

India Equity Analytics

Results Preview 4QFY20 - Automobiles

Narnolia®

Analyst

Naveen Kumar Dubey

naveen.dubey@narnolia.com

AMRJ IN

CMP 522
Target 650
Upside 25%
Rating HOLD

	FY17	FY18	FY19	FY20E
Roe%	18%	16%	14%	17%
Roce%	25%	22%	20%	21%
P/E	31.7	28.9	22.1	13.6
P/B	5.9	4.6	3.2	2.4
EV/Ebdita	17.8	15.4	11.2	8.2

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Capacity (mn units)							
4W	10.5	12.8	12.8	12.8	12.8	12.8	12.8
2W	11.0	15.0	15.0	17.4	15.0	17.4	17.4
Lead Prices-USD/MT	2,002	2,375	2,125	1,983	2,035	2,035	1,844
Segment Revenue							
Automotive Sales	3,204	3,878	4,487	4,298	1,018	1,084	928
Industrial Sales	2,136	2,181	2,306	2,433	548	664	545
<i>Financials</i>							
Sales	5,317	6,059	6,793	6,731	1,567	1,748	1,473
Sales Gr%	15%	14%	12%	-1%	-1%	3%	-6%
Ebdita	850	883	952	1,088	242	284	233
Ebdita Gr%	3%	4%	8%	14%	15%	12%	-4%
Net Profits	478	471	483	658	119	164	133
Profit Gr%	-3%	-1%	3%	36%	9%	26%	12%
Ebdita Margin%	16.0%	14.6%	14.0%	16.2%	15.5%	16.2%	15.8%
Net Profit Margin%	9.0%	7.8%	7.1%	9.8%	7.6%	9.4%	9.1%

Std/Fig in Rs Cr

- Revenue is expected to decline by 6%YoY in 4QFY20. The automotive OEM segment continues to be sluggish and the growth will be further impacted by COVID-19.
- However, aftermarket segment maintained positive growth trajectory. Telecom segment continue to be benign while UPS and railways are expected to drive growth for industrial segment.
- The company has also seen traction on 4W automotive exports batteries which continue to grow at healthy double digit mainly driven by south east Asian markets.
- EBITDA margin is expected to decline by 40 bps QoQ because of weaker operating leverage and increased lead prices in previous quarters. However, we expect recent decline in Lead price will boost margins going ahead.
- The company has made Rs.20 crores investment on pilot project of lithium ion batteries and started manufacturing battery packs for e-rickshaws.

Key Trackable this Quarter

- Update on Claris arrangement with AMARAJABAT.
- Management's strategy regarding lithium-ion batteries

The company is currently trading at 13.6x FY20E EPS. HOLD

AL IN

CMP 46
Target 55
Upside 20%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	20.0%	21.8%	23.8%	3.7%
Roce%	23.2%	28.8%	29.1%	6.1%
P/E	19.4	30.2	13.5	48.7
P/B	3.9	6.6	3.2	1.8
EV/Ebdita	14.3	20.5	12.1	11.5

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Growth YoY							
MHCV	3%	16%	9%	-45%	-1%	-39%	-61%
LCV	4%	37%	25%	-14%	8%	-6%	-45%
Total Volumes	3%	21%	13%	-37%	1%	-29%	-57%
Realisation Growth	2%	9%	-2%	-7%	0%	-11%	-4%
Financials							
Sales	20,019	26,248	29,055	17,167	8,846	4,016	3,538
Sales Gr%	6%	31%	11%	-41%	1%	-37%	-60%
Ebdita	2,203	2,739	3,136	1,173	985	225	183
Ebdita Gr%	-2%	24%	14%	-63%	-5%	-65%	-81%
Net Profits	1,223	1,563	1,983	278	653	28	(19)
Profit Gr%	214%	28%	27%	-86%	-2%	-93%	-103%
Ebdita Margin%	11.0%	10.4%	10.8%	6.8%	11.1%	5.6%	5.2%
Net Profit Margin%	6.1%	6.0%	6.8%	1.6%	7.4%	0.7%	-0.5%

Std/Fig in Rs Cr

- ❑ Revenue is expected to decline by 60%YoY led by 57% YoY decline in volumes. Realizations are also expected to decline by 4%YoY led by heavy discounting across the CV industry despite shift in product mix towards MHCVs.
- ❑ The management has reduced the dealer's stock of BS-IV vehicles which stands around 600 vehicles as of March 2020.
- ❑ The discounts levels continued to be higher at Rs.5.5 lakh.
- ❑ The management expects export to grow at 20%YoY going ahead on the back of strong growth in African market and recovery in Bangladesh & Sri-Lanka.
- ❑ EBITDA margin to contract by 40bps on sequential basis to 5.2% largely led by weaker operating leverage.
- ❑ Higher interest cost because of increased debt levels will further deteriorate profitability sharply.
- ❑ The management has also tapered down in capex guidance from Rs.2000 crores to Rs.1200-1300 crores. Routine capex will be around Rs.400-500 crores per annum for next 4-5 years.
- ❑ The company has increased its holding in HLFL to 81% from 62%. 50% of its book is exposed to CVs and it has 15% market share.

