

Motilal Oswal values your support in the Asiamoney Brokers Poll 2016 for India Research, Sales and Trading team. We [request your ballot](#).



Company name

Amara Raja Batteries

Ashok Leyland

Bajaj Auto

Bharat Forge

BOSCH

Eicher Motors

Escorts

Exide Industries

Hero MotoCorp

Mahindra & Mahindra

Maruti Suzuki

Tata Motors

TVS Motor Company

Rising raw material costs to check margin expansion

Demand recovery to gather momentum with normal monsoon

- We expect the performance of the Automobiles industry to be mixed. Commercial vehicles (CVs) continued on the recovery path, with 14% YoY growth (M&HCVs: 14% YoY; LCVs: 13% YoY), but slower than the previous two quarters. 2Ws grew 11% YoY, albeit on a low base. PV sales grew ~7% YoY, driven by new UV launches – while cars declined ~1%, UVs surged ~33%.
- EBITDA margin for our Auto OEM (ex-JLR) coverage universe is likely to expand 50bp YoY (20bp QoQ), driven by margin improvement for most players, barring MSIL (-150bp YoY due to adverse Fx). Impact of commodity price recovery would be reflected in the next two quarters, resulting in YoY margin decline.
- We have lowered our FY17 EPS estimates for MSIL (-7%), TVSL (-9%), TTMT (-13%) and AL (-8.5%), while BOS (+5%) and EXID (+11%) have seen upgrades.
- Our top picks are MM, HMCL and TTMT among large caps, and AL and BHFC among midcaps.

2Ws on strong footing, CV growth moderating, new launches driving PVs

Growth in the Autos sector was primarily led by revival in demand for 2Ws on improved sentiment and forecast of a normal monsoon. 2Ws grew 11% YoY. While CVs remained on recovery path, growth moderated to 14% YoY, as LCVs grew ~13% YoY while M&HCVs witnessed 14% growth. The PV segment underperformed the overall Autos sector. PVs grew 7% YoY in 1QFY17. Passenger cars declined 1% YoY while UVs and MPVs saw a 33% jump YoY due to new launches and increasing consumer preference toward this segment.

Benefits of operating leverage to be offset by rising raw material costs

EBITDA margin for our Auto OEM (ex-JLR) coverage universe is likely to expand 50bp YoY (+20bp QoQ), driven by operating leverage. However, higher raw material costs are likely to keep margin expansion under check. We expect considerable margin expansion for TTMT S/A (+260bp YoY, led by operating leverage), BJAUT (+100bp YoY) and EIM (+170bp YoY) while MSIL is likely to witness a decline (-150bp due to adverse currency movement).

Acceleration in economic activity key catalyst for demand recovery

While there have been initial signs of a recovery in infrastructure, an improvement in economic outlook, normal monsoon, government's rural push and the 7th Pay Commission benefits would be the key catalysts for demand recovery and, in turn, re-rating. Favorable fuel prices would support faster recovery and lower interest rates would boost consumer sentiment.

Valuation and view

We are lowering our FY17 EPS estimates for MSIL (-7%), TTMT (-13%), TVSL (-9%) and AL (-8.5%), while raising our estimates for BOS (+5%) and EXID (+11%). Demand environment and changing competitive landscape would be the key determinants of stock performance. Our top picks are MM, HMCL and TTMT among large caps, and AL and BHFC among midcaps.

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

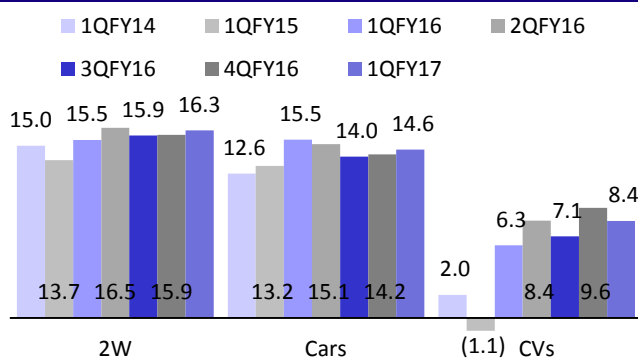
Exhibit 1: Summary of expected quarterly performance (INR m)

Sector	CMP (INR)	Reco	Sales (INR m)			EBDITA (INR m)			Net Profit (INR m)		
			Jun-16	Var % YoY	Var % QoQ	Jun-16	Var % YoY	Var % QoQ	Jun-16	Var % YoY	Var % QoQ
Automobiles											
Amara Raja Batt.	837	Buy	12,741	12.0	8.9	2,286	15.0	19.8	1,418	16.1	30.6
Ashok Leyland	93	Buy	44,301	15.3	-25.6	4,840	24.5	-35.7	2,549	60.0	-44.1
Bajaj Auto	2,610	Buy	58,019	3.4	7.2	12,355	8.4	7.3	10,379	2.3	29.2
Bharat Forge	742	Buy	9,977	-11.6	-1.0	2,921	-15.6	-2.0	1,607	-17.7	-2.3
Bosch	22,732	Buy	29,928	17.0	10.3	5,989	23.2	2.6	4,189	21.9	11.4
Eicher Motors	19,577	Buy	40,183	37.8	6.7	6,642	53.9	3.8	3,659	64.9	9.4
Escorts	218	Buy	10,853	11.0	34.9	738	29.5	90.2	459	26.5	51.3
Exide Inds.	176	Buy	19,570	9.0	11.4	3,063	15.2	14.5	1,913	23.3	7.7
Hero Motocorp	3,101	Buy	76,462	9.9	1.8	12,390	18.2	5.4	8,794	17.2	8.0
Mahindra & Mahindra	1,456	Buy	105,789	12.1	4.1	15,324	13.3	20.7	9,072	9.2	36.7
Maruti Suzuki	4,141	Buy	148,368	10.5	-3.1	21,900	0.0	-6.8	12,314	3.2	8.6
Tata Motors	455	Buy	648,263	5.7	-19.7	85,823	-5.8	-24.6	26,377	-7.2	-43.8
TVS Motor	300	Buy	30,958	18.1	10.0	2,253	37.7	26.2	1,316	45.8	11.8
Sector Aggregate			1,235,411	8.6	-11.2	176,525	2.8	-13.0	84,045	5.6	-14.9

Exhibit 2: Volume snapshot for 1QFY17 ('000 units)

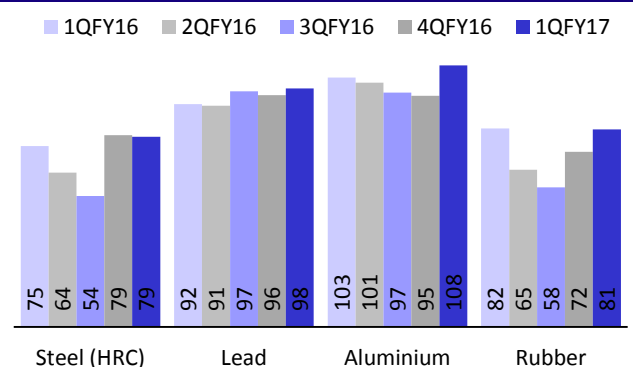
	1QFY17	1QFY16	YoY (%)	4QFY16	QoQ (%)	FY16	FY15	YoY (%)
Two wheelers	5,119	4,604	11.2	4,729	8.2	19,005	18,434	3.1
Three wheelers	211	235	-10.5	211	-0.3	943	939	0.3
Passenger cars	600	606	-1.0	635	-5.5	2,556	2,424	5.4
UVs & MPVs	252	189	33.0	250	0.8	901	806	11.9
Total PVs	852	796	7.1	885	-3.7	3,457	3,229	7.0
M&HCV	80	70	14.3	105	-23.4	335	263	27.6
LCV	112	99	13.2	127	-11.3	440	431	2.1
Total CVs	193	170	13.7	232	-16.8	775	693	11.8
Total	6,375	5,804	9.8	6,058	5.2	24,180	23,296	3.8

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



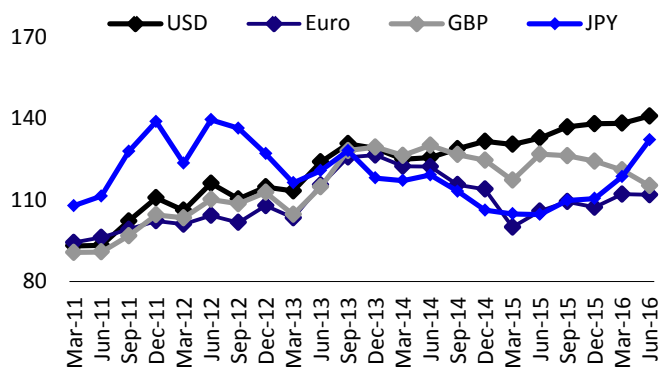
Source: Company, MOSL

Exhibit 4: Commodity prices recover from lows (index)



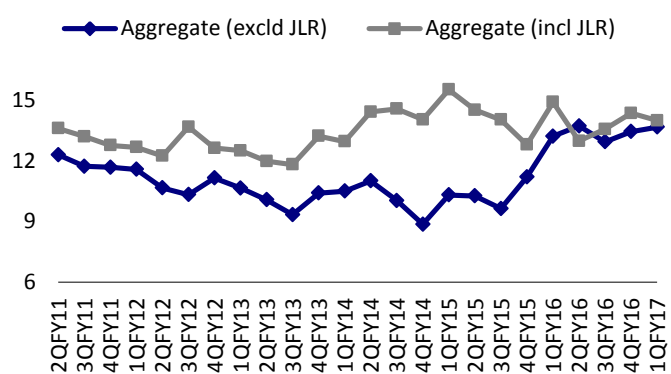
Source: Company, MOSL

Exhibit 5: Trend in key currencies v/s INR



Source: Bloomberg, MOSL

Exhibit 6: Continued improvement in EBITDA margins (%)



