 7211
1,6,12 Rel Perf. (%)	-12 / -28 / -23

## Financial Snapshot (INR b)

Y/E MARCH	2017	2018	2019E	2020E
Sales	680.3	797.6	900.7	1,040.8
EBITDA	103.5	123.1	129.7	154.8
Adj. PAT	73.5	79.0	81.6	105.2
Con.adj.EPS	248.6	266.7	276.0	354.8
EPS Gr. (%)	36.6	7.3	3.5	28.5
BV/Sh. (INR)	1,206	1,382	1,532	1,730
RoE (%)	20.2	18.5	17.6	20.1
RoCE (%)	26.9	27.3	25.0	28.1

## Valuations

P/E (x)	29.2	27.2	26.3	20.4
P/BV (x)	6.0	5.2	4.7	4.2
EV/EBITDA (x)	18.5	14.9	13.9	11.4
Div. Yield (%)	1.0	1.1	1.4	1.7

\*Consol. & adjusted

**CMP: INR7,252 TP: INR8,909 (+23%) Buy**

- Volume declined by 1.5% YoY (-1.1% QoQ) to 484.8k units.
- Net realization to improve 3% YoY (-0.5% QoQ) to INR455,618 per unit, resulting in net revenue increase by 1.5% YoY (-1.6% QoQ) to INR220.9b. Growth in realization is likely to be driven largely by a favorable product mix.
- We expect margins to decline 270 bp YoY (-70 bp QoQ) to 14.2% mainly due to higher RM and un-favorable currency impact.
- EBITDA is estimated to grow by 14.7% YoY (-6.3% QoQ) to INR31.4b.
- We expect PAT to decline by 18.9% YoY (+2% QoQ) to INR20b.
- We cut our FY19/20 EPS estimates by 11%/13% as we cut volumes by 1.9%/3.2% and cut EBITDA margins by 90 bp/100 bp, respectively, to factor in currency volatility.
- The stock trades at 26.3x FY19E and 20.4x FY20E EPS. Maintain **Buy**.

## Key issues to watch

- Update on demand scenario, channel inventory, discounting trends, and new launches
- Demand trend in urban and rural areas
- Clarity on action plan under Suzuki-Toyota partnership

## Quarterly Perf.

(INR Million)

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes (nos)	394,571	492,118	431,112	461,773	490,479	484,848	489,600	495,233	1,779,574	1,960,160
Change (%)	13.2	17.6	11.3	11.4	24.3	-1.5	13.6	7.2	13.4	10.1
Realizations (INR/car)	444,678	442,337	447,290	458,355	457,907	455,618	457,213	467,052	448,212	459,478
Change (%)	3.7	3.6	2.6	3.6	3.0	3.0	2.2	1.9	3.3	2.5
<b>Net operating revenues</b>	<b>175,457</b>	<b>217,682</b>	<b>192,832</b>	<b>211,656</b>	<b>224,594</b>	<b>220,905</b>	<b>223,851</b>	<b>231,300</b>	<b>797,627</b>	<b>900,650</b>
Change (%)	17.4	21.8	14.2	15.4	28.0	1.5	16.1	9.3	17.2	12.9
RM Cost (% of sales)	70.0	68.8	69.1	67.9	69.0	69.6	69.7	69.6	68.9	69.5
Staff Cost (% of sales)	3.7	3.1	3.6	3.9	3.4	3.5	3.5	3.7	3.6	3.5
Other Cost (% of sales)	13.0	11.2	11.5	13.9	12.6	12.7	12.0	12.9	12.1	12.6
<b>EBITDA</b>	<b>23,312</b>	<b>36,775</b>	<b>30,378</b>	<b>30,150</b>	<b>33,511</b>	<b>31,385</b>	<b>33,065</b>	<b>31,775</b>	<b>123,122</b>	<b>129,736</b>
EBITDA Margins (%)	13.3	16.9	15.8	14.2	14.9	14.2	14.8	13.7	15.4	14.4
Depreciation	6,839	6,825	6,890	7,025	7,198	7,250	7,400	7,536	27,579	29,384
<b>EBIT</b>	<b>16,473</b>	<b>29,950</b>	<b>23,488</b>	<b>23,125</b>	<b>26,313</b>	<b>24,135</b>	<b>25,665</b>	<b>24,239</b>	<b>95,543</b>	<b>100,352</b>
EBIT Margins (%)	9.4	13.8	12.2	10.9	11.7	10.9	11.5	10.5	12.0	11.1
Interest	313	150	263	224	207	210	210	223	3,457	850
Non-Operating Income	6,827	5,229	2,449	5,950	2,718	4,250	4,750	5,296	20,455	17,014
<b>PBT</b>	<b>22,987</b>	<b>35,029</b>	<b>25,674</b>	<b>26,344</b>	<b>28,824</b>	<b>28,175</b>	<b>30,205</b>	<b>29,312</b>	<b>110,034</b>	<b>116,516</b>
Effective Tax Rate (%)	32.3	29.1	29.9	28.6	31.5	28.5	28.5	31.5	29.8	30.0
<b>Adjusted PAT</b>	<b>15,564</b>	<b>24,843</b>	<b>17,990</b>	<b>20,612</b>	<b>19,753</b>	<b>20,145</b>	<b>21,597</b>	<b>20,066</b>	<b>78,977</b>	<b>81,561</b>
Change (%)	4.4	3.3	3.0	20.5	26.9	-18.9	20.0	-2.6	7.4	3.3

