AUTOMOBILES

Margin pressure persist across industry

Companies Name	Rating
Automobiles	
ASHOKLEY	BUY
BAJAJ-AUTO	NEUTRAL
EICHERMOT	ACCUMULATE
ESCORTS	BUY
HEROMOTOCO	NEUTRAL
M&M	BUY
MARUTI	NEUTRAL
TVSMOTOR	NEUTRAL
Auto Ancillary	
AMARAJABAT	ACCUMULATE
BALKRISIND	NEUTRAL
CEAT	ACCUMULATE
GABRIEL	NEUTRAL
LUMAXIND	BUY
MINDAIND	BUY
MOTHERSUMI	UNDER REVIEW
SKFINDIA	HOLD
SUBROS	NEUTRAL
SWARAJENG	NEUTRAL

Automobiles:-

Volumes and Revenue Growth

The OEMs (our coverage companies) posted a revenue growth of 7% YoY largely driven by volume growth across segments. The passenger vehicle industry continues to struggle due to higher ownership cost and softness in model launches. Two wheelers industry recorded a growth of 14%YoY on account of higher discounting and shift in demand towards 125cc segment. Commercial vehicle industry also remained subdued due to factors such as; NBFC liquidity issue and new Axle load norms, however LCV segment posted growth based on increasing last mile connectivity. The three wheelers segment volumes grew by 8% YoY because of government's push towards alternative fuel vehicles despite higher base. Tractors industry volumes grew by 16% YoY owing to subsidy support for tractors, increased MSP hikes and export contribution.

The increased competitive intensity in the industry has discouraged OEMs to take any price hike. But the realization for some of the OEMs improved on the back of price hike related to increased raw material cost and better product mix.

EBITDA Margins

The EBITDA margins have declined by 228 bps QoQ at12% under our coverage companies during 3QFY19. Margin pressure remained a concern area for most of the companies due to higher commodity prices, increased competitive intensity coupled with muted demand leading to higher discounts and weaker operating leverage. However some of the OEMs have seen margin expansion on the back of better product mix and price hikes taken by some companies.

Auto Ancillary:-

Revenue Growth

The companies in our universe reported revenue growth of 14% YoY in 3QFY19. This growth was largely driven by better product mix, new products and increasing premiumisation. Going ahead upcoming safety and emission norms coupled with advanced technologically sound products to further increase content and value per vehicle.

EBITDA Margins

Margins have contracted by 26 bps QoQ to 10% due to higher operating cost, INR depreciation and weaker operating leverage. Going ahead the margins are expected to improve on sequential basis based on price negotiations with OEMs, stable currency and increasing premiumisation.

Outlook for the Industry

The results of Q3FY19 for our coverage universe companies remained mix based on volume growth across segments. There was pressure on the margins front largely due to higher commodity cost, currency depreciation, new product launch cost and weaker operating leverage. The demand scenario in the industry continues to be subdued because of higher ownership cost, increased dealer inventory level and softness in new launches. There are limited demand drivers in the industry for FY20 such as; implementation of BS-VI from 1st April 2020, improvement in rural income and new product launches. However margin pressure is expected to ease off based on softness in commodity prices, stable currency and improvement in product mix going ahead. Our top picks are ASHOKLEY, BAJAJ-AUTO, LUMAXIND and M&M.

Research Analyst

NAVEEN KUMAR DUBEY
Naveen.dubey@narnolia.com
+91-22-62701235

SWATI SINGH
Swati.singh@narnolia.com
+91-22-62701225

AYUSHI RATHI
Ayushi.rathi@narnolia.com
+91-22-62701223

3QFY19 Result Snapshot

Company	Sales	YoY Growth	EBITDA	EBITDA M%	PAT	PAT M%
Automobiles						
ASHOKLEY	6325	-12%	650	10%	381	6%
BAJAJ-AUTO	7409	16%	1155	16%	1221	17%
EICHERMOT	2341	3%	680	29%	533	23%
ESCORTS	1655	37%	200	12%	140	9%
HEROMOTOCO	7865	8%	1105	14%	769	10%
M&M	13070	13%	1517	12%	1077	8%
MARUTI	19668	2%	1894	10%	1489	8%
TVSMOTOR	4664	27%	376	8%	178	4%
Auto Ancillary						
AMARAJABAT	1695	9%	253	15%	131	8%
BALKRISIND	1206	9%	301	25%	145	12%
CEATLTD	1714	11%	143	8%	52	3%
GABRIEL	510	14%	43	8%	22	4%
LUMAXIND	431	16%	41	10%	51	12%
MINDAIND	1470	39%	180	12%	81	6%
MOTHERSUMI	16473	14%	1393	8%	555	3%
SKFINDIA	768	10%	122	16%	85	11%
SUBROS	511	14%	57	11%	17	3%
SWARAJENG	199	8%	27	14%	17	9%