Source: Company, MOSL

Exhibit 7: Revised estimates

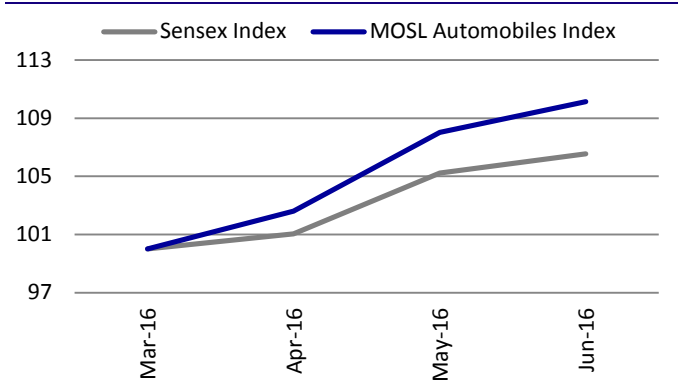
EPS (INR)	FY17E			FY18E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Bajaj Auto	149.1	152.4	-2.2	172.8	177.4	-2.6
Hero MotoCorp	176.8	179.7	-1.6	217.8	218.7	-0.4
TVS Motor	13.5	14.9	-9.4	16.3	17.8	-8.3
Maruti *	191.2	205.4	-6.9	247.0	251.4	-1.8
M&M *	72.6	75.7	-4.2	95.8	91.0	5.2
Tata Motors * #	36.7	42.3	-13.4	56.8	53.3	6.6
Ashok Leyland	6.2	6.7	-8.5	8.5	8.6	-1.3
Eicher Motors *	579.1	595.2	-2.7	809.4	823.7	-1.7
Amara Raja	35.4	35.7	-0.9	43.5	43.3	0.3
Bharat Forge	34.6	35.0	-1.2	44.1	45.2	-2.3
Exide Industries	8.8	7.9	11.5	10.2	9.2	11.3
BOSCH	550.4	522.9	5.3	702.6	699.5	0.4

* Consolidated

Source: Company, MOSL

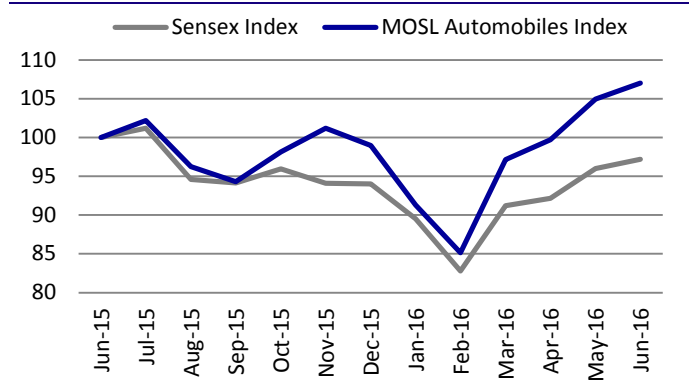
	Volumes ('000 units)			EBITDA margins (%)			Adj PAT (INR m)		
	1QFY 17	YoY (%)	QoQ (%)	1QFY 17	YoY (bp)	QoQ (bp)	1QFY17	YoY (%)	QoQ (%)
BJAUT	995	2	16	21	-100	0	10,379	2	29
HMCL	1,745	-6	-4	16	-110	60	8,794	17	8
TVS Motor	718	-11	-3	7	-100	90	1,316	46	12
MSIL	348	-2	-5	15	150	-60	12,314	3	9
MM	193	-11	-6	14	-10	200	9,072	9	37
TTMT (S/A)	124	-6	-21	7	-260	-80	3,351	-26	33
TTMT (JLR)	134	-15	-30	15	100	-80	255	48	-55
TTMT (Cons)				13	160	-90	26,377	-7	-44
Ashok Leyland	31	-10	-31	11	-80	-170	2,549	60	-44
Eicher (RE)	147	-28	-28	26	-260	-40	3,132	71	-13
Eicher (VECV)	16	-25	-22	8	-60	50	1,107	51	33
Eicher (Consol)				17	-170	-50	3,659	65	9
Agg. (ex JLR)	4,302	6	4	14	-50	-20	51,433	14	7

Exhibit 8: Relative performance – Three months (%)



Source: Bloomberg, MOSL

Exhibit 9: Relative performance – One year (%)



Source: Bloomberg, MOSL

Exhibit 10: Comparative valuation

Sector / Companies	CMP (INR)	Reco.	EPS (INR)			PE (x)			EV/EBIDTA (x)			RoE (%)		
			FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Automobiles														
Amara Raja Batt.	837	Buy	28.7	35.4	43.5	29.2	23.6	19.2	18.3	14.6	12.1	25.8	25.7	25.5
Ashok Leyland	93	Buy	3.9	6.2	8.5	23.8	15.1	11.0	13.9	8.5	6.4	20.9	28.6	31.7
Bajaj Auto	2,610	Buy	126.2	149.1	172.8	20.7	17.5	15.1	12.4	11.3	9.8	31.8	32.4	32.2
Bharat Forge	742	Buy	28.2	34.6	44.1	26.3	21.5	16.8	15.2	11.3	9.3	18.7	20.8	22.7
Bosch	22,732	Buy	396.8	550.4	702.6	57.3	41.3	32.4	31.8	26.9	22.6	15.9	19.3	21.2
Eicher Motors	19,577	Buy	470.5	579.1	809.4	41.6	33.8	24.2	20.4	17.2	12.8	34.2	38.7	39.8
Escorts	218	Buy	11.1	18.8	28.3	19.6	11.6	7.7	12.3	10.3	6.9	6.1	9.8	13.5
Exide Inds.	176	Buy	7.3	8.8	10.2	24.1	20.0	17.3	9.0	10.3	8.9	14.0	15.1	15.4
Hero Motocorp	3,101	Buy	156.9	176.8	217.8	19.8	17.5	14.2	12.2	11.2	9.5	43.2	40.4	40.9
Mahindra & Mahindra	1,456	Buy	53.6	72.6	95.8	27.2	20.1	15.2	6.6	6.6	5.5	15.2	15.8	18.0
Maruti Suzuki	4,141	Buy	155.5	191.2	247.0	26.6	21.7	16.8	10.4	10.7	8.1	16.9	18.1	20.2
Tata Motors	455	Buy	36.9	36.7	56.8	12.4	12.4	8.0	3.3	4.4	3.6	18.3	14.5	19.2
TVS Motor	300	Buy	9.1	13.5	16.3	33.0	22.2	18.4	21.4	13.3	11.1	24.1	29.5	28.4
Sector Aggregate						21.8	18.8	13.8	7.7	7.8	6.3	18.3	18.5	21.2

Amara Raja Batteries

Bloomberg	AMRJ IN
Equity Shares (m)	170.8
M. Cap. (INR b)/(USD b)	143/2
52-Week Range (INR)	1,132/773
1,6,12 Rel Perf. (%)	0/-10/-1

Financial Snapshot (INR b)

Y/E March	2015	2016	2017E	2018E
Sales	42.1	46.9	54.0	63.3
EBITDA	7.1	8.2	9.7	11.4
NP	4.2	4.9	6.0	7.4
EPS (INR)	24.3	28.7	35.4	43.5
EPS Gr. (%)	12.3	17.7	23.5	22.9
BV/Sh. (INR)	99.5	123.0	152.5	189.0
RoE (%)	27.2	25.8	25.7	25.5
RoCE (%)	25.3	24.2	24.3	24.4

Valuations

P/E (x)	36.0	30.6	24.7	20.1
P/BV (x)	8.8	7.1	5.7	4.6
EV/EBITDA (x)	20.9	18.2	15.3	12.7
EV/Sales (x)	3.5	3.2	2.7	2.3

CMP: INR837 TP: INR1,052 (+26%) Buy

- We expect AMRJ's revenue to grow 12% YoY (+9% QoQ) to INR14b.
- New capacities in 2Ws, 4Ws and tubular batteries are likely to drive volumes in 1QFY17 and FY17.
- Spot LME lead prices increased 6% QoQ in 4QFY16 (2.9% QoQ in 1QFY17) —the impact is likely to be reflected in 1QFY17.
- EBITDA margin is likely to expand ~160bp QoQ (+50bp YoY) to 17.9%. Rise in raw material costs due to higher lead prices QoQ is likely to be offset with lower other expenses and benefits of operating leverage, driving margin expansion.
- We expect PAT to grow 16% YoY to INR1.4b.
- The stock trades at 24.7x FY17E and 20.1x FY18E EPS; **Buy**.

Key issues to watch

- Update on demand environment for OEMs, auto replacement and industrial battery segments.
- Outlook for raw material cost trend, recent pricing action and currency hedges (if any).
- Update on capacity expansion plans across product segments.