E:MOSL Estimates

# Motherson Sumi

Bloomberg	MSS IN
Equity Shares (m)	2105.3
M. Cap. (INR b)/(USD b)	512 / 7
52-Week Range (INR)	395 / 240
1,6,12 Rel Perf. (%)	-13 / -35 / -43

## Financial Snapshot (INR b)

Y/E Mar	2017	2018	2019E	2020E
Sales	423.8	562.9	632.5	754.9
EBITDA	41.7	51.2	65.8	88.8
NP	16.1	17.0	20.7	29.7
EPS (INR)	7.6	8.1	9.8	14.1
EPS Gr. (%)	17.1	6.0	21.6	43.5
BV/Sh. (INR)	39.3	44.3	51.2	60.9
RoE (%)	25.3	19.4	20.6	25.2
RoCE (%)	14.7	12.2	14.4	18.5

## Valuations

P/E (x)	31.9	30.1	24.7	17.2
P/BV (x)	6.2	5.5	4.8	4.0
EV/EBITDA(x)	9.5	11.3	8.6	6.1
EV/Sales (x)	0.9	1.0	0.9	0.7

CMP: INR243

TP: INR345 (+42%)

Buy

- We estimate consolidated revenues to grow 12.5% YoY (+2.3% QoQ), driven by 12.2% growth in S/A business, PKC (+33.3%), SMP (+12.1%) and SMR (11.4%).
- Consolidated PAT is expected to grow 5.9% YoY to INR4.7b, driven by margin expansion at SMP.
- Standalone EBITDA margin is expected to decline 270 bp YoY (-20 bp QoQ) to 16.9% due to low revenues.
- For SMR, we estimate EBITDA margin expansion of 90 bp YoY (-20 bp QoQ) at 11%.
- For SMP, we estimate EBITDA margins to improve 120 bp YoY (+80 bp QoQ) to 7% due to ramp-up of new plants.
- For PKC, we estimate EBITDA margins will expand 220 bp YoY (+10 bp QoQ) to 9.6% led by expectation of healthy operating performance.
- The stock trades at 24.7x FY19E and 17.2x FY20E EPS; maintain **Buy**.

## Key issues to watch

- Update on new business wins at PKC
- Update on ramp-up of new plants at SMRBPBV
- Update on trends in key businesses

## Quarterly performance (Cons.)

(INR Million)