Valuation:-

Company	Rating	Target Price	ROE			P/E			P/B			EV/EBITDA		
			FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Automobiles														
ASHOKLEY	BUY	106	22%	22%	22%	30.0	13.6	12.0	7.0	3.0	2.6	20.0	11.6	7.1
BAJAJ-AUTO	NEUTRAL	2717	21%	20%	19%	18.9	18.4	16.8	3.9	3.6	3.2	16.0	16.8	14.5
EICHERMOT	ACCUMULATE	22734	28%	26%	25%	39.0	24.9	20.9	11.0	5.6	4.8	28.0	18.6	15.5
ESCORTS	BUY	775	16%	18%	18%	31.1	16.6	14.3	4.9	1.3	1.1	20.0	10.9	9.6
HEROMOTOCO	NEUTRAL	2772	31%	27%	27%	19.4	15.2	13.7	6.0	4.1	3.7	14.0	10.4	9.2
M&M	BUY	782	14%	15%	13%	14.9	15.9	15.9	2.1	2.3	2.1	10.5	11.7	10.1
MARUTI	NEUTRAL	7022	19%	16%	17%	34.0	28.0	21.6	6.3	4.4	3.6	22.0	18.3	14.0
TVSMOTOR	NEUTRAL	568	23%	21%	24%	43.0	31.1	22.8	9.9	6.5	5.4	26.0	15.0	11.9
Auto Ancillary														
AMARAJABAT	ACCUMULATE	818	16%	15%	17%	29.0	26.0	20.0	4.6	3.8	3.3	15.4	12.8	10.1
BALKRISIND	NEUTRAL	908	18%	18%	19%	29.0	20.0	16.0	5.2	3.5	3.0	19.0	12.0	10.0
CEATLTD	ACCUMULATE	1231	9%	10%	10%	23.0	16.8	15.4	2.1	1.5	1.4	9.0	8.0	8.0
GABRIEL	NEUTRAL	131	18%	17%	17%	22.3	21.1	17.8	4.0	3.5	3.1	12.2	11.3	9.5
LUMAXIND	BUY	1824	22%	30%	23%	32.2	13.2	14.5	7.0	4.0	3.4	15.2	8.6	7.1
MINDAIND	BUY	348	24%	21%	22%	23.1	23.0	18.0	5.5	4.9	4.0	15.0	11.3	9.3
MOTHERSUMI	UNDER REVIEW		23%	21%	24%	33.3	21.0	15.0	7.6	4.4	3.6	16.0	9.4	7.2
SKFINDIA	HOLD	2027	16%	19%	18%	30.2	29.5	27.3	4.9	5.7	4.9	19.0	19.4	16.7
SUBROS	NEUTRAL	254	15%	12%	15%	28.7	19.0	14.0	4.3	2.0	2.0	9.0	6.0	5.0
SWARAJENG	NEUTRAL	1617	35%	34%	35%	30.3	19.0	16.0	10.6	6.0	6.0	20.0	12.0	10.0

AMARAJABAT

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1553	1753	1695	9%	-3%
EBITDA	242	237	253	5%	7%
PAT	134	120	131	-3%	9%
EBITDA Margin	15.6%	13.5%	14.9%		
PAT Margin	8.7%	6.9%	7.7%		

Revenue was up by 9% YoY at Rs.1695 crores (vs our estimates of Rs.1724 crores) on the back of decent growth in automotive aftermarket segment and steady growth in Industrial segment. EBITDA margins were expanded by 140bps QoQ to 14.9% on account of reduction in the lead prices and operational efficiencies. PAT declined by 3%YoY to Rs.131 crores (vs our estimates of Rs.125 crores) due to higher depreciation and tax expense.