Quarterly performance

Y/E March	FY16				FY17E				FY16	FY17E	IND AS 1QFY17 *
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net Sales	11,376	11,583	12,251	11,697	12,741	13,320	14,334	13,568	46,907	53,963	14,015
YoY Change (%)	10.5	9.2	14.9	9.7	12.0	15.0	17.0	16.0	11.4	15.0	
RM Cost (% of sales)	64.6	64.0	61.6	62.7	63.3	63.7	63.8	63.9	63.2	63.7	57.5
Staff Cost (% of sales)	4.9	5.0	5.0	5.3	5.1	5.2	5.3	5.2	4.2	4.3	4.6
Other Exp (% of sales)	13.0	13.8	14.7	15.7	13.8	13.2	12.8	13.3	12.0	12.7	12.5
EBITDA	1,988	1,987	2,286	1,908	2,286	2,390	2,603	2,391	8,169	9,669	2,286
Margins (%)	17.5	17.2	18.7	16.3	17.9	17.9	18.2	17.6	17.4	17.9	16.3
Depreciation	328	343	355	372	410	450	460	459	1,399	1,779	410
Interest	1	0	3	1	0	0	0	9	5	9	0
Other Income	130	116	113	97	150	175	220	205	457	750	150
PBT	1,789	1,760	2,041	1,632	2,026	2,114	2,363	2,129	7,222	8,631	2,026
Rate (%)	31.8	30.4	33.3	33.5	30.0	30.0	30.0	30.0	32.2	30.0	30.0
Reported PAT	1,221	1,226	1,362	1,086	1,418	1,480	1,654	1,490	4,894	6,042	1,418
Adj PAT	1,221	1,226	1,362	1,086	1,418	1,480	1,654	1,490	4,894	6,042	1,418
YoY Change (%)	15.2	22.2	33.0	6.2	16.1	20.8	21.5	37.2	22.5	23.4	16.1
Margins (%)	10.7	10.6	11.1	9.3	11.1	11.1	11.5	11.0	10.4	11.2	11.1

E: MOSL Estimates

Ashok Leyland

Bloomberg	AL IN
Equity Shares (m)	2,845.9
M. Cap. (INR b)/(USD b)	265/4
52-Week Range (INR)	113/71
1,6,12 Rel Perf. (%)	-13/-7/31

CMP: INR93
TP: INR119 (+28%)
Buy

- Volume growth moderated to 10.7% YoY (-23% QoQ), as M&HCV sales grew 12% YoY while LCV growth moderated to 7% YoY.
- We expect realization to improve 2.3% YoY (decline 5% QoQ) on price increase and higher contribution from Defense business.
- Net revenue is likely to grow ~15% YoY (decline 26% QoQ), led by growth in volume and realization.
- EBITDA margin is likely to expand 80bp YoY (contract 170bp QoQ), driven by price increases and operating leverage.
- EBITDA should grow 25% YoY (decline 37% QoQ) to ~INR4.8b.
- Further, lower interest and higher other income would boost adjusted PAT growth to 60% YoY (24% QoQ) to INR2.5b.
- The stock trades at an EV of 9x FY17E and 7x FY18E EBITDA. **Buy.**

Financial Snapshot (INR b)

Y/E March	2015	2016	2017E	2018E
Sales	135.6	188.2	235.9	282.3
EBITDA	10.3	21.7	29.0	36.0
NP	2.3	11.1	17.5	24.1
Adj. EPS (INR)	0.8	3.9	6.2	8.5
EPS Gr. (%)	NA	375.1	57.6	37.8
BV/Sh. (INR)	18.0	19.4	23.7	29.8
RoE (%)	4.9	20.9	28.6	31.7
RoCE (%)	6.0	12.8	21.1	25.5
Payout (%)	54.8	25.6	24.4	23.6

Valuations

P/E (x)	120.4	25.3	16.1	11.7
P/BV (x)	5.5	5.1	4.2	3.3
EV/EBITDA (x)	29.7	13.4	9.7	7.4
Div. Yield (%)	0.5	1.0	1.5	2.0

Key issues to watch

- Current demand environment and discounting trend as well as plant and channel inventory for MHCVs.
- Industry growth and market share guidance for FY17–18.
- Raw material cost outlook and margin guidance for FY17–18.
- Capex and investment guidance for FY17.

Quarterly Performance
(INR Million)

	FY16				FY17E				FY16	FY17E	IND AS 1QFY17 *
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Total Volumes (nos)	28,154	37,337	30,984	40,552	31,163	42,650	41,250	52,081	140,457	167,144	31,163
Growth %	41.2	47.2	22.0	18.7	10.7	14.2	33.1	28.4	33.9	19.0	11
Realizations (INR '000)	1,364	1,323	1,319	1,469	1,395	1,381	1,385	1,420	1,340	1,411	1,395
% change	9.8	4.3	-0.4	11.3	2.3	4.4	5.0	-3.3	3.7	5.3	2
Net operating revenues	38,412	49,397	40,853	59,553	44,301	59,757	57,891	73,956	188,216	235,905	47,698
Change (%)	55.0	53.5	21.6	32.2	15.3	21.0	41.7	24.2	215.0	25.3	
RM/Sales %	69.4	70.4	70.8	71.0	70.8	70.8	71.4	70.8	70.5	71.0	65.8
Staff / sales %	8.6	7.7	8.5	5.7	8.1	7.0	6.9	5.9	7.4	6.8	7.5
Oth. Exp./ Sales %	11.8	9.9	10.1	10.7	10.2	9.7	10.2	9.8	10.6	10.0	9.5
EBITDA	3,887	5,945	4,297	7,531	4,840	7,487	6,643	9,993	21,660	28,963	4,840
EBITDA Margins (%)	10.1	12.0	10.5	12.6	10.9	12.5	11.5	13.5	11.5	12.3	10.1
Other Income	271	265	259	320	375	425	500	550	1,099	1,850	375
Interest	766	702	666	602	550	525	500	460	2,735	2,035	550
Depreciation	1,043	1,129	1,087	1,177	1,150	1,175	1,180	1,122	4,437	4,627	1,150
PBT before EO Exp	2,349	4,378	2,803	6,071	3,515	6,212	5,463	8,961	15,586	24,151	3,515
EO Exp/(Inc)	0	52	65	3,793	0	0	0	0	3,909	0	0
PBT	2,349	4,326	2,738	2,279	3,515	6,212	5,463	8,961	11,677	24,151	3,515
Effective Tax Rate (%)	32.2	33.7	27.5	66.2	27.5	27.5	27.5	27.5	38.3	27.5	28
Rep. PAT	1,593	2,868	1,986	770	2,549	4,504	3,961	6,497	7,203	17,510	2,549
Adj. PAT	1,593	2,902	2,034	4,563	2,549	4,504	3,961	6,497	11,112	17,510	2,549
Change (%)	-432	607	534	93	60	55	95	42	122.0	57.6	60

E: MOSL Estimates

Bajaj Auto

Bloomberg	BJAUT IN
Equity Shares (m)	289.4
M. Cap. (INR b)/(USD b)	755/11
52-Week Range (INR)	2,719/2,133
1,6,12 Rel Perf. (%)	-2/-2/4

Financial Snapshot (INR b)

Y/E MAR	2015	2016	2017E	2018E
Sales	216.1	226.9	258.5	290.3
EBITDA	41.2	47.8	53.8	59.3
NP	30.5	36.5	43.2	50.0
Adj. EPS (INR)	105.3	126.2	149.1	172.8
EPS Gr. (%)	-6.0	19.8	18.1	15.9
BV/Sh. (INR)	369.5	424.8	495.8	578.4
RoE (%)	30.0	31.8	32.4	32.2
RoCE (%)	29.4	31.0	31.3	31.0
Payout (%)	56.9	52.4	52.4	52.2

Valuations

P/E (x)	25.1	21.0	17.7	15.3
P/BV (x)	7.2	6.2	5.3	4.6
EV/EBITDA (x)	16.3	13.9	11.5	10.0
Div. Yield (%)	1.9	2.1	2.5	2.8

CMP: INR2,610 TP:INR2,897 (+11%)

Buy

- Overall volume declined 2% YoY (grew 14% QoQ) to 994.7k units due to a 22% YoY decline in exports, though domestic sales grew 16% YoY. Total 2W sales were flat in 1QFY17, while 3W volumes declined 11% YoY primarily due to fall in exports.
- We expect realization to grow 5% YoY (decline 6% QoQ), driving up net revenue by 3.4% YoY, despite a volume decline.
- EBITDA margin should expand 100bp YoY (flat QoQ) to 21.3% – while product mix is improving, major costs are unchanged.
- We expect PAT to grow ~2.3% YoY (29% QoQ) to INR10.4b.
- We have lowered export volume estimates, causing 2-3% reduction in EPS estimates to ~INR149 for FY17 and ~INR172 for FY18.
- The stock trades at 17.7x FY17E and 15.3x FY18E EPS; maintain **Buy**.

Key issues to watch

- Update on demand environment at the retail level, channel inventory; outlook for FY17.
- Response to the recently launched, V, and volumes of *Avenger*.
- Outlook for export demand and pricing, especially the Nigerian market (sharp currency depreciation); outlook for FY17.
- Update on *RE60* launch in export markets.