Key Trackable this Quarter

- ❑ Management commentary regarding margin expansion
- ❑ MHCV demand scenario and discounting level

The company is currently trading at 49x FY20E EPS. NEUTRAL

BJAUT IN

CMP 2434
Target 3135
Upside 29%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	22.8%	20.7%	21.2%	19.0%
Roce%	22.9%	21.7%	20.2%	17.9%
P/E	19.9	18.9	17.1	14.3
P/B	4.5	3.9	3.6	2.7
EV/Ebdita	18.3	16.5	16.8	14.3

	FY17	FY18	FY19	FY20E	Q4FY19	Q3FY20	Q4FY20E
Growth YoY							
2 wheelers	-4%	5%	26%	-7%	17%	-5%	-15%
3 wheelers	-16%	43%	23%	-15%	1%	-3%	-28%
Total Volumes	-6%	9%	25%	-8%	14%	-5%	-17%
Average Realisation	2%	6%	-4%	5%	-5%	8%	1%
Financials							
Sales	21,767	25,165	30,250	29,328	7,395	7,640	6,225
Sales Gr%	-4%	16%	20%	-3%	9%	3%	-16%
Other Income	1,222	1,212	1,555	1,434	433	366	337
Ebdita	4,419	4,782	4,980	4,912	1,162	1,367	1,069
Ebdita Gr%	-7%	8%	4%	-1%	-12%	18%	-8%
Net Profits	4,079	4,219	4,928	4,919	1,408	1,322	1,061
Profit Gr%	1%	3%	17%	0%	20%	8%	-25%
Ebdita Margin%	20.3%	19.0%	16.5%	16.7%	15.7%	17.9%	17.2%
Net Profit Margin%	18.7%	16.8%	16.3%	16.8%	19.0%	17.3%	17.0%

Conso/Fig in Rs Cr

- ❑ Revenue is expected to decline by 16%YoY led by 17% YoY decrease in volumes due to slowdown in domestic demand and shutdown in production because of COVID-19. Realization has improved by 1%YoY on account of change in product mix and improved dollar realization.
- ❑ Overall two wheelers volumes declined by 15%YoY. The domestic 2W volumes declined by 34%YoY. However, sales in export markets have grown by 15%YoY.
- ❑ 3W sales also declined by 28% YoY. Domestic volumes declined by 27%YoY while exports declined by 29%YoY largely led by Egyptian markets.
- ❑ EBITDA margin is expected to decline by 70 bps QoQ at 17.2% due to higher fixed cost and weaker product mix despite softening of commodity prices.
- ❑ The management has indicated that demand may take a hit in next of quarters based on 15-18% increase in the prices of base models under BS-VI.
- ❑ The sharp decline in crude prices may have a negative impact on the export volumes due to large part of sales coming from Nigeria and African markets, which are crude dependent countries.
- ❑ New product launches of Husqvarna brand under KTM Austria will further get delayed in 2QFY21 against the initial plans of May 2020.

Key Trackable this Quarter

- ❑ Impact of declining crude prices on African countries
- ❑ KTM business outlook

The company is currently trading at 14x FY20E EPS. BUY

BIL IN

CMP 876
Target 1075
Upside 23%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	20%	18%	17%	17%
Roce%	22%	19%	21%	15%
P/E	19.2	28.8	19.5	20.4
P/B	3.9	5.2	3.2	3.4
EV/Ebdita	12.3	19.2	11.6	14.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Rubber (RSS-4)	176	156	154	125	166	152	159
Crude	48	56	67	62	57	59	49
Volume Growth							
Volumes (MT)	172,419	199,213	211,261	179,796	55,388	47,321	36,002
Growth YoY	16%	16%	6%	-15%	3%	1%	-35%
Price Growth YoY	-1%	2%	11%	-3%	7%	-5%	3%
<i>Financials</i>							
Sales	3,788	4,464	5,245	4,326	1,351	1,161	901
Sales Gr%	16%	18%	17%	-18%	10%	-4%	-33%
Ebdita	1,132	1,107	1,311	1,142	320	341	265
Ebdita Gr%	35%	-2%	18%	-13%	8%	13%	-17%
Net Profits	715	739	782	830	185	221	142
Profit Gr%	63%	3%	6%	6%	-5%	53%	-23%
Ebdita Margin%	29.9%	24.8%	25.0%	26.4%	23.7%	29.4%	29.4%
Net Profit Margin%	18.9%	16.6%	14.9%	19.2%	13.7%	19.0%	15.8%

Std/Fig in Rs Cr

□ Revenue is expected to decline by ~33%YoY during the quarter. Volumes are expected to decline by ~35%YoY due to sharp decline in demand in European market and shutdown of production led by COVID-19. However, realization is expected to improve by 2% based on favourable currency fluctuation and benefit of reduced raw material prices.

□ Higher dependence on European market (48% of revenue) will hamper the growth prospects in the near term.

□ The management has plans to reach 10% market share and 25% of revenue contribution from India within next 2-3 years. The management has plans to increase revenue contribution from India to 25% within next 2-3 years from around 20% currently.

□ EBITDA margin expected to remain flat to 29.4% on sequential basis. The sharp decline in commodity prices will mitigate the risk of weaker operating leverage. However, the management expects margin to remain elevated based on declining commodity prices and new carbon black plant.

□ The The new carbon black plant will further expand the overall margins by 125-150 bps in next 2 years.

Key Trackable this Quarter

□ Demand scenario in Europe.