ASHOKLEY

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	46627	51958	43763	-6%	-16%
Realization	1542	1467	1445	-6%	-1%
SALES	7191	7621	6325	-12%	-17%
EBITDA	839	829	650	-23%	-22%
PAT	485	528	381	-21%	-28%
EBITDA Margin	11.7%	10.9%	10.3%	-12%	-6%
PAT Margin	6.7%	6.9%	6.0%	-10.7%	-13.1%

Revenue declined by 12% YoY at Rs. 6325 crores (vs our estimates at Rs. 6442 crores) due to 6% YoY decline in volume and realization each. The M&HCV volumes have declined by 17% YoY while LCV volumes grew by 28% YoY. Gross margin expanded by 201 bps to 29.9% QoQ on account of improvement in bus segment profitability, higher after market sales and better LCV margins. However, EBITDA margin has declined by 61 bps to 10.3% QoQ due to higher employee expenses and weaker operating leverage. PAT declined by 21.5% YoY to Rs.381 crores (vs our estimates of Rs.358 crores) due to lower other income and higher depreciation expenses.

BAJAJ-AUTO

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	1001449	1339444	1259828	26%	-6%
Realization	63601	59628	58812	-8%	-1%
SALES	6369	7987	7409	16%	-7%
EBITDA	1232	1342	1155	-6%	-14%
PAT	1014	1257	1221	20%	-3%
EBITDA Margin	19.3%	16.8%	15.6%	-19%	-7%
PAT Margin	15.9%	15.7%	16.5%	3.5%	4.7%

Revenue grew by 16%YoY at Rs. 7409 crores (vs. our estimates at Rs. 7653 crores) mainly driven by 26%YoY volume growth. However, realization declined sharply by 10%YoY due to adverse product mix in both domestic and export markets. EBITDA Margin contracted by 121 bps QoQ to 15.6% due to higher commodity prices, foreign exchange fluctuation, export realization and shift in product mix. PAT grew by 20%YoY at Rs.1221 crores (vs. our estimates at Rs. 1061 crores) due to higher other income coupled with strong performance of KTM.

BALKRISIND

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1106	1325	1206	9%	-9%
EBITDA	290	333	301	4%	-10%
PAT	190	222	145	-24%	-35%
EBITDA Margin	26.2%	25.1%	25.0%		
PAT Margin	17.1%	16.8%	12.0%		

The company posted revenue growth of 9% YoY to Rs. 1206 crores (vs our estimates of Rs.1324 crores) largely driven by value growth of. However, volume de-grew by 6%YoY during the quarter. EBITDA margins remain flattish on QoQ basis to 25% due to weaker operating leverage and forex fluctuation. PAT declined by 24% YoY to Rs.145 crores (vs our estimates of Rs.196 crores) due to lower other income.

CEATLTD

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1550	1755	1714	11%	-2%
EBITDA	192	159	143	-26%	-10%
PAT	91	63	52	-43%	-17%
EBITDA Margin	12.4%	9.1%	8.3%		
PAT Margin	5.9%	3.6%	3.0%		

Revenue grew by 11% YoY to Rs.1714 crores (vs our estimates of Rs.1736 crores) was largely driven by value and volume growth of 9% YoY and 2% YoY respectively. EBITDA margin has slipped by 80bps QoQ to 8.3% due to weaker operating leverage, adverse product mix and escalation in marketing expenses. PAT declined by 43% to Rs.52 crores (vs our estimates of Rs.68 crores) due to higher depreciation expenses on new plants and higher interest cost related to increase in debt level.

EICHERMOT

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	206586	210102	194473	-6%	-7%
Realization	109834	114619	120380	10%	5%
SALES	2269	2408	2341	3%	-3%
EBITDA	707	729	680	-4%	-7%
PAT	521	566	533	2%	-6%
EBITDA Margin	31.2%	30.3%	29.0%	-7%	-4%
PAT Margin	22.9%	23.5%	22.8%	-0.8%	-3.2%

Net sales grew by 3.2%YoY to Rs.2341 crores (vs. our estimates at Rs. 2251 crores). Volumes de-grew by 6% YoY due to slowdown in demand while realization increased by 10% YoY because of introduction of rear disc brakes and ABS. EBITDA margin declined by 130 bps QoQ to 29% on the back of weaker operating leverage and higher launch costs on 650 twin models. PAT stood at Rs.533 crores (vs our estimates at Rs. 516 crores) with 2.4%YoY growth led by higher other income. VECV revenue grew by 9% YoY led by 4% YoY growth in volumes and 5%YoY growth in realizations. The EBITDA declined by 18% YoY to Rs. 186 crores due to higher discounting in heavy duty segment. PAT declined by 43% YoY to Rs. 76 crores.