Quarterly Performance

(INR Million)

	FY16				FY17E				FY16	FY17E	IND AS 1QFY17 *
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Volumes ('000 units)	1,013.0	1,056.6	951.5	872.1	994.7	1,014.5	1,089.5	1,131.2	2,722	2,451	994.7
Growth YoY (%)	2.5	0.1	-3.4	11.4	-1.8	-4.0	14.5	29.7	140.6	(9.9)	-1.8
Realization (INR/unit)	55,413	57,712	58,486	62,049	58,326	59,993	60,645	64,068	19,297	22,899	58,326
Growth YoY (%)	4.3	2.2	1.8	2.5	5.3	4.0	3.7	3.3	(69.9)	18.7	5.3
Net Sales	56,135	60,978	55,649	54,114	58,019	60,863	66,073	72,472	52,524	56,135	62,927
Change (%)	6.9	2.3	-1.6	14.2	3.4	-0.2	18.7	33.9	-27.5	6.9	
RM/Sales %	67.2	66.5	66.4	65.3	67.8	67.1	67.1	67.0	65.4	63.8	62.5
Staff cost/Sales %	4.3	4.0	4.1	3.7	4.2	4.2	4.2	3.9	4.1	4.3	3.9
Oth. Exp./Sales %	8.2	8.0	8.5	9.8	8.7	8.2	7.9	8.5	8.5	8.2	8.0
EBITDA	11,397	13,171	11,713	11,515	12,355	12,564	13,882	15,042	11,682	13,313	12,355
EBITDA Margins (%)	20.3	21.6	21.0	21.3	21.3	20.6	21.0	20.8	22.2	23.7	19.6
Other Income	4,368	1,526	1,997	1,241	3,250	2,550	2,650	2,654	2,193	4,368	3,250
Interest	1	3	3	1	3	3	3	-3	1	1	3
Depreciation	784	780	746	761	775	800	835	884	692	784	775
PBT	14,980	13,915	12,961	11,995	14,827	14,312	15,694	16,814	13,384	15,556	14,827
Effective Tax Rate (%)	32.3	32.9	30.5	33.1	30.0	30.0	30.0	30.0	25.0	31.1	30.0
Rep. PAT	10,148	9,331	9,013	8,031	10,379	10,018	10,986	11,770	10,033	10,724	10,379
Adj. PAT	10,148	9,331	9,013	8,031	10,379	10,018	10,986	11,770	7,400	10,148	10,379
Change (%)	37.1	12.0	4.7	29.2	2.3	7.4	21.9	46.6	-37.1	37.1	2.3

E: MOSL Estimates

Bharat Forge

Bloomberg	BHFC IN
Equity Shares (m)	232.8
M. Cap. (INR b)/(USD b)	173/3
52-Week Range (INR)	1,293/687
1,6,12 Rel Perf. (%)	-2/-19/-27

Financial Snapshot (INR b)

Y/E Mar	2015	2016	2017E	2018E
Sales	76.2	76.5	82.1	91.8
EBITDA	14.4	14.2	15.4	17.9
EPS (INR)	31.6	28.2	34.6	44.1
EPS Gr. (%)	64.0	-10.8	22.7	27.6
BV/Sh. (INR)	147.9	153.6	178.5	210.6
RoE (%)	24.0	18.7	20.8	22.7
RoCE (%)	14.9	12.5	13.9	16.3

Valuations

P/E (x)	23.9	26.8	21.9	17.1
P/BV (x)	5.1	4.9	4.2	3.6
EV/EBITDA (x)	13.4	13.8	12.0	10.0
EV/Sales (x)	2.5	2.6	2.3	1.9

Consolidated

CMP: INR742

TP: INR882 (+19%)

Buy

- We expect BHFC's shipment tonnage to decline 1.2% YoY to 51,365 tons, impacted by inventory destocking in the US truck market (Class 8 trucks) and continued weakness in the export industrial business. Net realization is likely to dip ~10% YoY to ~INR194k/ton.
- Net revenue would decline 11.6% YoY (-1% QoQ) to ~INR10b.
- EBITDA margin is likely to decline 140bp YoY (-30bp QoQ) to 29.3%, as negative operating leverage due to decline in volumes is likely to put pressure on margins (rise in staff expenses).
- PAT is likely to decline ~18% YoY (-2% QoQ) to INR1.6b.
- The stock trades at 22x FY17E and 17x FY18E EPS; maintain **Buy**.

Key issues to watch

- Outlook for US Class 8 Trucks for CY16-17.
- Outlook for oil & gas and mining segments, primarily with regard to price recovery.
- Update on ramp-up of new orders under commercial vehicles, PVs, aerospace and rail.
- Update on Alstom JV plant and execution timeline for existing and new orders.

Quarterly performance

(INR Million)

Standalone	FY16				FY17E				FY16	FY17E	IND AS 1QFY17 *
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Tonnage	51,984	54,559	50,741	52,413	51,365	52,392	55,815	60,610	209,697	220,182	51,365
Change (%)	5.8	3.8	-4.8	-7.5	-1.2	-4.0	10.0	15.6	-0.9	5.0	-1.2
Realization (INR '000/ton)	217.1	204.7	207.3	192.3	194.2	194.4	198.3	204.8	205.3	198.2	194.2
Change (%)	7.9	-5.5	-7.7	-10.9	-10.5	-5.0	-4.3	6.5	-4.4	-3.5	-10.5
Net operating income	11,285	11,168	10,520	10,080	9,977	10,187	11,070	12,412	43,054	43,646	10,457
RM/Sales (%)	36.1	37.3	35.0	36.6	36.6	36.1	36.5	36.0	36.3	36.3	34.0
Staff Cost (% of Sales)	8.2	8.2	9.0	9.2	9.7	9.8	9.3	8.9	8.6	9.4	9.2
Other Exp. (% of Sales)	25.9	26.5	26.6	25.3	25.4	25.5	25.7	26.1	26.1	25.7	24.3
EBITDA	3,461	3,215	3,173	2,982	2,921	2,977	3,265	3,666	12,830	12,829	2,921
EBITDA Margins (%)	30.7	28.8	30.2	29.6	29.3	29.2	29.5	29.5	29.8	29.4	27.9
Non-Operating Income	288	255	231	225	275	300	330	375	999	1,280	275
Interest	213	222	226	202	220	210	200	187	863	817	220
Depreciation	643	653	674	644	680	700	725	751	2,614	2,856	680
PBT	2,894	2,594	2,461	2,361	2,296	2,367	2,670	3,103	10,310	10,436	2,296
Effective Tax Rate (%)	32.5	32.5	32.5	30.3	30.0	30.0	30.0	30.0	32.0	30.0	30.0
Rep. PAT	1,953	1,751	1,662	1,645	1,607	1,657	1,869	2,172	7,011	7,305	1,607
Adj. PAT	1,953	1,751	1,690	1,645	1,607	1,657	1,869	2,172	7,039	7,305	1,607
Change (%)	34.7	-1.3	-14.0	-18.9	-17.7	-5.3	10.6	32.0	-2.4	3.8	-17.7

E: MOSL Estimates

Bosch

Bloomberg	BOS IN
Equity Shares (m)	31.4
M. Cap. (INR b)/(USD b)	714/11
52-Week Range (INR)	26,701/15,753
1,6,12 Rel Perf. (%)	1/15/3

Financial Snapshot (INR b)

Y/E Mar	FY15 (15m)	2016	2017E	2018E
Sales	120.9	106.1	130.2	145.6
EBITDA	19.8	18.8	24.4	28.4
NP	13.6	12.5	17.3	22.1
EPS (INR)	432.1	396.8	550.4	702.6
EPS Gr. (%)	65.2	-8.2	38.7	27.6
BV/Sh. (INR)	2,339.8	2,639.8	3,052.6	3,579.5
RoE (%)	19.9	15.9	19.3	21.2
RoCE (%)	28.7	23.6	27.6	28.2

Valuations

P/E (x)	52.4	57.1	41.2	32.2
P/BV (x)	9.7	8.6	7.4	6.3
EV/EBITDA(x)	35.0	37.0	28.0	23.6
EV/Sales (x)	5.7	6.5	5.2	4.6

Consolidated

CMP: INR22,732 TP:INR24,766 (+9%) Buy

- Net revenue is likely to grow ~17% YoY (+10% QoQ) to INR29.9b on robust growth in auto segment (commercial vehicles and tractors). Export revenue is likely to disappoint.
- EBITDA margin should expand 250bp YoY (expand 20bp QoQ) to 20% on lower raw material costs.
- EBITDA is projected to grow just 23% YoY (+3% QoQ) to ~INR6b.
- Adjusted PAT is likely to grow 22% YoY to INR4.2b.
- We are upgrading our EPS estimate for FY17 by ~5% (keeping FY18 estimate unchanged), driven by higher other income.
- The stock trades at 41.2x FY17E and 32.2x FY18E EPS; maintain **Buy**.

Key issues to watch

- Rollout of BS-IV emission norms and implication on Bosch's revenue.
- Implementation of BS-VI norms for 2-wheelers and underlying opportunity for Bosch.
- Update on timeline for demerger of Starter Motor and generator business (expected from August 2016).
- Advancement of BS-VI implementation and its impact on Bosch.
- Capex plans for FY17.

Quarterly Performance

(INR Million)

Y/E March	FY16				FY17				FY16E	FY17E	IND AS
Standalone	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QFY17 *
Net Sales	25,579	26,184	27,406	27,145	29,928	31,945	34,257	34,068	106,128	130,198	32,548
YoY Change (%)	7.6	2.5	15.1	13.6	17.0	22.0	25.0	25.5	-12.6	22.7	
RM Cost (% of sales)	54.0	52.8	52.6	52.2	53.0	53.3	54.4	53.2	53.0		48.8
Staff Cost (% of sales)	12.1	13.7	14.2	13.2	12.3	12.0	13.1	10.9	13.1		11.3
Other Expenses (% of sales)	14.9	16.2	20.5	13.1	14.7	15.0	19.0	14.2	16.2		13.5
EBITDA	4,860	4,522	3,474	5,835	5,989	6,323	4,639	7,400	18,756	24,351	5,989
Margins (%)	17.5	15.9	11.7	19.8	20.0	19.8	13.5	21.7	17.7	18.7	18.4
Depreciation	759	837	1,115	1,239	1,150	1,170	1,190	1,197	3,950	4,707	1,150
Interest	0	18	28	0	5	5	5	0	42	15	5
Other Income	1,066	932	882	1,017	1,150	1,250	1,300	1,361	3,826	5,061	1,150
PBT	5,167	4,599	3,213	5,613	5,984	6,398	4,744	7,563	18,591	24,689	5,984
Tax	1,729	1,545	1,005	1,853	1,795	1,919	1,423	2,269	6,132	7,407	1,795
Tax Rate (%)	33.5	33.6	31.3	33.0	30.0	30.0	30.0	30.0	33.0	30.0	30.0
Reported PAT	3,437	3,054	2,208	3,760	4,189	4,479	3,321	5,294	12,459	17,283	4,189
Adj PAT	3,437	3,054	2,208	3,760	4,189	4,479	3,321	5,294	12,459	17,283	4,189
YoY Change (%)	12.1	-0.3	70.1	30.8	21.9	46.7	50.4	40.8	-8.2	38.7	21.9