□ Competitive intensity in European markets with regards to market share gain

The stock is currently trading at 20x FY20E EPS. BUY

CEAT IN

CMP **817**
Target **853**
Upside **4%**
Rating **NEUTRAL**

	FY17	FY18	FY19	FY20E
Roe%	15%	9%	9%	7%
Roce%	16%	15%	11%	9%
P/E	14.8	26.0	17.0	16.3
P/B	2.2	2.3	1.5	1.1
EV/Ebbita	9.4	10.5	8.5	7.1

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Rubber (RSS-4)	136	130	126	136	126	127	135
Crude	48	56	63	60	57	60	49
Volume Growth							
Volumes (MT)	295,924	304,802	327,769	306,947	81,455	78,230	65,164
Growth YoY	10%	3%	8%	-6%	-1%	2%	-20%
Price Growth YoY	-5%	5%	4%	1%	6%	0%	0%
<i>Financials</i>							
Sales	5,767	6,231	6,985	6,614	1,760	1,762	1,408
Sales Gr%	5%	8%	12%	-5%	5%	2%	-20%
Ebbita	657	615	643	655	162	183	134
Ebbita Gr%	-15%	-6%	5%	2%	-18%	29%	-18%
Net Profits	361	233	251	203	64	53	25
Profit Gr%	-17%	-35%	8%	-19%	-16%	0%	-61%
Ebbita Margin%	11.4%	9.9%	9.2%	9.9%	9.2%	10.4%	9.5%
Net Profit Margin%	6.3%	3.7%	3.6%	3.1%	3.7%	3.0%	1.8%

Conso/Fig in Rs Cr

❑ Revenue is expected to decline by 20%YoY during the quarter. Volumes are expected to decline by 20% YoY based on COVID-19 spread leading to production shutdown. Realization is expected to remain flat YoY on account of increased competitive intensity.

❑ EBITDA margin expected to decline by 90bps on a sequential basis because of weaker operating leverage despite softness in domestic rubber prices.

❑ The company received new orders for BS-VI models for Royal Enfield, Honda Motorcycles, Hero Motocorp, Maruti Suzuki and Ashok Leyland.

❑ The market share of OEMs in the PV segment is expected to expand by around 5% to around 13 from 8% within a year based on the current addition in the capacity in Chennai in 4QFY20.

❑ Export remains a big opportunity in terms of PCR tyres and hence the management will focus onto increase its distribution network in European market.

❑ The company has spent Rs.1900 crores out of Rs.3500 crores of total capex. The overall capex guidance has been curtailed by Rs.500 crores to Rs.3000 crores to be spent by FY22.

Key Trackable this Quarter

❑ Strategy regarding competitive intensity in PV space (global peers).

❑ Management commentary on margins.

The stock is currently trading at 16x FY20E EPS. NEUTRAL

EICHER IN

CMP 13711
Target 17096
Upside 25%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	31.2%	27.9%	24.7%	18.5%
Roce%	37.8%	36.8%	29.2%	18.2%
P/E	40.7	39.4	25.2	19.2
P/B	12.7	11.0	6.2	3.6
EV/Ebdita	31.2	27.5	19.1	16.4

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Growth YoY							
Royal Enfield	11%	23%	1%	-16%	-14%	-6%	-17%
Average Realisation	3%	4%	9%	10%	14%	8%	3%
VECV	13%	13%	11%	0%	-9%	-25%	-45%
Financials							
Sales	7,033	8,965	9,797	9,090	2,500	2,371	2,144
Sales Gr%	14%	27%	9%	-7%	-1%	1%	-14%
Ebdita	2,174	2,808	2,903	2,276	685	592	527
Ebdita Gr%	29%	29%	3%	-22%	-14%	-13%	-23%
Net Profits	1,667	1,960	2,203	1,942	545	499	418
Profit Gr%	25%	18%	12%	-12%	18%	-6%	-23%
Ebdita Margin%	30.9%	31.3%	29.6%	25.0%	27.4%	25.0%	24.6%
Net Profit Margin%	23.7%	21.9%	22.5%	21.4%	21.8%	21.0%	19.5%

Conso/Fig in Rs Cr

❑ EICHERMOT is expected to report sales de-growth of 14% YoY to Rs 2144 crs on account of contraction in volumes led by headwinds in the industry and outbreak of COVID-19 in March 2020 across the country.

❑ RE volumes declined in domestic market by 18% YoY and VECV volumes by 45% YoY. However, RE export reported volume growth of 14% YoY in 4QFY20.

❑ Overall, RE realization is expected to improve by 3% YoY led by price hikes taken due to BS VI vehicles.

❑ EBITDA margin is expected to decline by 38 bps QoQ at 24.6% on account of weaker operating leverage.

❑ VECV: Previously, received orders by the company earlier were later got cancelled due to COVID-19. Managing fixed costs like salaries, rent, power charges is the primary challenge for the company.

❑ The company has added 250 studio stores and 7 large format stores in 3QFY20 which takes total touch points to 1400 in domestic market.

❑ It introduced 'Make Your Own' a unique initiative which allows its customers to custom build the motorcycle with a select array of accessories. The order will be directly placed to factories in 24 hrs for these bikes.