ESCORTS

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	18930	21039	25743	36%	22%
SALES	1205	1398	1655	37%	18%
EBITDA	145	157	200	38%	27%
PAT	92	103	140	52%	37%
EBITDA Margin	12.0%	11.3%	12.1%	1%	8%
PAT Margin	7.6%	7.3%	8.5%	10.9%	15.3%

Net sales grew by 37% YoY at Rs. 1655 crores (vs. our estimates at Rs. 1606 crores) on the back of robust volume growth of 36% and 30%YoY in Agri machinery and construction equipment segments respectively. Railways business revenue also grew by 34%YoY on the back of strong order book. Gross margin contracted by 206 bps QoQ to 30.4% due to higher commodity prices and foreign exchange fluctuations. However, EBITDA margin expanded by 85 bps QoQ to 12.1% due to localization efforts taken by the company coupled with operating leverage benefits and cost cutting initiatives. PAT grew by 52% YoY at Rs. 140 crores (vs. our estimates at Rs. 113 crores) due to higher other income.

GABRIEL

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	447	542	510	14%	-6%
EBITDA	40	51	43	6%	-16%
PAT	22	29	22	2%	-24%
EBITDA Margin	9.0%	9.5%	8.4%		
PAT Margin	4.8%	5.3%	4.3%		

The company reported healthy revenue growth of 14.1% YoY to Rs. 510 crores (vs our estimate of Rs. 471 crores) largely driven by strong growth in 2 wheeler and CV segment. EBITDA margins were declined by 110bps QoQ to 8.4% largely on account of higher employee cost and weaker operating leverage due to slow down in the passenger vehicle segment. PAT for the quarter stood at Rs.22 crores (vs our estimates of Rs.22 crores).

HEROMOTOCO

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	1709106	2134047	1798905	5%	-16%
Realization	42745	42600	43720	2%	3%
SALES	7305	9091	7865	8%	-13%
EBITDA	1158	1379	1105	-5%	-20%
PAT	805	976	769	-5%	-21%
EBITDA Margin	15.9%	15.2%	14.0%	-11%	-7%
PAT Margin	11.0%	10.7%	9.8%	-11.3%	-8.9%

Revenue grew by 7% YoY at Rs.7865 crores (vs our estimates at Rs. 7702 crores). Volume growth has been 5% YoY led by new model launches and growth in entry segment motorcycles while realization increased by 2% YoY supported by price hikes and higher spare part sales. EBITDA margin has declined sharply by 111 bps QoQ to 14% due to model launch cost, advertising and promotional expenses and weaker operating leverage benefit. PAT declined by 5% YoY at Rs.769 crores (vs our estimates at Rs. 749 crores) despite higher other income.

LUMAXIND

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	380	518	431	13%	-17%
EBITDA	30	41	41	37%	2%
PAT	18	19	51	178%	166%
EBITDA Margin	8.0%	7.8%	9.6%		
PAT Margin	4.8%	3.7%	11.8%		

Net sales grew by 16.2% YoY to Rs.431 Crores (vs our estimates of Rs.426 crores) largely on account of value growth despite Volume growth remains flattish during the quarter. EBITDA margin has expanded by 178bps on a sequential basis on account of softening commodity prices, new launches leading to better product mix, negotiations with the customers and improved localization content in raw material. PAT for the quarter stood at Rs. 51 crores (vs our estimates of Rs.12 crores) includes an exceptional gain of Rs.36 crores on sale of a building.

M&M

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	210223	228638	280628	33%	23%
SALES	11577.8	12988.6	13070.4	13%	1%
EBITDA	1495.33	1604.95	1517.22	1%	-5%
PAT	1215.91	1649.46	1076.81	-11%	-35%
EBITDA Margin	12.9%	12.4%	11.6%	-10%	-6%
PAT Margin	10.5%	12.7%	8.2%	-21.6%	-35.1%

Revenue growth of 12.9% YoY at Rs. 13070 crores (vs our estimates at Rs. 13362 crores) led by 11%YoY volume growth and 1.9%YoY realization growth. The automotive segment and farm equipment segment reported volume growth of 11% YoY each. EBITDA margin declined by 75 bps QoQ to 11.6% due to higher start up cost on new product launches. PAT declined by 11.4% YoY to Rs.1077 crores (vs our estimates at Rs. 849 crores).