E: MOSL Estimates

Eicher Motors

Bloomberg	EIM IN
Equity Shares (m)	27.2
M. Cap. (INR b)/(USD b)	532/8
52-Week Range (INR)	21,618/14,818
1,6,12 Rel Perf. (%)	3/5/0

Financial Snapshot (INR b)

Y/E Dec	2014	2015	2016E	2017E
Net Income	87.4	156.9	172.2	212.3
EBITDA	11.1	24.5	28.8	37.2
Net Profit	6.2	12.8	15.7	22.0
Adj. EPS (INR)	227.1	470.5	579.1	809.4
EPS Gr. (%)	55.6	65.8	53.8	39.8
BV/Sh. (INR)	928.4	1275.5	1714.4	2355.2
RoE (%)	26.9	34.2	38.7	39.8
RoCE (%)	19.5	26.1	31.4	33.6
Payout (%)	0.3	0.5	0.7	0.8

Valuations

P/E (x)	84.2	40.6	33.0	23.6
P/BV (x)	20.6	15.0	11.1	8.1
EV/EBITDA (x)	53.8	23.7	19.9	15.1
Div. Yield (%)	0.2	0.5	0.7	0.8

CMP: INR19,577 TP: INR22,646 (+16%) Buy

- Royal Enfield's volume growth moderated to 38% YoY (flat QoQ) to 147,483 units. Net realization improved 1% QoQ (+2.3% YoY), supported by rising share of exports. EBITDA margin should expand 290bp YoY to 29% (decline 60bp QoQ), driven by lower commodity prices and staff expenses.
- VECV's volume grew 32.5% YoY (+3.3% QoQ). Net realization should improve by 2.3% YoY (+7.5% QoQ), driven by better mix. Margin is expected to reach 8.5%, up 70bp YoY (+50bp QoQ).
- Consolidated revenue would increase ~38% YoY (+7% QoQ) to INR40.2b. Consolidated margin is likely to expand 170bp YoY (contract 50bp QoQ) to 16.5%. Consolidated PAT is estimated to rise 65% YoY (+9% QoQ) to INR3.7b.
- The stock trades at 33x FY17E and 23.6x CY18E EPS. Maintain **Buy**.

Key issues to watch

- Update on demand and waiting period for Royal Enfield.
- New launches and timelines under Royal Enfield business.
- Update on current demand trends for commercial vehicles, discount levels and channel inventory.

Quarterly Performance

(Consolidated)	FY16 (15m)					FY17E				FY16	FY17E	IND AS
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3Q	4Q	(15m)		1QFY17*
Y/E March												
Net oper. income	25,680	29,167	31,225	33,166	37,649	40,183	39,187	42,243	50,596	156,887	172,210	43,954
Growth (%)	33.5	29.9	37.3	44.6	46.6	37.8	25.5	27.4	34.4	43.6	37.2	
EBITDA Margins (%)	14.3	14.8	15.8	15.6	17.0	16.5	16.8	16.9	16.6	15.6	16.7	15.1
Effective tax rate (%)	32.8	28.2	31.1	30.4	31.5	28.0	28.2	28.2	33.1	30.8	29.6	28.0
Recurring PAT	1,953	2,218	2,555	2,708	3,345	3,659	3,743	4,062	4,264	12,779	15,727	3,659
Growth (%)	40.3	40.9	54.8	76.1	71.3	64.9	46.5	50.0	27.5	66.1	53.8	64.9
Standalone (Royal Enfield)												0
Royal Enfield (units)	92,021	106,613	127,611	125,744	148,186	147,483	158,070	168,000	177,000	600,175	650,553	147,483
Growth (%)	44.4	43.8	55.7	52.9	61.0	38.3	23.9	33.6	19.4	58.7	35.5	38.3
Net Realn (INR/unit)	104,450	102,878	101,968	102,103	104,258	105,258	105,758	106,258	108,696	103,104	106,573	105,258
Change - YoY (%)	4.7	2.2	1.8	1.4	-0.2	2.3	3.7	4.1	4.3	2.9	3.4	2.3
Net Op income	9,612	10,968	13,012	12,839	15,450	15,524	16,717	17,851	19,239	61,880	69,331	17,471
Growth (%)	51.2	47.0	58.5	55.0	60.7	41.5	28.5	39.0	24.5	68.3	39.7	41.5
EBITDA Margins (%)	26.1	26.4	27.7	28.6	29.9	29.3	29.2	29.5	29.2	28.0	29.3	26.1
Recurring PAT	2,135	1,836	2,285	2,450	3,593	3,132	3,359	3,618	4,813	12,299	14,922	3,132
Growth (%)	32.9	37.8	62.1	97.5	68.3	70.6	47.0	47.7	33.9	265.0	51.7	70.6
VECV (derived)												0
Total CV Volumes	11,020	12,128	11,657	12,692	15,553	16,071	14,287	15,356	19,598	63,050	65,313	16,071
Growth (%)	10.4	5.5	18.8	33.7	41.1	32.5	22.6	21.0	26.0	23.7	29.5	32.5
Net Op income	16,069	18,199	18,213	20,327	22,199	24,659	22,470	24,392	31,357	96,239	102,878	26,483
Growth (%)	24.7	21.4	25.3	38.7	38.2	35.5	23.4	20.0	41.3	35.8	33.8	35.5
EBITDA Margins (%)	7.1	7.8	7.3	7.4	8.0	8.5	7.7	7.8	8.8	7.9	8.2	7.9
Recurring PAT	436	731	573	657	830	1,107	843	953	1,628	3,817	4,532	1,107
Growth (%)	20.0	61.4	27.1	15.4	90.3	51.4	47.3	45.1	96.3	61.2	48.4	51.4

E: MOSL Estimates

Escorts

Bloomberg	ESC IN
Equity Shares (m)	119.3
M. Cap. (INR b)/(USD b)	26/0
52-Week Range (INR)	229/113
1,6,12 Rel Perf. (%)	26/28/62

Financial Snapshot (INR b)

Y/E March	2015	2016	2017E	2018E
Sales	35.4	35.4	41.6	47.2
EBITDA	1.5	1.5	2.6	3.6
NP	0.9	0.9	1.5	2.3
EPS (INR)	11.1	11.1	18.8	28.3
EPS Gr. (%)	-16.6	-16.6	68.9	50.7
BV/Sh. (INR)	184.3	184.3	198.6	221.6
RoE (%)	6.1	6.1	9.8	13.5
RoCE (%)	7.4	7.4	9.8	13.1

Valuations

P/E (x)	19.6	19.6	11.6	7.7
P/BV (x)	1.2	1.2	1.1	1.0
EV/EBITDA (x)	15.6	15.6	8.7	5.7
EV/Sales (x)	0.6	0.6	0.5	0.4

CMP: INR218

TP: INR283 (+30%)

Buy

- ESC's tractor volume growth for the quarter came in at 10% yoy to 16,363 units with domestic volume growth of 11.3%. The contribution of Powertrac brand is expected to be higher compared to 1QFY16 which will marginally drive down value growth. Construction equipment segment is expected to register robust growth as industry has seen ~45% growth in April and May 2016.
- On the back these developments, we expect ESC to post 11% YoY (35% QoQ) revenue growth to INR10.8b.
- We estimate EBITDA margins to expand 100bp YoY (200bp QoQ) to 6.8%, with EBITDA posting 30% YoY growth (90% QoQ) to INR738m.
- Resultantly, we expect adjusted PAT to grow 26.5% YoY (51% QoQ) to INR459m. **Buy.**

Key issues to watch

- Progress on key initiatives on tractor volume growth strategy, raw material rationalizations and VRS of employees.
- Management commentary on volumes and outlook given expectations of normal monsoon.

Quarterly Performance

(INR Million)

Y/E March (Standalone)	FY16				FY17E				FY16	FY17E	IND AS 1QFY17 *
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net Sales	9,777	8,017	8,881	8,047	10,853	9,139	10,391	9,496	34,722	39,878	11,062
YoY Change (%)	-13.4	-19.2	-15.1	-1.6	11.0	14.0	17.0	18.0	-12.9	14.8	11.0
Total Expenditure	9,207	7,721	8,540	7,659	10,115	8,709	9,736	8,869	33,128	37,429	10,324
EBITDA	570	295	341	388	738	430	655	627	1,595	2,449	738
Margins (%)	5.8	3.7	3.8	4.8	6.8	4.7	6.3	6.6	4.6	6.1	6.7
Depreciation	161	155	149	137	150	170	195	205	601	720	150
Interest	137	111	112	152	125	110	88	85	513	408	125
Other Income	112	148	131	187	125	136	136	136	578	534	125
PBT before EO expense	383	177	212	287	588	286	508	473	1,058	1,855	588
Extra-Ord expense	0	9	-1	131	25	25	25	25	140	100	25
PBT	383	168	212	155	563	261	483	448	919	1,755	563
Tax	21	6	7	-9	124	57	106	99	25	386	124
Rate (%)	5.4	3.5	3.4	-5.7	22.0	22.0	22.0	22.0	2.7	22.0	22.0
Reported PAT	363	162	205	164	439	203	377	349	894	1,369	439
Adj PAT	363	171	204	303	459	223	396	369	1,030	1,447	459
YoY Change (%)	6.3	-317.1	-42.8	137.7	26.5	30.7	93.9	21.8	37.9	40.5	26.5
Margins (%)	3.7	2.1	2.3	3.8	4.2	2.4	3.8	3.9	3.0	3.6	4.1