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Net Sales</b>	<b>130,774</b>	<b>134,313</b>	<b>143,877</b>	<b>154,078</b>	<b>147,755</b>	<b>151,100</b>	<b>159,288</b>	<b>174,364</b>	<b>562,933</b>	<b>632,507</b>
YoY Change (%)	25.1	32.5	35.7	36.9	13.0	12.5	10.7	13.2	32.8	12.4
RM Cost (% of sales)	61.1	60.6	61.5	60.6	57.6	58.5	58.5	59.2	61.0	58.5
Staff Cost (% of sales)	19.7	19.8	19.5	19.6	21.9	21.0	20.0	19.3	60.6	20.5
Other Expenses (% of sales)	10.5	10.3	10.3	10.1	11.0	10.7	11.1	9.9	10.3	10.7
<b>EBITDA</b>	<b>11,352</b>	<b>12,507</b>	<b>12,493</b>	<b>15,001</b>	<b>14,121</b>	<b>14,799</b>	<b>16,486</b>	<b>20,364</b>	<b>51,226</b>	<b>65,770</b>
Margins (%)	8.7	9.3	8.7	9.7	9.6	9.8	10.4	11.7	9.1	10.4
Depreciation	3,768	3,978	3,937	4,069	4,471	4,500	4,750	5,133	15,752	18,854
Interest	1,176	771	1,032	1,130	1,005	1,168	1,240	1,432	4,108	4,844
Other Income	551	156	253	615	447	175	200	178	1,701	1,000
<b>PBT before EO expense</b>	<b>6,959</b>	<b>7,914</b>	<b>7,777</b>	<b>10,418</b>	<b>9,093</b>	<b>9,306</b>	<b>10,696</b>	<b>13,977</b>	<b>33,067</b>	<b>43,072</b>
Extra-Ord expense	1,502	48	21	207	0	0	0	0	1,777	0
<b>PBT after EO Expense</b>	<b>5,458</b>	<b>7,865</b>	<b>7,756</b>	<b>10,211</b>	<b>9,093</b>	<b>9,306</b>	<b>10,696</b>	<b>13,977</b>	<b>31,290</b>	<b>43,072</b>
Tax	2,343	2,333	2,516	2,877	3,273	2,996	3,444	4,500	10,072	14,214
Tax Rate (%)	33.7	29.5	32.4	27.6	36.0	32.2	32.2	32.2	30.5	33.0
Minority Int & Share of profit	335	1,168	1,595	2,151	1,389	1,650	2,075	3,037	5,249	8,152
<b>Reported PAT</b>	<b>2,780</b>	<b>4,365</b>	<b>3,645</b>	<b>5,184</b>	<b>4,431</b>	<b>4,659</b>	<b>5,177</b>	<b>6,439</b>	<b>15,970</b>	<b>20,706</b>
<b>Adj PAT</b>	<b>3,637</b>	<b>4,399</b>	<b>3,659</b>	<b>5,332</b>	<b>4,431</b>	<b>4,659</b>	<b>5,177</b>	<b>6,439</b>	<b>17,027</b>	<b>20,706</b>
YoY Change (%)	20.2	21.9	-12.0	1.3	21.8	5.9	41.5	20.8	10.2	21.6

E: MOSL Estimates

# Tata Motors

Bloomberg	TTMT IN
Equity Shares (m)	3396.6
M. Cap. (INR b)/(USD b)	773 / 11
52-Week Range (INR)	467 / 220
1,6,12 Rel Perf. (%)	-8 / -42 / -60

## Financial Snapshot (INR b)

Y/E March	2017	2018	2019E	2020E
Net Sales	2,697	2,946	3,196	3,509
EBITDA	369.1	369.7	390.4	479.6
NP	67.3	77.8	69.0	118.9
Adj. EPS (INR)	19.8	22.9	20.3	35.0
EPS Gr. (%)	-48.4	15.7	-11.4	72.4
BV/Sh. (INR)	171.0	281.0	301.0	335.7
RoE (%)	9.8	10.1	7.0	11.0
RoCE (%)	9.2	6.4	5.1	6.5

## Valuations

P/E (x)	11.5	9.9	11.2	6.5
P/BV (x)	1.3	0.8	0.8	0.7
EV/EBITDA (x)	2.6	2.7	2.9	2.2

CMP: INR228

TP: INR335 (+47%)

Buy

- Consolidated revenues are estimated to decline 19.9% YoY (-6.8% QoQ), with EBITDA margin contracting 380 bp YoY to 8.8%. We estimate second consecutive quarter of consolidated loss of INR4.5b (v/s adjusted profit of INR24.8b).
- We expect JLR's (including JV) volume to decline by 19.9% YoY (-6.8% QoQ), impacted by de-stocking across markets and deferment of purchase in China due to reduction in import duty.
- JLR's net realization is expected to increase by 0.5% YoY (-0.8% QoQ). JLR's EBITDA margin would contract 450 bp YoY (+110 bp QoQ) to 7.3% led by negative operating leverage. Consequently, we expect PAT loss of GBP104m (v/s loss of GBP210m in 1QFY19 and profit of GBP308m in 2QFY18).
- S/A volume increased 24.2% YoY (+8% QoQ), led by 28.2% YoY growth in CVs and 15.2% YoY growth in PVs. EBITDA margin at 9.7% (+40 bp QoQ) should be led by operating leverage. We expect adjusted PAT at INR4.4b (fourth consecutive quarter of positive PAT).
- We cut FY19/20 consolidated PAT by 35%/13% as we cut JLR's volumes by 6%/4.5% and JLR's EBITDA by 11%/6%, respectively. We raise S/A PAT by 27%/11% as we raise margins by 70 bp each to 9.6%/11%, respectively.
- The stock trades at 11.2x FY19E and 6.5x FY20E EPS. **Buy.**