Key Trackable this Quarter

- ❑ Management strategy regarding entering in tier-1/2 cities
- ❑ Management commentary on CV inventory level

The Company is currently trading at 19 times FY20E EPS. BUY

ESC IN

CMP **684**
Target **800**
Upside **17%**
Rating **BUY**

	FY17	FY18	FY19	FY20E
Roe%	10%	16%	18%	15%
Roce%	16%	22%	24%	18%
P/E	41.2	31.3	16.3	18.0
P/B	4.1	4.9	3.0	2.7
EV/Ebdita	21.9	19.5	11.0	13.1

	FY17	FY18	FY19	FY20E	Q4FY19	Q3FY20	Q4FY20E
Agri Machinery Vol.	63,786	80,417	96,412	86,018	25,136	25,109	20,108
Growth YoY	24%	26%	20%	-11%	7%	-2%	-20%
ECE Volume	3,315	4,486	5,544	3,929	1455	1044	873
Growth YoY	30%	35%	24%	-29%	-6%	-26%	-40%
Segment Revenue							
Agri Machinery	3346	3958	4744	4414	1231	1292	1035
ECE	607	780	1054	811	293	217	181
Railway Equip.	242	287	394	499	103	124	129
<i>Financials</i>							
Sales	4,093	4,995	6,196	6,144	1,632	1,633	1,346
Sales Gr%	22%	22%	24%	-1%	14%	-1%	-18%
Ebdita	324	557	733	642	190	212	171
Ebdita Gr%	83%	72%	32%	-12%	9%	6%	-10%
Net Profits	160	345	484	464	121	153	113
Profit Gr%	59%	115%	40%	-4%	8%	9%	-7%
Ebdita Margin%	7.9%	11.2%	11.8%	10.5%	11.6%	13.0%	12.7%
Net Profit Margin%	3.9%	6.9%	7.8%	7.5%	7.4%	9.4%	8.4%

*Yearly Consolidated and Quarterly Standalone

Fig in Rs Cr

❑ Revenue is expected to decline by 18%YoY led by 20%YoY volume degrowth in Agri Machinery and 40%YoY decline expected in construction Equipment volumes. Realization is expected to grow by 5% because of better product mix in both Agri machinery and construction equipment segment.

❑ The management expects better rainfall in south west region and reservoir status will boost the sales in 2HFY21.

❑ Margins are expected to decline by 30 bps QoQ to 12.7% due to weaker operating leverage in Agri Machinery segment. However, reduction in commodity prices will continue to support margins going ahead

❑ Construction equipment business recovery may take next couple of quarters as construction activities have been slow across the country. However, the management plans to launch new products in next 12-15 months.

❑ Capex guidance of Rs.250 crores for FY21 largely tilted towards product development.

❑ Kubota Corporation has recently acquired 10% stake in Escorts Limited to strengthen the existing partnership between Escorts-Kubota. Escorts will receive Rs.1041 crores through equity dilution and the transaction is expected to complete by 1HFY21.

Key Trackable this Quarter

❑ Management' strategy to gain market share in weak states.

❑ Escort-Kubota partnership status

The stock is currently trading at 18x FY20E EPS. ACCUMULATE

GABR IN

CMP 59
Target 72
Upside 22%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	18%	18%	16%	11%
Roce%	24%	25%	23%	13%
P/E	21.4	22.3	21.0	11.9
P/B	3.9	4.0	3.4	1.3
EV/Ebdita	11.8	12.2	11.2	6.3

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Segment Revenue							
2W/3W	841	1,026	1,303	1,261	353	301	282
PV	489	568	485	365	90	100	76
CV	199	238	288	214	67	55	37
<i>Financials</i>							
Sales	1,529	1,833	2,076	1,840	510	455	395
Sales Gr%	6%	20%	13%	-11%	3%	-11%	-23%
Ebdita	144	171	178	131	35	32	26
Ebdita Gr%	12%	19%	4%	-27%	-26%	-25%	-24%
Net Profits	82	94	95	71	18	18	13
Profit Gr%	8%	15%	1%	-25%	-32%	-20%	-27%
Ebdita Margin%	9.4%	9.3%	8.6%	7.1%	6.8%	7.1%	6.6%
Net Profit Margin%	5.3%	5.1%	4.6%	3.9%	3.4%	3.9%	3.3%

Std/Fig in Rs Cr

- ❑ GABRIEL is expected to report sales de-growth of 22.6% YoY to Rs 395 crs impacted by industry headwinds and spread of COVID-19 and declining volumes of automobile OEMs.
- ❑ Segmental revenue is expected to decline YoY by 45% in CV, 16% in PV and 20% in 2W respectively. The transition of BS-IV to BS-VI on 2W segment has huge impact on prices, there is price hike of 9-11%.
- ❑ EBITDA is expected to decrease by 47 bps QoQ to 6.6% on account of weaker operating leverage and higher fixed expenses.
- ❑ Railway segment is showing huge growth as it is changing all coaches to LHB (Linke Hofmann Busch) coaches.
- ❑ CAPEX for FY20 was around 50Cr. Capex for FY21 will be slightly more than FY20. In FY20 & FY21, some investment would be there for automation.