E: MOSL Estimates

Exide Industries

Bloomberg	EXID IN
Equity Shares (m)	850.0
M. Cap. (INR b)/(USD b)	150/2
52-Week Range (INR)	177/116
1,6,12 Rel Perf. (%)	8/17/20

Financial Snapshot (INR b)

Y/E MARCH	2015	2016	2017E	2018E
Net Sales	68.7	68.1	76.5	87.2
EBITDA	9.2	10.3	11.9	13.4
Adj. PAT	5.5	6.2	7.5	8.7
Adj. EPS (INR)	6.4	7.3	8.8	10.2
EPS Gr. (%)	12.1	14.1	20.4	15.6
BV/Sh. (INR)	47.7	52.2	58.4	66.0
RoE (%)	13.5	14.0	15.1	15.4
RoCE (%)	14.0	14.5	15.6	16.1
Payout (%)	34.3	27.3	24.9	21.6

Valuations

P/E (x)	25.6	22.5	18.6	16.1
P/BV (x)	3.4	3.2	2.8	2.5
EV/EBITDA (x)	13.2	11.0	9.5	8.1
Div. Yield (%)	1.3	1.2	1.3	1.3

CMP: INR176
TP: INR203 (+15%)
Buy

- We expect net revenue to grow 9% YoY (+11% QoQ) to INR19.6b on the back of robust OEM demand.
- EBITDA margin is likely to expand by 80bp YoY (+40bp QoQ) to 15.6%.
- EBITDA is estimated to increase 15% YoY (+15% QoQ) to ~INR3b.
- PAT is likely to grow by 23% YoY (+8% QoQ) to INR1.9b
- We have upgraded our EPS estimates for FY17 and FY18 by ~11%, driven by higher revenue growth and margins.
- The stock trades at 18.6x FY17E and 16.1x FY18E EPS; maintain **Buy**.

Key issues to watch

- Update on demand environment for OEMs, auto replacement and industrial battery segments.
- Update on market share in autos and non-autos.
- Outlook for raw material cost trend, recent pricing action and currency hedges, if any.
- Update on technological upgradation.
- Update on capacity expansion plans across product segments.

S/A Quarterly Performance

(INR Million)

Y/E March	FY16				FY17E				FY16	FY17E	IND AS 1QFY17 *
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Net operating income	17,995	17,390	15,247	17,614	19,615	19,476	17,382	20,213	68,237	76,686	22,258
Growth YoY (%)	-5.9	-1.3	-2.1	6.6	9.0	12.0	14.0	14.8	-0.75	12.4	9.0
RM (%)	57.2	57.9	61.5	64.7	63.5	63.3	63.0	63.2	64.0	63.3	56.0
Employee Cost (%)	6.2	6.7	7.9	7.2	6.7	6.9	7.8	7.2	7.0	7.1	5.9
Other Exp. (%)	13.2	13.9	14.5	14.6	14.2	14.1	13.8	14.2	14.1	14.1	12.5
EBITDA	2,660	2,574	2,343	2,674	3,063	3,069	2,679	3,107	10,237	11,918	3,063
EBITDA Margin (%)	14.8	14.8	15.4	15.2	15.6	15.8	15.4	15.4	15.0	15.5	13.8
Non-Operating Income	31	84	75	226	125	175	150	216	416	666	125
Interest	2	0	1	0	5	5	5	5	3	20	5
Depreciation	368	383	406	445	450	460	470	469	1,602	1,849	450
PBT after EO Exp	2,321	2,275	2,011	2,456	2,733	2,779	2,354	2,849	9,049	10,715	2,733
Effective Tax Rate (%)	33.1	31.4	33.4	27.7	30.0	30.0	30.0	30.0	31.3	30.0	30.0
Adj. PAT	1,552	1,561	1,339	1,776	1,913	1,945	1,648	1,995	6,214	7,501	1,913
Change (%)	-16.2	24.1	37.8	29.0	23.3	24.6	23.0	12.3	13.8	20.7	23.3

E: MOSL Estimates

Hero MotoCorp

Bloomberg	HMCL IN
Equity Shares (m)	199.7
M. Cap. (INR b)/(USD b)	619/9
52-Week Range (INR)	3,225/2,259
1,6,12 Rel Perf. (%)	-2/14/24

Financial Snapshot (INR b)

Y/E March	2015	2016	2017E	2018E
Sales	275.9	286.0	319.6	364.7
EBITDA	35.4	44.5	50.2	57.8
NP	25.0	31.3	35.3	43.5
Adj. EPS (INR)	125.0	156.9	176.8	217.8
EPS Gr. (%)	18.4	25.5	12.7	23.2
BV/Sh. (INR)	327.6	397.8	478.2	587.6
RoE (%)	41.1	43.2	40.4	40.9
RoCE (%)	41.1	42.5	39.4	40.0
Payout (%)	57.8	52.8	52.0	47.5
Valuations				
P/E (x)	25.2	20.1	17.8	14.4
P/BV (x)	9.6	7.9	6.6	5.4
EV/EBITDA (x)	16.8	13.1	11.4	9.6
Div. Yield (%)	1.9	2.3	2.5	2.9

CMP: INR3,101 TP:INR3,618 (+17%) Buy

- Sales volume grew 6.1% YoY (+1.4% QoQ) to 1.74m units, driven by new launches in the scooter segment.
- Realization should improve 3.6% YoY (flat QoQ) to INR43,808 per unit, supported by price hikes of 0.8-1% taken in May 2016.
- Net revenue is likely to grow 10% YoY (~2% QoQ) to INR76.4b.
- EBITDA margin is expected to expand 110bp YoY (+60bp QoQ) to 16.2% on lower raw material costs and benefit of operating leverage.
- EBITDA is likely to grow 18% YoY (+5% QoQ) to ~INR11.9b.
- We expect PAT to increase 17% YoY (+8% QoQ) to INR8.8b.
- The stock trades at 17.8x FY17E and 14.4x FY18E EPS; maintain **Buy**.

Key issues to watch

- Update on demand environment (especially rural areas) at the retail level, channel inventory.
- Performance of newly launched scooters and impact on HMCL's market share.
- Guidance on export plans and new launches along with timelines.
- Update on cost saving initiatives.

Quarterly Performance

(INR Million)

Y/E March	FY16				FY17E				FY16	FY17E	IND AS 1QFY17 *
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Total Volumes ('000 nos)	1,646	1,575	1,690	1,722	1,745	1,745	1,815	1,894	6,632	7,199	1,745
Growth YoY (%)	-4.1	-7.0	2.5	9.3	6.1	10.8	7.4	10.0	0.0	8.5	6.1
Net Realization	42,267	43,414	43,159	43,636	43,808	44,312	44,702	44,707	45,882	47,233	43,808
Growth YoY (%)	3.0	6.3	4.0	1.2	3.6	2.1	3.6	2.5	3.8	2.9	3.6
Net Op Revenues	69,553	68,371	72,948	75,122	76,462	77,324	81,134	84,660	285,993	319,579	81,359
Change (%)	-1.2	-1.1	6.7	10.6	9.9	13.1	11.2	12.7	3.8	11.7	
RM Cost (% sales)	69.2	68.2	66.9	66.0	67.6	67.6	67.0	67.8	67.5	67.5	63.5
Staff Cost (% sales)	4.5	4.5	4.7	4.7	4.5	4.8	4.5	5.5	4.6	4.9	4.3
Other Exp (% sales)	11.3	11.4	12.7	13.7	11.7	11.9	12.8	11.4	12.3	11.9	11.0
EBITDA	10,479	10,834	11,399	11,758	12,390	12,151	12,710	12,975	44,470	50,226	12,390
EBITDA Margins (%)	15.1	15.8	15.6	15.7	16.2	15.7	15.7	15.3	15.5	15.7	15.2
Other Income	1,019	1,026	842	1,024	1,050	1,150	1,000	1,050	3,911	4,250	1,050
Interest	5	5	6	5	6	7	6	6	22	25	6
Depreciation	1,030	1,091	1,139	1,155	1,160	1,300	1,350	1,356	4,414	5,166	1,160
PBT	10,463	10,764	11,096	11,623	12,274	11,994	12,354	12,663	43,946	49,285	12,274
Effective Tax Rate (%)	28.3	28.3	28.3	30.0	28.4	28.4	28.4	28.4	28.7	28.4	28.4
Adj. PAT	7,503	7,721	7,958	8,142	8,794	8,592	8,851	9,072	31,324	35,309	8,794
Growth (%)	33.3	1.1	36.5	28.9	17.2	11.3	11.2	11.4	23.3	12.7	17.2

E: MOSL Estimates

Mahindra & Mahindra

Bloomberg	MM IN
Equity Shares (m)	621.1
M. Cap. (INR b)/(USD b)	904/13
52-Week Range (INR)	1,480/1,092
1,6,12 Rel Perf. (%)	5/13/14

CMP: INR1,456 TP:INR1,724 (+18%) Buy

- Overall volume grew ~12% YoY (+5% QoQ), driven by new launches in UVs (+12% YoY, -15% QoQ) and recovery in tractors on low base (+20% YoY, +9% QoQ).
- MM (including MVML)'s realization would be flat YoY (-1% QoQ), as better product mix due to increase in share of tractors is offset by increase in lower ASP compact UVs.
- Revenue is likely to grow ~12% YoY (+4% QoQ) to ~INR106b.
- EBITDA margin should expand 20bp YoY (+200bp QoQ) to 14.5%.
- PAT is projected to grow 9% YoY (+36% QoQ) to INR9b.
- We are lowering our consolidated EPS estimate for FY17 by 4% to factor in lower than estimated UV volume, but upgrade our FY18 estimate by 5% on faster than estimated recovery in key subsidiaries.
- The stock trades at 22.5x FY17E and 17.5x FY18E EPS; Maintain **Buy**.