## Key issues to watch

- Current demand trends for JLR and outlook for key markets
- Demand trend in domestic markets and new product launch
- Impact of forex hedge loss

## Quarterly Performance [Consol]

(INR Million)

Y/E March (Consolidated)	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
JLR vols. (incl JV)	138,476	153,210	159,067	182,757	131,560	122,665	154,000	201,277	633,510	609,502
JLR Realizations (GBP/unit)	47,483	48,137	47,181	46,547	48,002	48,362	48,483	48,399	47,288	48,328
JLR EBITDA (%)	7.9	11.8	10.9	13.5	6.2	7.3	12.5	15.5	11.2	11.1
S/A vol. (units)	109,692	153,321	171,388	204,356	176,412	190,472	192,250	225,661	638,757	784,795
S/A Realizations (INR/unit)	828,485	905,798	938,766	967,885	952,492	957,255	942,896	954,232	921,030	951,798
S/A EBITDA (%)	0.2	7.0	8.9	6.9	9.3	9.7	9.2	10.1	6.5	9.6
S/A PAT (INR m)	-4,631	-2,953	2,158	5,152	11,877	4,421	2,990	7,199	216	26,487
Net Op Income	584,934	706,907	741,561	912,791	670,813	686,681	782,623	1,055,622	2,946,192	3,195,739
Growth (%)	-10.0	11.3	16.0	18.2	14.7	-2.9	5.5	15.6	9.2	8.5
EBITDA	49,648	89,383	85,435	108,944	54,307	60,182	98,612	142,038	333,411	355,139
EBITDA Margins (%)	8.5	12.6	11.5	11.9	8.1	8.8	12.6	13.5	11.3	11.1
PBT before EO Exp	1,168	30,814	20,338	39,480	-25,842	-8,738	28,892	85,861	91,799	80,173
EO Exp/(Inc)	-36,202	0	47	16,403	0	0	0	0	-19,751	0
PBT after EO Exp	37,370	30,814	20,290	23,077	-25,842	-8,738	28,892	85,861	111,550	80,173
Tax rate (%)	32.3	35.4	52.6	42.3	16.1	30.0	32.0	27.0	38.9	32.0
Adj PAT	9,712	24,828	12,015	31,271	-19,024	-4,570	24,256	68,291	77,826	68,953
Growth (%)	(49.3)	197.2	(422.8)	(28.1)	(295.9)	(118.4)	101.9	118.4	15.7	-11.4

E: MOSL Estimates



# TVS Motor Company

Bloomberg	TVSL IN
Equity Shares (m)	475.1
M. Cap. (INR b)/(USD b)	258 / 4
52-Week Range (INR)	795 / 507
1,6,12 Rel Perf. (%)	3 / -25 / -32

## Financial Snapshot (INR b)

Y/E March	2017	2018	2019E	2020E
Sales	121.4	151.3	183.7	215.5
EBITDA	8.6	11.3	14.6	19.8
Adj. PAT	5.6	6.6	7.6	11.0
EPS (INR)	11.7	13.9	15.9	23.1
EPS Gr. (%)	14.1	18.7	14.2	45.2
BV/Sh (INR)	50.7	60.6	71.7	88.8
RoE (%)	25.6	25.1	24.1	28.8
RoCE (%)	22.2	23.5	26.4	33.4
<b>Valuations</b>				
P/E (x)	46.2	38.9	34.1	23.5
P/BV (x)	10.7	8.9	7.6	6.1
EV/EBITDA (x)	31.6	24.0	18.5	13.5
Div. Yield (%)	0.5	0.6	0.7	0.9

**CMP: INR542 TP: INR571 (+5%) Neutral**

- Volume increased 14.7% YoY (+17.2% QoQ) to 1088.4k units. Scooter, Motorcycle and Mopeds volume increased YoY by 18.2%, 14.9% and 4.8%, respectively. 3W volumes rose by 57.4% YoY.
- Net realization is likely to increase 5.3% YoY (+0.5% QoQ) to INR44,970 per unit due to a price hike and better product mix.
- We estimate net sales to grow by 20.8% YoY (+17.8% QoQ) to INR48.9b.
- EBITDA margin is expected to be 8.1% (-50 bp YoY and +70 bp QoQ).
- We expect PAT to increase 1.5% YoY (+47.6% QoQ) to INR2.2b.
- The stock trades at 34.1x FY19E and 23.5x FY20E EPS; Maintain **Neutral**.

