

## 3QFY19 Results Preview

Sector: Auto & Auto ancillaries /Mid & Small-Cap | Event

## Event Update

14 January 2019

### Indian Auto & Auto ancillary Mid/Small cap companies

We expect Auto OEMS to report muted numbers on account of increasing cost of ownership, higher inventory levels and softer demand sentiments. Retail sales during the festive season was down 11% YoY. However, Escorts recorded its highest ever quarterly sales and is expected to post strong results. On the other hand we expect auto ancillaries to witness some relief on the margin front in comparison to 2QFY19 on account of softer raw material prices (Lead prices down 3.6% QoQ, rubber down 3.8% QoQ). We expect the companies in our coverage universe to post a top line growth of ~21% YoY. Our top picks are Escorts and Minda Industries.

Amara Raja	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	17,632	17,531	15,535	13.5%	0.6%	We expect Amara Raja's revenues to grow at 13.5% YoY on account of replacement demand. EBITDA margin is likely to improve by 50bps QoQ (-156bps YoY) on account of softer raw material prices (lead prices down 3.4% QoQ).
EBITDA (INR mn)	2,468	2,366	2,416	2.2%	4.3%	
PAT (INR mn)	1,258	1,202	1,345	-6.4%	4.7%	
PATM (%)	7.1	6.9	8.7	-160bps	20 bps	
EPS	7.4	7.0	7.9			

Balkrishna	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	13,386	13,255	11,063	21.0%	1.0%	BIL's topline is expected to report a robust growth of 21% YoY to INR 13,386mn. Reducing input costs, better product mix and INR depreciation is likely to result in expansion of EBITDA margins by ~130bps YoY.
EBITDA (INR mn)	3,681	3,326	2,900	26.9%	10.7%	
PAT (INR mn)	2,352	2,223	1,895	24.1%	5.8%	
PATM (%)	17.6	16.8	17.1	50 bps	-30bps	
EPS	12.2	11.5	9.8			

Ceat	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	17,630	17,546	15,742	12.0%	0.5%	Revenue growth would be driven by growth in replacement demand. On a YoY basis, Margins are expected to decline by 250bps due to falling gross margins and inability to pass on cost increase. However on a QoQ basis margins would improve on account of lower input costs(rubber prices down 3.8% QoQ). Going forward, margins would improve on account of softer raw material prices and the recent price hike taken by the company
EBITDA (INR mn)	1,622	1,592	1,870	-13.2%	1.9%	
PAT (INR mn)	659	573	745	-11.5%	15.1%	
PATM (%)	3.7	3.3	4.7	-100bps	40bps	
EPS	16.3	15.6	20.4			

Escorts	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	16,076	13,984	12,050	33.4%	15.0%	Escorts recorded highest ever quarterly tractor sales of 25,743 units (up by 36% YoY). We also expect the construction segment to post a 35% YoY growth with second half being stronger for this segment. EBITDA margins are expected to come in at around 12% on account of better operating leverage
EBITDA (INR mn)	1,857	1,575	1,450	28.1%	17.9%	
PAT (INR mn)	1,275	1,026	920	38.6%	24.2%	
PATM (%)	7.9	7.3	7.6	30bps	60bps	
EPS	10.4	8.5	8.2			

Greaves Cotton	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	4,942	4,951	4,472	10.5%	-0.2%	Greaves cotton is expected to post a revenue growth of ~11% in 3QFY19 led by growth in non auto segment and improvement in 3W volumes. EBITDA margins are expected to be around ~14.6% during the quarter.
EBITDA (INR mn)	720	733	712	1.1%	-1.8%	
PAT (INR mn)	558	494	556	0.3%	12.9%	
PATM (%)	11.3	10.0	12.4	-110bps	130bps	
EPS	11.6	11.0	11.5			

TVS	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	45,226	49,935	36,850	22.7%	-9.4%	We expect revenues to go up by 23% YoY and realizations to increase by ~4% YoY on account of higher sales of premium bikes. Sales volume of two wheelers grew by 19% in 3QFY19 vs. 3QFY18. We expect EBITDA margins to contract by ~40bps QoQ ( +40bps YoY) to 8.2%
EBITDA (INR mn)	3,704	4,282	2,868	29.2%	-13.5%	
PAT (INR mn)	1,689	2,113	1,544	9.4%	-20.1%	
PATM (%)	3.7	4.2	4.2	-50bps	-50bps	
EPS	3.6	4.4	3.1			

Gabriel	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	5,031	5,415	4,452	13.0%	-7.1%	We expect revenues to grow by 13% YoY on account of muted OEM sentiments. However, revenues are expected to grow on account of replacement demand. EBITDA margins are expected to be flat YoY at ~9%
EBITDA (INR mn)	453	515	396	14.3%	-12.1%	
PAT (INR mn)	245	289	215	13.8%	-15.4%	
PATM (%)	4.9	5.3	4.8	10bps	-40bps	
EPS	1.7	2.1	1.5			

Rane	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	6,214	6,178	5,701	9.0%	0.6%	We expect Rane Holdings revenues to grow modestly by ~9% in 3QFY19 as off take from Indian OE customers and International customers is expected to be soft on account of muted auto sentiments. However we expect EBITDA margins to improve by 50 bps QoQ (-220bps YoY) on account of lower input costs and operating efficiencies.
EBITDA (INR mn)	621	586	696	-10.7%	6.0%	
PAT (INR mn)	363	336	376	-3.2%	8.2%	
PATM (%)	5.8	5.4	6.6	-80bps	40bps	
EPS	25.5	23.5	26.3			

Minda Industries	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	13,308	15,217	10,562	26.0%	-12.5%	We expect Minda Industries to post a strong revenue growth of 26% YoY led by growth in switches business. Minda's Europe PV business is expected to show some slowdown on account of WLTP norms. EBITDA margins are expected to remain flat at 12.5% QoQ (+378bps YoY).
EBITDA (INR mn)	1,664	1,893	921	80.6%	-12.1%	
PAT (INR mn)	665	727	661	0.7%	-8.5%	
PATM (%)	5.0	4.8	6.3	-130bps	20bps	
EPS	1.3	1.6	3.1			

Motherson Sumi	3QFY19E	2QFY19	3QFY18	YoY	QoQ	Comments
Revenue (INR mn)	165,549	151,050	143,979	15.0%	9.6%	Revenues are expected to grow at ~15% on a consolidated basis mainly on account of INR depreciation (3% QoQ and 11% YoY). We expect EBITDA margins to be flat QoQ at ~8.7% (+46bps YoY).
EBITDA (INR mn)	14,403	13,001	11,857	21.5%	10.8%	
PAT (INR mn)	4,094	3,711	3,645	12.3%	10.3%	
PATM (%)	2.5	2.5	2.5	0bps	0bps	
EPS	1.9	1.8	1.7			

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