Financial Snapshot (INR b)

Y/E March	2015	2016	2017E	2018E
Sales	406.3	436.1	506.0	586.4
EBITDA	41.7	45.7	55.1	67.3
NP (incl. MVML)	31.6	32.9	38.9	50.1
Adj. EPS (INR) *	52.8	55.0	65.0	83.7
EPS Gr. (%)	-18.2	4.2	18.1	28.8
Cons. EPS (INR)	47.8	53.6	72.6	95.8
BV/Share (INR)	325.6	366.3	410.2	469.2
RoE (%)	16.9	15.2	15.8	18.0
RoCE (%)	13.6	12.4	13.2	15.2
Payout (%)	25.5	32.6	33.1	29.4

Valuations

P/E (x)	26.8	26.6	22.5	17.5
Cons. P/E (x)	29.6	27.4	20.2	15.3
P/BV (x)	4.4	4.0	3.6	3.1
EV/EBITDA (x)	20.1	18.8	15.5	12.4
Div. Yield (%)	0.8	1.0	1.2	1.4

* incl. MVML

Key issues to watch

- Outlook for UV and tractor businesses.
- Product pipeline for FY17.
- Update on launch of mild-hybrid.
- Update on smaller businesses like two-wheelers, commercial vehicles, Ssangyong, etc.

Quarterly Performance (incl MVML)

(INR Million)

Y/E March	FY16				FY17E				FY16	FY17E	IND AS 1QFY17*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Total Volumes (nos)	171,925	158,380	193,554	183,560	192,628	180,100	221,703	205,491	707,689	815,084	192,628
Growth YoY (%)	-8.1	-10.4	11.8	13.5	12.0	13.7	14.5	11.9		15.2	12.0
Net Realization	548,910	555,227	540,708	553,508	549,190	556,916	554,677	569,341	549,064	547,254	549,190
Growth YoY (%)	4.6	8.5	1.1	-1.9	0.1	0.3	2.6	2.9		-0.3	0.1
Net Op. Income	94,371	87,937	104,656	101,602	105,789	100,300	122,974	116,994	388,566	446,058	105,789
Growth YoY (%)	-3.9	-2.8	13.0	11.4	12.1	14.1	17.5	15.1		14.8	12.1
RM Cost (% of sales)	68.1	67.6	68.4	68.7	68.1	68.7	68.7	68.8	68.2	68.6	60.8
Staff (% of sales)	7.0	7.3	6.7	5.6	6.4	6.6	6.0	6.1	6.6	6.3	5.7
Oth. Exp. (% of Sales)	10.6	11.9	11.4	13.2	11.0	11.2	10.9	11.8	11.8	11.2	9.8
EBITDA	13,530	11,626	14,138	12,694	15,324	13,493	17,707	15,596	51,988	61,794	15,324
EBITDA Margins (%)	14.3	13.2	13.5	12.5	14.5	13.5	14.4	13.3	13.4	13.9	12.9
Other income	1,161	4,885	929	935	1,450	5,300	1,150	1,103	7,910	9,003	1,450
Interest	561	577	554	637	575	550	520	494	2,329	2,139	575
Depreciation	2,641	2,830	3,328	3,685	3,700	3,750	3,775	3,824	12,484	15,049	3,700
PBT	11,488	13,104	11,185	9,367	12,499	14,493	14,562	12,381	45,144	53,609	12,499
Effective Tax Rate (%)	27.7	25.4	26.6	28.7	27.4	27.4	27.4	26.7	26.9	27.4	27.4
Reported PAT	8,311	9,781	8,205	6,681	9,072	10,519	10,569	9,076	32,978	38,909	9,072
Adj PAT	8,311	9,781	8,205	6,639	9,072	10,519	10,569	9,076	32,935	38,909	9,072
Change (%)	-7.3	0.4	15.1	18.8	9.2	7.5	28.8	36.7		18.1	9.2

E: MOSL Estimates

Maruti Suzuki

Bloomberg	MSIL IN
Equity Shares (m)	302.1
M. Cap. (INR b)/(USD b)	1,251/19
52-Week Range (INR)	4,789/3,202
1,6,12 Rel Perf. (%)	-1/-12/8

CMP: INR4,141
TP: INR4,446 (+7%)
Buy

- Volume growth moderated to ~2% YoY (+2% QoQ) in 1QFY17 to ~348,443 units, as decline in June volume (-14% YoY) due to production cut dragged volume during the quarter.
- Net realization is likely to improve 8.3% YoY (flat QoQ) to INR425,083 per unit, boosting net revenue by 10.5% YoY (-3% QoQ) to INR148.3b. Growth in realization is likely to be driven by newly launched compact UV, *Vitarra Brezza*, and premium hatchback, *Baleno*.
- We expect margin to contract 150bp YoY (-60bp QoQ) to 14.8% on higher marketing expenses on account of new launches and an adverse Fx.
- EBITDA is estimated to remain flat YoY (-7% QoQ) at INR21.9b.
- We expect PAT to grow 3% YoY (+9% QoQ) to INR12.3b.
- We are lowering our EPS estimate by ~7% for FY17 to ~INR191 and by 2% for FY18 to ~INR245 to factor in the adverse Fx and decline in export volumes.
- The stock trades at 21.6x FY17E and 16.7x FY18E EPS. Maintain **Buy**.

Financial Snapshot (INR b)

Y/E MARCH	2015	2016	2017E	2018E
Sales	551.3	651.2	778.6	928.8
EBITDA	67.1	89.8	96.2	118.9
Adj. PAT	37.1	45.7	56.2	72.9
Con.adj.EPSINR	126.0	155.5	191.2	247.0
EPS Gr. (%)	33.5	23.4	23.0	29.1
BV/Sh. (INR)	785	894	1,026	1,195
RoE (%)	15.7	16.9	18.1	20.2
RoCE (%)	20.8	24.0	24.3	27.1
Payout (%)	24.5	27.8	29.1	29.9

Valuations

P/E (x)	32.8	26.5	21.6	16.7
P/CE (x)	19.9	16.6	14.0	11.5
EV/EBITDA (x)	16.7	11.9	10.8	8.2
Div. Yield (%)	0.6	0.8	1.1	1.5

*Consol. & adjusted

Key issues to watch

- Update on retail demand scenario, channel inventory, discounting trends and new launches (*Brezza*).
- Guidance on FY17 volume growth, margins, forex hedges, and localization efforts.
- Progress on commissioning of Gujarat plant.

Quarterly Performance

Y/E March	FY16				FY17E				FY16E	FY17E	IND AS 1QFY17*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Total Volumes (nos)	341,329	353,335	374,182	360,354	348,443	408,500	423,000	442,667	1,429,200	1,622,610	348,443
Change (%)	13.8	9.8	15.5	3.9	2.1	15.6	13.0	22.8	10.6	13.5	2.1
Realizations (INR/car)	393,313	394,348	403,063	424,741	425,803	421,544	423,652	431,378	404,046	425,691	425,803
Change (%)	3.2	3.1	3.6	8.1	8.3	6.9	5.1	1.6	4.5	5.4	8.3
Net operating revenues	134,249	139,337	150,819	153,057	148,368	172,201	179,205	190,957	577,463	690,730	167,208
Change (%)	17.5	13.1	19.7	12.3	10.5	23.6	18.8	24.8	15.6	19.6	10.3
RM Cost (% of sales)	67.4	66.8	68.5	66.0	67.9	68.8	68.8	68.9	67.2	68.6	60.3
Staff Cost (% of sales)	3.4	3.0	3.3	3.9	3.6	3.2	3.3	3.3	3.4	3.3	3.2
Other Cost (% of sales)	12.9	13.9	13.8	14.8	13.7	14.1	14.1	14.5	13.9	14.1	12.2
EBITDA	21,891	22,694	21,701	23,501	21,900	24,100	24,831	25,362	89,785	96,194	21,900
EBITDA Margins (%)	16.3	16.3	14.4	15.4	14.8	14.0	13.9	13.3	15.5	13.9	13.1
Non-Operating Income	1,720	1,371	315	1,212	2,650	3,150	2,750	3,306	4,619	11,856	2,650
Interest	190	178	244	203	210	205	200	185	815	800	210
Depreciation	6,716	6,694	7,221	7,608	7,700	7,750	7,900	7,951	28,239	31,301	7,700
PBT	16,705	17,193	14,551	16,902	16,640	19,295	19,481	20,532	65,350	75,948	16,640
Effective Tax Rate (%)	28.6	28.7	29.9	32.9	26.0	26.0	26.0	26.0	30.0	26.0	26.0
PAT	11,929	12,256	10,193	11,337	12,314	14,278	14,416	15,193	45,714	56,202	12,314
Adjusted PAT	11,929	12,256	10,193	11,337	12,314	14,278	14,416	15,193	45,714	56,202	12,314

E: MOSL Estimates

Tata Motors

Bloomberg	TTMT IN
Equity Shares (m)	3,395.9
M. Cap. (INR b)/(USD b)	1,546/23
52-Week Range (INR)	490/266
1,6,12 Rel Perf. (%)	-2/23/9

Financial Snapshot (INR b)

Y/E March	2015	2016	2017E	2018E
Net Sales	2,632	2,756	2,915	3,281
EBITDA	421.1	402.4	426.9	502.8
NP	140.5	125.2	124.5	192.8
Adj. EPS (INR)	43.6	36.9	36.7	56.8
EPS Gr. (%)	-1.1	-15.5	-0.5	54.8
BV/Sh. (INR)	174.8	237.9	269.2	322.7
RoE (%)	23.1	18.3	14.5	19.2
RoCE (%)	15.7	14.3	12.2	14.2
Payout (%)	0.0	3.3	9.9	8.5