MARUTI

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	431112	484848	428643	-1%	-12%
Realization	447290	462685	458850	3%	-1%
SALES	19283	22433	19668	2%	-12%
EBITDA	3020	3395	1894	-37%	-44%
PAT	1799	2240	1489	-17%	-34%
EBITDA Margin	15.7%	15.1%	9.6%	-38%	-36%
PAT Margin	9.3%	10.0%	7.6%	-18.8%	-24.2%

Revenue grew by 2%YoY at Rs. 19668 crores (vs. our estimates at Rs. 20066 crores) which was largely driven by 3%YoY realization growth whereas volume declined by 1%YoY. EBITDA margin have declined by 550 bps QoQ to 9.6% led by higher fixed cost on new plants coupled with higher employee cost and marketing expenses during the festive season. PAT declined by 17% YoY Rs. 1489 crores (vs our estimates at Rs. 1921 crores) due to higher depreciation expenses.

MINDAIND

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1056	1522	1470	39%	-3%
EBITDA	126	189	180	43%	-5%
PAT	66	89	81	23%	-8%
EBITDA Margin	12.0%	12.4%	12.3%		
PAT Margin	6.3%	5.8%	5.5%		

Net sales grew by 39.2% YoY at Rs.1470 crores (vs our estimates of Rs. 1267 crores) in 3QFY19 largely driven by growth in switches and lamps segment of 73% and 18% respectively. Gross margins stood at 38.6% improved by 20bps on QoQ basis in 3QFY19 largely on account of consolidation and higher alloy wheels sales despite commodity cost pressure. EBITDA margin maintained at 12.3%. PAT for the quarter stood at Rs.81 crores (vs our estimates of Rs.72 crores) with a growth of 31%YoY.

MOTHERSUMI

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	14398	15105	16473	14%	9%
EBITDA	1259	1300	1393	11%	7%
PAT	562	495	555	-1%	12%
EBITDA Margin	8.7%	8.6%	8.5%		
PAT Margin	3.9%	3.3%	3.4%		

The company reported healthy revenue growth of 14.4% YoY to Rs.16,473 crores(vs our estimates of Rs.16401 crores) led by growth in SMP and PKC group by 20% and 17% YoY respectively. Gross Margins grew by 20bps QoQ to 42.3% on account of reduction in raw material cost while EBITDA margin compressed by 10bps QoQ to 8.5% because of higher manpower cost and higher start up cost on new plants. PAT de-grew by 1.2% YoY to Rs.555 crores (vs our estimates of Rs. 584 crores) mainly on account of new plants coming up which raised depreciation expense during the quarter.

SKFINDIA

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	700	764	768	10%	0%
EBITDA	123	123	122	-1%	-1%
PAT	86	84	88	3%	5%
EBITDA Margin	17.6%	16.0%	15.8%		
PAT Margin	12.3%	11.0%	11.5%		

Growth in industrial segment by 21% YoY led to revenue growth of 9.6% YoY to Rs. 768 crores (vs our expectation of Rs.760 crores). However, exports de-grew during the quarter by 34% YoY. EBITDA margins were contracted by 20bps QoQ to 15.8% on account of higher raw material cost, adverse product mix and higher composition of traded goods. PAT grew by 3%YoY to Rs.88 crores (vs our estimates of Rs.72 crores) because of higher other income of Rs. 34 crores.

SUBROS

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	449	564	511	14%	-9%
EBITDA	48	59	57	19%	-4%
PAT	16	24	17	5%	-28%
EBITDA Margin	10.6%	10.5%	11.1%		
PAT Margin	3.7%	4.2%	3.4%		

Healthy revenue growth of 13.8% YoY to Rs. 511 crores (vs our estimates of Rs.501 crores) in 3QFY19. EBITDA margins were expanded by 60bps QoQ to 11.1% on the back of higher sales of Truck/AC blowers and price negotiations with OEMs which mitigated the negative impact of foreign exchange and increase in raw material cost. PAT growth was limited to 5%YoY to Rs.17 crores (vs our estimates of Rs.17 crores) due to higher tax expenses and negative other income.

SWARAJENG

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	183	247	199	8%	-20%
EBITDA	26	40	27	7%	-31%
PAT	17	25	17	1%	-32%
EBITDA Margin	14.0%	16.2%	13.8%		
PAT Margin	9.4%	10.3%	8.7%		

Revenue grew by 8.4% YoY to Rs. 199 crores (vs our estimates of Rs.215 crores) led by 2.7%YoY volume growth and 5.7%YoY realization growth in 3QFY19. Gross Margins reduced by 80 bps on QoQ basis at 24.1% due to higher raw material cost since last two quarters. Weaker operating leverage led by lower volumes resulted in lowest EBITDA margin in last 12 quarters. PAT for the quarter stood at Rs. 17 crores (vs our estimates of Rs.21 crores) in 3QFY19. PAT growth was flat YoY due to higher fixed cost and depreciation related to capacity addition.