Key Trackable this Quarter

- ❑ Update on 3 wheeler EV from Bajaj Auto.
- ❑ Management strategy to achieve double digit margins

The Company is currently trading at 12 times FY20E EPS. NEUTRAL

HMCL IN

CMP 1994
Target 2241
Upside 12%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	34.4%	31.1%	26.4%	25.5%
Roce%	38.7%	39.2%	33.2%	22.5%
P/E	18.6	19.4	15.0	10.7
P/B	6.4	6.0	4.0	2.7
EV/Ebdita	14.4	13.6	10.3	9.6

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Growth YoY							
2 Wheelers	0%	14%	3%	-18%	-11%	-14%	-25%
Average Realisation	0%	0%	1%	4%	3%	4%	6%
<i>Financials</i>							
Sales	28,585	32,458	33,971	28,839	7,885	6,997	6,242
Sales Gr%	0%	14%	5%	-15%	-8%	-11%	-21%
Other Income	492	413	522	523	164	182	139
Ebdita	4,576	5,325	5,018	4,153	1,069	1,039	855
Ebdita Gr%	4%	16%	-6%	-17%	-22%	-6%	-20%
Net Profits	3,546	3,722	3,466	3,730	730	880	651
Profit Gr%	14%	5%	-7%	8%	-24%	14%	-11%
Ebdita Margin%	16.0%	16.4%	14.8%	14.4%	13.6%	14.8%	13.7%
Net Profit Margin%	12.4%	11.5%	10.2%	12.9%	9.3%	12.6%	10.4%

*Yearly Consolidated and Quarterly Standalone

Fig in Rs Cr

❑ HEROMOTOCO is expected to report Sales de-growth of 20.8% YoY to Rs 6242 crs on back of low demand sentiment followed by outbreak of COVID-19 in March 2020.

❑ Realization is expected to be up by 6% YoY in 4QFY20 on account of BS VI transition. The company saw a general price increase of Rs 5000 to Rs 6000 in shifting from BS – IV to BS – VI.

❑ EBITDA margin is expected to decline by 115 bps QoQ to 13.7% on back of lower volumes and high fixed costs.

❑ Amid COVID-19 outbreak, small vendors or MSMEs are being paid on time and others took on a periodical basis. The company has already paid contractual labour in advance and no one is sacked.

❑ The company holds about Rs 600 crore worth of BS-IV inventory, and these vehicles will either be sold overseas or sold as spares in the domestic market.

❑ Over the next 5-7 years, company is planning to invest in the range of Rs 10,000 crs in R&D, for alternate mobility solutions, manufacturing facilities, network expansion and brand building across the globe.

Key Trackable this Quarter

- ❑ Dealer Inventory level: 45-50 days
- ❑ Management commentary on Scooter demand scenario

The Company is currently trading at 11 times FY20E EPS. NEUTRAL

LUMX IN

CMP 1090
Target 1145
Upside 5%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	18%	22%	29%	15%
Roce%	24%	29%	25%	24%
P/E	28.2	32.2	12.1	17.2
P/B	5.1	7.0	3.5	2.6
EV/Ebdita	12.8	15.2	8.5	6.4

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Segment Revenue							
PV	923	1,127	1,243	1,022	290	261	217
CV	65	99	117	95	26	23	18
2-Wheelers	312	431	518	428	117	100	96
<i>Financials</i>							
Sales	1,300	1,650	1,851	1,546	433	383	331
Sales Gr	4%	27%	12%	-17%	-23%	-11%	-23%
Ebdita	100	134	153	161	31	43	37
Ebdita Gr	13%	35%	14%	5%	-34%	4%	20%
Net Profits	45	63	107	59	12	16	10
Adjusted Net Profit	45	63	71	59	12	16	10
Profit Gr%	21%	40%	13%	-17%	-36%	13%	-16%
Ebdita Margin%	7.7%	8.1%	8.3%	10.4%	7.1%	11.3%	11.1%
Net Profit Margin%	3.5%	3.8%	5.8%	3.8%	2.8%	4.2%	3.1%

Std/Fig in Rs Cr

- ❑ Revenue is expected to decline by 23%YoY due to sharp decline across segments. The company is expected to post overall 17%YoY decline in revenues in FY20.
- ❑ The management expected recovery to come in FY21 based on low base in FY20, but considering the current situation growth is expected to come in FY22.
- ❑ The company has added Tata Altroz, Tiago and Tigor in PV space while Jawa and Ntorq in two wheeler space.
- ❑ EBITDA margin is expected to contract by 20bps on sequential basis to 11.1% on due to currency fluctuation (higher import content on LEDs). However, the management expects margins to reach at 12-13% over next 3-5 years.
- ❑ The current LED mix stands at 32% and the management expects to reach 50% in next 3-5 years.
- ❑ The company has done partnership with Stanley Electric to manufacture LEDs and it is expected to be commissioned from 4QFY20.
- ❑ The localization level in LEDs stands at 25% and it can go up to 40% in next 2-3 years' time.