## Key issues to watch

- Update on demand from rural and urban areas
- Exports outlook for 2W and 3W in key markets
- Response to newly launched Radeon
- New product launches including EV

## S/A Quarterly Performance

(INR Million)

Y/E March (INR m)	FY18				FY19E					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY18	FY19E
Motorcycles	330,050	365,277	313,892	346,357	387,240	419,666	420,000	404,081	1,355,576	1,630,987
Scooters	257,572	328,333	268,947	280,066	287,887	388,234	357,000	337,523	1,134,918	1,370,644
Mopeds	197,449	229,726	216,478	233,279	217,627	240,728	234,000	234,925	876,932	927,280
Three-wheelers	17,037	25,248	26,968	29,431	35,520	39,746	39,000	39,034	98,684	153,300
<b>Volumes (units)</b>	<b>802,108</b>	<b>948,584</b>	<b>826,285</b>	<b>889,133</b>	<b>928,274</b>	<b>1,088,374</b>	<b>1,050,000</b>	<b>1,015,563</b>	<b>3,466,110</b>	<b>4,082,211</b>
<b>Volumes (units)</b>	<b>802,108</b>	<b>948,584</b>	<b>826,285</b>	<b>889,133</b>	<b>928,274</b>	<b>1,088,374</b>	<b>1,050,000</b>	<b>1,015,563</b>	<b>3,466,110</b>	<b>4,082,211</b>
Growth (%)	12.2	16.3	15.0	32.0	15.7	14.7	27.1	14.2	18.8	17.8
<b>Realization (INR/unit)</b>	<b>42,382</b>	<b>42,721</b>	<b>44,597</b>	<b>44,906</b>	<b>44,746</b>	<b>44,970</b>	<b>45,195</b>	<b>45,053</b>	<b>43,650</b>	<b>44,998</b>
Growth (%)	5.2	1.7	7.4	6.3	5.6	5.3	1.3	0.3	5.0	3.1
<b>Net Sales</b>	<b>33,995</b>	<b>40,524</b>	<b>36,850</b>	<b>39,928</b>	<b>41,537</b>	<b>48,944</b>	<b>47,455</b>	<b>45,755</b>	<b>151,297</b>	<b>183,691</b>
Growth (%)	18.0	18.3	23.5	40.4	22.2	20.8	28.8	14.6	24.7	21.4
RM (% of sales)	74.6	73.4	72.7	73.8	76.2	76.5	76.0	75.7	73.6	76.1
Emp cost ( % of sales)	6.1	5.4	5.7	5.7	5.7	5.1	5.4	5.7	5.7	5.5
Other exp (% of sales)	13.1	12.6	13.8	13.5	10.7	10.3	10.3	10.7	13.2	10.5
<b>Total Expenditure</b>	<b>31,881</b>	<b>37,021</b>	<b>33,982</b>	<b>37,121</b>	<b>38,472</b>	<b>44,959</b>	<b>43,504</b>	<b>42,153</b>	<b>140,005</b>	<b>169,087</b>
<b>EBITDA</b>	<b>2,114</b>	<b>3,503</b>	<b>2,868</b>	<b>2,807</b>	<b>3,065</b>	<b>3,986</b>	<b>3,951</b>	<b>3,602</b>	<b>11,292</b>	<b>14,603</b>
EBITDA Margin (%)	6.2	8.6	7.8	7.0	7.4	8.1	8.3	7.9	7.5	7.9
Interest	107	155	122	183	180	150	140	261	566	731
Depreciation	783	836	824	944	933	950	970	999	3,387	3,852
Other Income	571	456	182	240	173	250	220	298	1,448	941
<b>PBT after EO Exp</b>	<b>1,794</b>	<b>2,968</b>	<b>2,104</b>	<b>1,921</b>	<b>2,124</b>	<b>3,136</b>	<b>3,061</b>	<b>2,640</b>	<b>8,786</b>	<b>10,962</b>
Tax rate (%)	27.8	28.2	26.6	13.8	31.0	31.0	31.0	31.0	24.6	31.0
<b>Adjusted PAT</b>	<b>1,295</b>	<b>2,132</b>	<b>1,543</b>	<b>1,656</b>	<b>1,466</b>	<b>2,164</b>	<b>2,112</b>	<b>1,821</b>	<b>6,626</b>	<b>7,563</b>
Growth (%)	6.1	20.2	16.3	30.6	13.2	1.5	36.9	10.0	18.7	14.2

E: MOSL Estimates



NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< -10%
NEUTRAL	> -10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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