TVSMOTOR

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
Volumes	826285	1088374	989787	20%	-9%
Realization	44597	45880	47121	6%	3%
SALES	3685	4993	4664	27%	-7%
EBITDA	287	428	376	31%	-12%
PAT	154	211	178	16%	-16%
EBITDA Margin	7.8%	8.6%	8.1%	4%	-6%
PAT Margin	4.2%	4.2%	3.8%	-8.7%	-9.6%

Revenue grew by 27% YoY at Rs.4664 crores (vs our estimates of Rs.4647 crores) on the back of 20% YoY volume growth and 6% YoY realization growth. Volume growth was largely driven by new product launches in motorcycles and scooter segment. However, better product mix and higher export volumes supported realization growth. EBITDA margin declined by 50bps QoQ despite stable commodity prices led by higher discounting levels in the commuter segment coupled with higher advertising and promotional expenses during the festive season. PAT grew by 16% YoY at Rs.178 crores (vs our estimates at Rs.189 crores).

Management Commentary

Company	Topic	Details
		Automobiles
ASHOKLEY	Industry	>>The CV industry is expected to grow by 15-18% for FY19.
	Volume	>> Volume growth of 20% is expected in FY19-20 due to pre-buy ahead of BS VI transition.
	Margins	>> The company is looking forward to reduce margins by 200 bps driven by cost efficiencies (through modular programs) over next few years.
BAJAJ-AUTO	Domestic Market	>> The domestic motorcycle market is expected to grow by 8-10% in FY20 driven by value added products but there could be some challenges due to safety and regulatory norms.
	Exports Market	>> The management expects 10-12% growth in exports markets in FY20 based on higher growth in African region.
	Three Wheeler Volumes	>> Domestic 3 wheeler volumes is expected to decline by 10-15% due to higher base and increasing E-rickshaw penetration.
EICHERMOT	Production Guidance	>>The company has decreased the total production guidance from 9.5 lakhs units to 8.7-8.8 lakh units for FY19.
	Exports	>> The company is focusing on Southeast Asia, the Middle East and Africa for exports.
ESCORTS	Tractor Industry	>> The management expects 10-12%YoY volume growth for the tractor industry in FY19.
	Construction Equipment	>> The management expects 13-15% growth in its served construction equipment industry in FY19 and expects the industry to grow in double digit in FY20.
	Railways	>> The management expects to post 22-25% growth in railways business in FY19 as well as for next 3-4 years.
HEROMOTOCO	Demand Scenario	>> The overall rural demand is expected to remain subdued and the company expects higher single digit growth in FY20.
	Inventory Level	>> Inventory level has gone up from 4-6 weeks to 6-8 weeks due to festive off take. The management expects the inventory level to come down in Q4FY19
M&M	Tractor Segment	>> The tractor segment is expected to remain flat in Q4FY19 and overall growth of 10% is expected in FY19 and expects single digit growth in FY20.
	Rabi Sowing and Reservoir Level	>> There has been the concern on Rabi sowing and reservoir level being low in few states like Maharashtra, Gujarat, Andhra Pradesh and Telangana.
	Electric 3-Wheelers	>> The company is seeing good opportunity in electric three-wheelers. The company has launched the first lithium-ion 3W and has sold almost 200 models.
MARUTI	Passenger Vehicle Industry	>> The management expects PV industry to post 4-4.5% volume growth in FY19.
	Exports Sales	>> Exports sales are expected to remain flat for next year.
	Inventory Level	>> The company maintains the inventory level of 4-5 weeks. In January, the inventory level has come down to 15 days.
TVSMOTOR	Industry Growth	>> The company will continue to grow better than the industry both domestically and internationally.
	Margins	>> Management's focus will be expansion in EBITDA margin going ahead through various cost cutting initiatives and localization.
	Exports	>> The exports outlook for the company looks good due to stable foreign exchange situation and stable exports market conditions.
		Auto Ancillary
BALKRISIND	Revenue	>> The management expects revenue growth to remain flat on YOY basis in 4QFY19.
	Volumes	>> The management has guided the volumes to be in the range of 210,000 metric tons to 220,000 metric tons.
	Margins	>>The margins are expected to be in range of 28-30% for FY19 and 29.8 % in 4QFY19.
CEATLTD	New Plant	>> The PCR plant will start production in 2QFY20 while off highway tyre plant will commence production at 4QFY20.
	Commodity Prices	>> The management expects benefit of softening commodity prices to come in 1QFY20.
	Capex	>> Capex plan for FY19 was reduced to Rs.1100-1150 crores from Rs.1300-1500 crores and for FY20 the capex is in the range of Rs.1500-1700 crores.
GABRIEL	PV segment	>> The slowdown in the PV segment is expected to be for the short term.
	New Orders	>> There are new models lined up from Maruti Alto model for which production will start from August. The company also has orders for new models from Volkswagen & Skoda.
	Capex	>> Capex Guidance for FY19 is Rs 85 crores and for FY20 is Rs Rs, 70 Crores