Key Trackable this Quarter

- ❑ New client addition in PV segment
- ❑ Management commentary on localization

The stock is currently trading at 17x FY20E EPS. NEUTRAL

MM IN

CMP 381
Target 504
Upside 32%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	15.4%	14.4%	14.0%	11.6%
Roce%	14.2%	13.4%	13.2%	11.0%
P/E	10.0	14.9	9.5	5.7
P/B	1.5	2.1	1.3	0.7
EV/Ebdita	8.6	10.5	6.8	4.4

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Volume Growth							
Passenger Vehicles	0%	5%	2%	-27%	7%	-12%	-56%
Commercial vehicles	8%	20%	15%	-20%	1%	-6%	-40%
3W	-5%	4%	22%	-7%	13%	10%	-33%
Export	3%	-24%	37%	-28%	18%	-23%	-52%
Farm Equipment	23%	21%	4%	-22%	-14%	-7%	-3%
Total Growth	9%	13%	8%	-9%	0%	-7%	-36%
Realization Growth YoY	-1%	-1%	2%	1%	6%	2%	-3%
Financials							
Sales	43,785	48,686	53,614	45,078	14,035	12,345	8,734
Sales Gr	7%	11%	10%	-16%	5%	-6%	-38%
Ebdita	4,769	6,224	6,640	5,688	1,646	1,650	1,007
Ebdita Gr	3%	31%	7%	-14%	-6%	9%	-39%
Net Profits	3,956	4,356	4,796	4,318	849	307	467
Adjusted Net Profit	3,407	3,922	4,826	3,551	954	907	467
Profit Gr%	9%	15%	23%	-26%	-6%	-22%	-51%
Ebdita Margin%	10.9%	12.8%	12.4%	12.6%	11.7%	13.4%	11.5%
Net Profit Margin%	9.0%	8.9%	8.9%	9.6%	6.0%	2.5%	5.3%
Sales incl. MVML	31,371	47,792	52,848	44,468	13,808	12,120	8,607
Ebdita incl MVML	4,154	7,064	7,531	5,106	1,868	1,789	1,084
Net Profits incl MVML	2,928	4,639	5,402	4,440	969	380	446

Std/Fig in Rs Cr

❑ The company is expected to post ~38%YoY decline in revenue led by 36%YoY decline in volumes. However, realization is also expected to decline by 3%YoY. The management expects demand to remain in the negative zone in 1HFY21 and the recovery would also be slow, once the operations start post COVID-19 situation.

❑ The rural demand is expected to pick up based on healthy south-west monsoon and strong reservoir conditions.

❑ EBITDA margin is expected to decline by 190 bps QoQ to 11.5% due to weaker operating leverage and inferior product mix.

❑ Considering the current situation, the management has put on the hold Rs.3000 crore turn around program of Ssangyong Motor Corporation.

❑ M&M and Ford are working together to develop C-SUV platform which will fetch a saving of Rs.1000 crores for both the companies.

Key Trackable this Quarter

❑ update on M&M-Ford JV plant and product launch

The stock is currently trading at 6x FY20E EPS (standalone). NEUTRAL

MSIL IN

CMP 5316
Target 7200
Upside 35%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	20.3%	18.5%	16.2%	11.4%
Roce%	20.9%	21.9%	16.9%	8.1%
P/E	24.2	34.0	27.3	28.2
P/B	4.9	6.3	4.4	3.2
EV/Ebdita	17.6	22.2	18.9	21.1

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Capacity('000)	1600	1900	1963	2150	1963	2088	2150
Growth YoY							
Domestic	11%	14%	6%	-17%	0%	2%	-16%
Exports	0%	2%	-14%	-6%	-15%	3%	-17%
Total Volumes	10%	13%	5%	-16%	-1%	2%	-16%
Average Realisation	8%	3%	3%	4%	2%	3%	-4%
<i>Financials</i>							
Sales	68,085	79,809	86,069	74,835	21,459	20,707	17,381
Sales Gr%	18%	17%	8%	-13%	1%	5%	-19%
Other Income	2,290	2,046	2,562	3,151	868	784	609
Ebdita	10,358	12,063	11,003	7,614	2,263	2,102	1,860
Ebdita Gr%	17%	16%	-9%	-31%	-25%	9%	-18%
Net Profits	7,511	7,881	7,651	5,699	1,796	1,565	1,225
Profit Gr%	37%	5%	-3%	-26%	-5%	5%	-32%
Ebdita Margin%	15.2%	15.1%	12.8%	10.2%	10.5%	10.2%	10.7%
Net Profit Margin%	11.0%	9.9%	8.9%	7.6%	8.4%	7.6%	7.0%

Conso/Fig in Rs Cr

❑ Revenue is expected to de-grow by ~19%YoY largely driven by 16% YoY decline in sales volume. Realization is expected to decline by 4% YoY on account of inferior product mix and huge discounts.

❑ The domestic volumes declined by 16%YoY while export declined by 17%YoY.

❑ The company is banking on the rural growth going ahead based on healthy monsoon and also plans to expand its rural network (currently 900 stores).

❑ EBITDA margin is expected to improve by 50 bps QoQ to 10.7% mainly on account of softening of commodity prices. However, further improvement in margins will be arrested due to higher discounts provided by the company in order to boost sales.

❑ The company is offering CNG options in 8 models and going forward, it will have at least one CNG variant for each of its small cars. The company has a sales target of 1,05,000 CNG cars by FY20 end and 1,55,000-1,60,000 units for FY21.