Valuations				
P/E (x)	10.7	12.6	12.7	8.2
P/BV (x)	2.7	2.0	1.7	1.4
EV/EBITDA (x)	4.1	4.2	4.1	3.3
Div. Yield (%)	0.0	0.2	0.6	0.9

CMP: INR455
TP: INR558 (+23%)
Buy

- We expect JLR's (including JV) volume to grow 13% YoY (decline 21% QoQ). Net realization should remain stable QoQ and YoY, with stabilization in mix. EBITDA margin would decline 120bp YoY (and 100bp YoY) to 15.2%. Adjusted PAT is likely to decline ~56% YoY (and ~60% QoQ) to GBP217m.
- S/A volume grew 6.2% YoY (declined 21% QoQ), led by 8.5% YoY increase (21% QoQ decline) in commercial vehicles. Decline in PV volumes was arrested in 1QFY17 due to newly launched *Tiago*. PV volumes were flat YoY and QoQ. Margin is likely to rise 190bp YoY (shrink 150bp YoY) to 6.6%, driven by operating leverage. Adjusted PAT should grow 26% YoY to INR3.3b (vis-à-vis INR2.6b in 1QFY16).
- Consolidated PAT would fall 7% YoY (-44% QoQ) to INR26.3b.
- We lowered our consolidated EPS estimate by 13% FY17 to factor in for lower LR volumes and impact of weak GBP on MTM of USD-based loans and translation on consolidation. However, lag impact of weaker GBP has driven ~6.6% upgrade in FY18 EPS.
- The stock trades at 12.7x FY17E and 8.2x FY18E EPS. **Buy**.

Key issues to watch

- Impact of Brexit on JLR business.
- Current demand trends for JLR and outlook, particularly in China and the US.
- Update on Chery JV operations and CV business outlook.

Quarterly Performance

Y/E March (Consolidated)	FY16				FY17E				FY16	(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		FY17E	IND AS 1QFY17*
JLR vols. (incl JV)	114,452	116,745	150,461	162,427	134,334	139,250	168,500	173,959	544,085	616,043	134,334
JLR Realizations (GBP/unit)	45,206	43,460	42,004	43,991	44,211	44,100	44,762	45,092	43,602	44,583	44,211
JLR PAT (GBP m)	492	52	414	560	255	256	488	546	1518	1407	255
S/A vol. (units)	116,510	126,059	122,377	146,766	123,706	154,358	158,300	165,582	511,712	601,946	123,706
S/A Realizations (INR/unit)	798,071	833,029	817,198	856,454	839,324	860,308	851,705	876,594	2	18	839,324
S/A PAT (INR m)	2,660	-1,870	-395	5,014	3,351	1,930	986	3,080	-1,714	9,365	3,351
Net Op Income	613,021	613,182	722,564	806,844	648,263	654,138	790,140	821,963	2,755,611	2,914,504	
Growth (%)	-5.2	1.1	3.3	19.4	5.7	6.7	9.4	1.9	4.7	5.8	5.7
EBITDA	91,088	68,804	93,800	113,872	85,823	76,516	101,709	109,635	365,160	373,684	85,823
EBITDA Margins (%)	14.9	11.2	13.0	14.1	13.2	11.7	12.9	13.3	13.3	12.8	13.2
Depreciation	38,232	44,279	43,391	44,239	45,000	47,500	50,000	53,005	170,142	195,505	45,000
Other Income	3,072	2,452	1,806	2,486	1,350	1,100	1,800	3,756	9,817	8,006	1,350
Interest Expenses	11,174	11,594	10,915	12,552	7,500	7,000	6,500	12,920	46,234	33,920	7,500
PBT before EO Exp	44,754	15,383	41,300	59,567	34,673	23,116	47,009	47,466	158,602	152,265	34,673
EO Exp/(Inc)	1,167	26,529	-457	-6,044	9,990	5,370	0	0	21,196	15,360	9,990
PBT after EO Exp	43,587	-11,146	41,757	65,611	24,683	17,746	47,009	47,466	137,407	136,905	24,683
Tax	15,703	-7,036	6,513	13,546	6,827	4,909	13,003	11,183	28,726	35,922	6,827
Tax rate (%)	36.0	63.1	15.6	20.6	27.7	27.7	27.7	23.6	20.9	26.2	27.7
PAT	27,885	-4,111	35,244	52,065	17,856	12,838	34,006	36,283	108,681	100,983	17,856
Minority Interest	-245	-226	-204	-383	-100	-250	-175	-479	-1,059	-1,004	-100
Share in profit of Associate	50	39	36	89	1,395	2,269	3,950	5,592	213	13,206	1,395
Reported PAT	27,689	-4,298	35,075	51,771	19,151	14,857	37,782	41,395	107,836	113,185	19,151
Adj PAT	28,436	5,486	34,690	46,975	26,377	18,742	37,782	41,395	124,600	124,514	26,377
Growth (%)	(46.7)	(83.3)	(10.2)	158.4	(7.2)	241.6	8.9	(11.9)	-11.7	-0.1	(7.2)

E: MOSL Estimates

TVS Motor Company

Bloomberg	TVSL IN
Equity Shares (m)	475.1
M. Cap. (INR b)/(USD b)	142/2
52-Week Range (INR)	341/201
1,6,12 Rel Perf. (%)	1/-/14

CMP: INR300
TP: INR327 (+9%)
Buy

- Total volume grew 12.5% YoY (+9% QoQ) to 717,964 units.
- Motorcycle and scooter volume grew 11% YoY (+14% QoQ) and 19% YoY (flat QoQ), respectively, while moped volume surged 18% YoY (+14% QoQ) on positive rural sentiment.
- Net realization is likely to improve 5% YoY (+5% QoQ) to INR43,120 per unit. As a result, net sales would grow 18% YoY to ~INR31b.
- Margin should expand 100bp YoY (+90bp QoQ) to 7.3%, driven by benefit of operating leverage and moderation in marketing spends.
- We expect PAT to increase ~46% YoY (+12% QoQ) to INR1.3b.
- We are downgrading our EPS estimates for FY17/18 by 8-9%, to factor in for continued weakness in exports and higher SG&A.
- The stock trades at 22.2x FY17E and 18.4x FY18E EPS; maintain **Buy**.

Financial Snapshot (INR b)

Y/E March	2015	2016	2017E	2018E
Sales	101.0	112.4	134.1	152.1
EBITDA	6.0	7.5	10.6	12.4
Adj. PAT	3.5	4.3	6.4	7.7
EPS (INR)	7.3	9.1	13.5	16.3
EPS Gr. (%)	33.4	24.2	48.6	20.7
BV/Sh (INR)	34.6	40.8	51.0	63.7
RoE (%)	22.7	24.1	29.5	28.4
RoCE (%)	21.9	23.3	30.5	30.1
Payout (%)	30.5	33.0	24.5	22.1
Valuations				
P/E (x)	40.9	32.9	22.2	18.4
P/BV (x)	8.7	7.4	5.9	4.7
EV/EBITDA (x)	25.1	19.9	13.3	11.1
Div. Yield (%)	0.6	0.8	0.9	1.0

Key issues to watch

- Response to newly launched *TVS Victor* and rollout initiatives.
- Update on 50% discount scheme on 2Ws in TN as promised by the government.
- Guidance on capex and margins.
- Update on BMW tie-up.

S/A Quarterly Performance
(INR Million)

Y/E March (INR m)	FY16				FY17E				FY16	FY17E	IND AS
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Volumes (units)	638,033	678,749	702,109	659,447	717,964	802,750	788,500	769,389	2,678,338	3,078,603	717,964
Growth (%)	9.2	0.4	7.1	9.4	12.5	18.3	12.3	16.7	6.3	14.9	12.5
Realization (INR/unit)	41,083	42,442	41,868	42,693	43,120	43,982	43,542	43,531	41,981	43,556	43,120
Growth (%)	4.1	7.0	3.5	4.8	5.0	3.6	4.0	2.0	5.3	3.8	5.0
Net Sales	26,212	28,807	29,396	28,154	30,958	35,306	34,333	33,493	112,439	134,090	33,810
Growth (%)	13.7	7.4	10.8	14.6	18.1	22.6	16.8	19.0	12.0	19.3	
RM Cost											
RM (% of sales)	72.0	71.3	71.6	70.2	71.6	71.5	71.5	70.9	71.4	71.4	65.6
Emp cost (% of sales)	5.9	5.8	6.0	5.8	5.5	5.0	5.1	5.2	5.9	5.2	5.0
Other exp (% of sales)	15.8	15.6	15.7	17.6	15.6	15.8	15.3	15.3	16.0	15.5	14.3
EBITDA	1,637	2,119	1,966	1,785	2,253	2,686	2,762	2,889	7,507	10,589	2,253
EBITDA margin (%)	6.2	7.4	6.7	6.3	7.3	7.6	8.0	8.6	6.7	7.9	6.7
Interest	130	102	100	131	105	95	85	68	462	353	105
Depreciation	422	466	493	518	520	530	545	552	1,898	2,147	520
Other Income	96	57	117	243	150	155	150	135	513	590	150
PBT after EO Exp	1181	1609	1358	1380	1778	2216	2282	2404	5,660	8,680	1778
Tax rate (%)	23.5	27.7	27.7	14.7	26.0	26.0	26.0	26.0	23.6	26.0	26.0
Reported PAT	903	1,164	945	1,178	1,316	1,640	1,688	1,779	4,321	6,423	1,316
Adjusted PAT	903	1,164	1,077	1,178	1,316	1,640	1,688	1,779	4,321	6,423	1,316
Growth (%)	24.8	22.8	19.4	30.1	45.8	40.8	56.8	51.1	7.0	48.6	45.8

E: MOSL Estimates

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