Management Commentary

Company	Topic	Details
LUMAXIND	Revenue	>> The management has guided revenue growth to be 18-20% in FY19
	Margins	>>The management expects the margins to improve by 150-200 bps by 2 years.
	Import Content	>> Currently, Import Content is 23% of purchases and management is trying to reduce it to improve margins.
MINDAIND	Growth	>> The company is expected to grow 1.5-2 times more than the industry growth.
	CV Volumes	>> The company expects CV volume growth to be at 9-10% over next 2 years.
	2W Alloy Plant	>> The 2W alloy wheel plant is expected to get commissioned by March 2020 and the revenue from that is expected to come from 2021.
MOTHERSUMI	Revenue	>> The management has indicated that the revenue guidance of USD 18 billion may extend from FY20 to FY21.
	Class-8 Trucks	>> The management expects recent slowdown in class-8 truck sales may impact only after 8-10 months business.
	Wiring Harness	>> The management expects BS-VI implementation may increase the value per content of wiring harness by 10-15%.
SKFINDIA	Industrial Segment	>> Railways has come up with the approval in the freight side which is expected to generate more revenue.
	Plant	>> HUB-3 bearing will start up its production from March 2019 and its capacity is expected to go up till 500000 bearing per year from 350000 bearings per year
	Electric Vehicle	>> Electrification in India will speed up in 3Ws followed by 2W, buses and PV segment. Company had negotiations with OEM's for new launches in the EV segment.
SUBROS	Revenue	>> The management expects double digit growth in FY19
	Bus Segment	>> The bus segment is expected to generate Rs. 45 crores revenue in FY19
	CV Segment	>> CV segment is expected to generate Rs. 60 crores in FY19 and around Rs. 86-90 crores in
	ECM Business	>> ECM business is able to generate Rs. 270 crores and Rs. 300-315 crores for FY19 and FY20 respectively
	Non-Car Segment	>> The company is focusing on expanding the non-car segment from 8-10% to 14-15% by the next two years.