Key Trackable this Quarter

- ❑ Management strategy to gain market share in UV segment (increasing competition)
- ❑ Management commentary on margins

The stock is currently trading at 28x FY20E EPS. BUY

MINDA IN

CMP 262
Target 327
Upside 25%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	24%	24%	20%	12%
Roce%	25%	23%	21%	14%
P/E	30.0	23.1	25.2	30.9
P/B	7.3	5.5	5.0	3.6
EV/Ebdita	14.4	14.5	11.8	10.7

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Segment Revenue							
Switches	1,206	1,533	2,216	1,871	517	451	398
Horns/Acoustics	626	683	724	646	189	159	151
Lighting	895	1,151	1,311	1,245	344	305	282
Others	757	1,103	1,163	1,194	437	226	-
<i>Financials</i>							
Sales	3,386	4,471	5,908	5,342	1,486	1,327	1,216
Sales Gr%	34%	32%	32%	-10%	8%	-10%	-18%
Ebdita	374	534	725	640	185	163	143
Ebdita Gr%	57%	43%	36%	-12%	9%	-9%	-23%
Net Profits	185	331	339	222	85	54	47
Profit Gr%	67%	79%	3%	-35%	-39%	-33%	-44%
Ebdita Margin%	11.0%	11.9%	12.3%	12.0%	12.5%	12.3%	11.8%
Net Profit Margin%	5.5%	7.4%	5.7%	4.2%	5.7%	4.1%	3.9%

Conso/Fig in Rs Cr

- ❑ In 4QFY20, MINDAIND is expected to report revenue de-growth of 18.2% YoY to Rs 1216 crs impacted by continued declining trend of automobile OEM's volume growth led by low demand scenario and outbreak of COVID-19 and nationwide lockdown further worsened the situation.
- ❑ EBITDA margin is expected to decline by 55 bps to 11.8% on account of increased other expenses.
- ❑ Also, the company has seen challenges in payment of salary, rent and electricity. Therefore, management is trying to negotiate rent with landlords, reducing fixed cost in different areas and reduction of interest on loans.
- ❑ In march 2020, UNO MINDA further strengthened its partnership with Toyoda Gosei an investment of Rs. 33.5 Cr. in TG Minda, a 49.9% Joint venture of UNOMINDA and Toyoda Gosei, Japan (TG). Consolidation of TG SIN will result in several synergies viz, optimal production system, flexible supply chain, complimentary product lines and customer synergies.
- ❑ Management is focused on maximizing its content/kit value across the vehicle segments.

Key Trackable this Quarter

- ❑ Management's take on passenger vehicle industry demand scenario (50% of revenue)
- ❑ New order status for BS-VI & EVs

The Company is currently trading at 31 times FY20E EPS. NEUTRAL

MSS IN

CMP 66
Target 73
Upside 11%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	26%	23%	19%	12%
Roce%	18%	20%	17%	11%
P/E	16.1	33.3	17.9	15.5
P/B	4.2	7.6	3.4	1.8
EV/Ebdita	9.2	15.6	7.9	5.0

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Copper(USD/MT)	5,159	6,449	6,347	5,939	6,226	5,901	5,634
Crude(USD/Barrel)	48	56	66	60	57	60	49
Segment Revenue							
MSSL Standalone	6,229	7,440	7,581	6,583	1,851	1,643	1,444
SMR	11,869	12,106	13,181	12,088	3,437	3,036	2,749
SMP	22,101	26,177	30,179	31,845	8,554	8,118	7,271
PKC	-	7,940	9,643	9,298	2,541	2,269	2,032
Others	3,403	3,956	4,508	4,232	1,184	995	947
<i>Financials</i>							
Sales	42,475	56,293	63,523	62,462	17,169	15,661	14,084
Sales Gr%	14%	33%	13%	-2%	11%	-5%	-18%
Ebdita	4,285	5,123	5,348	4,796	1,243	1,236	986
Ebdita Gr%	21%	20%	4%	-10%	-17%	-11%	-21%
Net Profits	2,172	2,260	2,098	1,349	429	340	190
Profit Gr%	22%	4%	-7%	-36%	-43%	-39%	-56%
Ebdita Margin%	10.1%	9.1%	8.4%	7.7%	7.2%	7.9%	7.0%
Net Profit Margin%	5.1%	4.0%	3.3%	2.2%	2.5%	2.2%	1.4%

Conso/Fig in Rs Cr

- ❑ Revenue is expected to decline by 18%YoY based on sharp decline across segments. However, the order book remains strong with the company but OEMs have delayed their orders.
- ❑ PKC business revenue is also expected to decline going ahead based on continued decline in class-8 truck volumes. The company hold 65% market share.
- ❑ The company has a robust order book of Rs. 143,851 crs (Euro 18.4 billion) at SMRP BV level.
- ❑ EBITDA margin is expected to reduce by 90 bps QoQ to 7.0% due to low utilization of plants despite declining commodity prices.
- ❑ The management is completely focused on improving the profitability of new SMP Alabama plant in terms of cost efficiencies and employee rationalization. The plant will be supplying to Daimler.
- ❑ Gross debt as of 3QFY20 stands at Rs.11484 crores.