Exhibit: Automobiles Q3FY19 Sales Performance

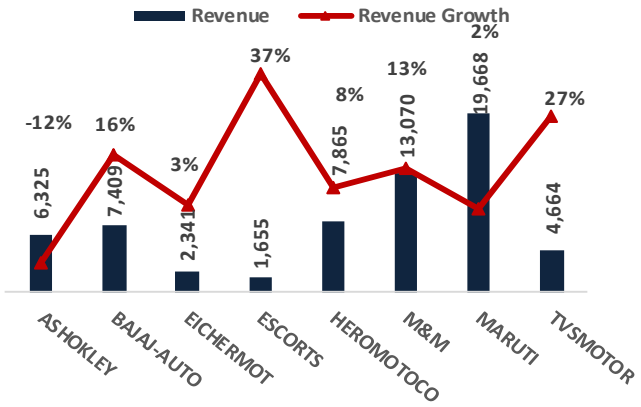


Exhibit: Auto Ancillary Q3FY19 Sales Performance

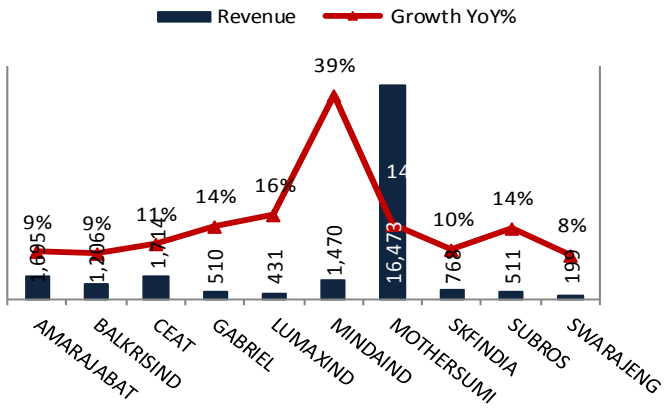


Exhibit: Automobiles Q3FY19 EBITDA margins

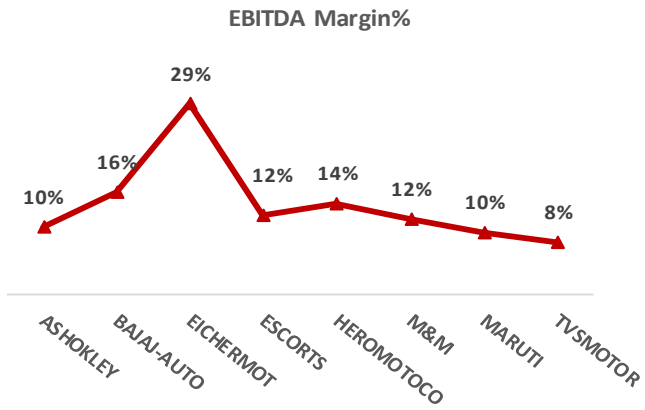


Exhibit: Auto Ancillary Q3FY19 EBITDA margins

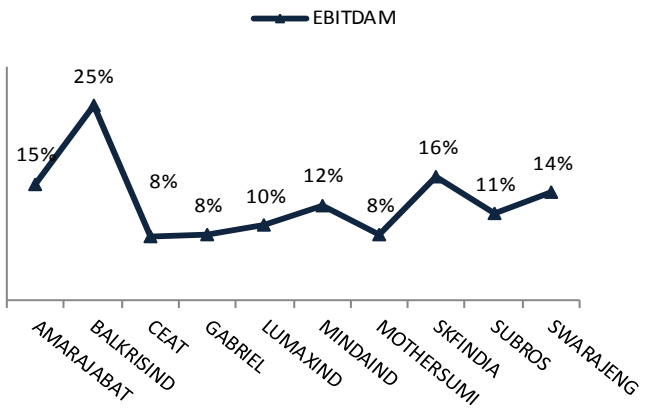


Exhibit: Automobiles Q3FY19 PAT Growth

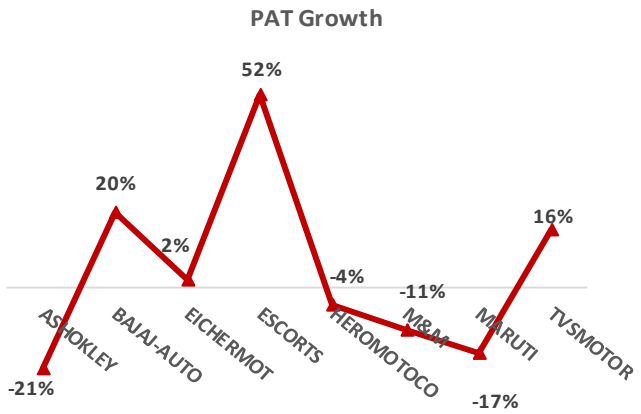
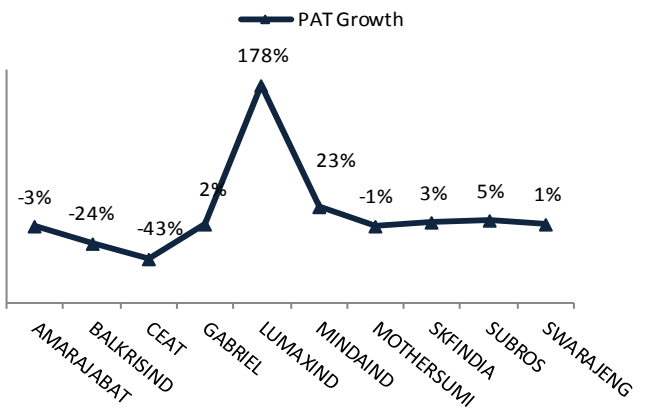


Exhibit: Auto Ancillary Q3FY19 PAT Growth



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Analyst's ownership of the stocks mentioned in the Report	NIL

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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