Key Trackable this Quarter

- ❑ Demand outlook in European market
- ❑ Debt reduction plans

The stock is currently trading at 15x FY20E EPS. NEUTRAL

SKF IN

CMP 1436
Target 1710
Upside 19%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	13%	16%	20%	14%
Roce%	16%	21%	26%	16%
P/E	27.3	30.2	27.3	26.8
P/B	3.7	4.9	5.4	3.8
EV/Ebdita	18.1	18.9	17.6	18.4

	FY17	FY18	FY19	FY20E	Q4FY19	Q3FY20	Q4FY20E
Segment Revenue							
Auto	1,033	1,141	1,275	1,013	322	248	209
Export	197	262	193	337	37	99	64
Industrial	1,402	1,348	1,568	1,504	389	361	350
Financials							
Sales	2,631	2,750	3,035	2,854	748	707	623
Sales Gr%	-12%	5%	10%	-6%	6%	-8%	-17%
Other income	87	71	92	77	29	17	19
Ebdita	336	435	486	352	111	73	64
Ebdita Gr%	-8%	29%	12%	-28%	5%	-40%	-42%
Net Profits	244	296	336	265	83	51	51
Profit Gr%	-5%	21%	14%	-21%	15%	-42%	-38%
Ebdita Margin%	12.8%	15.8%	16.0%	12.3%	14.8%	10.3%	10.3%
Net Profit Margin%	9.3%	10.8%	11.1%	9.3%	11.1%	7.2%	8.2%

Std/Fig in Rs Cr

❑ Revenue is expected to decline by 17% YoY led by slowdown in auto and industrial segments. Automotive segment is expected to decline by 35%YoY while industrial may decline by 10%YoY. However, exports are expected to grow 70%YoY based on low base.

❑ The class-E bearings are imported from Europe and localization is still pending for approval and it may take around 3-6 month time for localization approval. The company has received trial orders from Indian Railways.

❑ EBITDA margin is expected to remain flat QoQ to 10.3% led by weaker operating leverage despite softening of commodity prices. However, the management is looking towards more localization within industrial going ahead.

❑ The Hub-3 bearing plant started production in 3QFY20 and received its first order in January 2020. The management expects full utilization by 1HFY22.

Key Trackable this Quarter

- ❑ Update on passenger railways bearing orders .
- ❑ Wind energy orders update
- ❑ Management commentary on margins.

The stock is currently trading at 27x FY20E EPS . NEUTRAL

SUBR IN

CMP 139
Target 185
Upside 33%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	4%	15%	11%	10%
Roce%	16%	21%	20%	12%
P/E	91.1	28.7	24.8	12.0
P/B	3.7	4.3	2.8	1.2
EV/Ebdita	8.5	8.9	8.5	4.7

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Segment Revenue							
PV AC	1,437	1,761	1,945	1,749	468	447	382
Growth YoY	0%	23%	10%	-10%	0%	0%	0%
Non PV AC	105	152	179	190	50	19	23
Growth YoY	0%	45%	18%	6%	0%	0%	0%
<i>Financials</i>							
Sales	1,554	1,913	2,124	1,940	518	466	405
Sales Gr%	19%	23%	11%	-9%	-6%	-9%	-22%
Ebdita	167	210	228	186	55	48	38
Ebdita Gr%	10%	26%	9%	-19%	-14%	-15%	-31%
Net Profits	14	61	76	76	16	13	7
Profit Gr%	-42%	334%	26%	-1%	-13%	-22%	-55%
Ebdita Margin%	10.8%	11.0%	10.7%	9.6%	10.6%	10.4%	9.4%
Net Profit Margin%	0.9%	3.2%	3.6%	3.9%	3.1%	2.9%	1.8%

Conso/Fig in Rs Cr

- ❑ SUBROS is expected to de grow by 21.8% YoY to Rs 405 crs in 4QFY20 led by decline in volumes on back of headwinds in the automobile sector, followed by outbreak of COVID – 19 in the country in march 2020.
- ❑ The company 's target revenue from ECM business in FY20 is Rs 230Cr
- ❑ The company's target revenue from Home AC segment in Fy20 was Rs 110crs. It is giving value addition of around 15% to the company and it is targeted to grow around 20% YoY going ahead. Total investment required Rs 40 cr for targeting Rs 230 – 250 cr revenue from the segment.
- ❑ EBITDA margin is expected to decline by 96 bps QoQ to 9.4% on account of increased employee cost and other fixed expenses.
- ❑ The company's net debt is Rs 226 cr and it is targeting to bring down to Rs 210-215 cr.
- ❑ The company's share of business with passenger vehicle OEM: Maruti -70%, M&M – 25%, Tata Motor -25% of total thermal buying by them and in Renault, Nissan it is around 28%.

Key Trackable this Quarter

- ❑ New orders in PV and CV segment
- ❑ Home AC business revenue
- ❑ Localisation Trend: Import content stood at 30%

The Company is currently trading at 12 times FY20E EPS. NEUTRAL

SWE IN

CMP 940
Target 1140
Upside 21%
Rating HOLD

	FY17	FY18	FY19	FY20E
Roe%	24%	35%	35%	27%
Roce%	31%	46%	47%	31%
P/E	26.6	30.3	29.4	17.2
P/B	6.5	10.6	10.2	4.7
EV/Ebdita	17.5	19.9	18.4	11.7

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Engine Volumes	82,297	92,022	99,638	89,269	21,767	19,797	20,168
Growth YoY	28%	12%	8%	-10%	0%	-12%	-7%
Average Realization	80,943	83,802	87,491	86,028	87,963	85,907	84,189
Growth YoY	-1%	4%	4%	-2%	3%	-2%	-4%
<i>Financials</i>							
Sales	666	771	872	768	191	170	170
Sales Gr%	27%	16%	13%	-12%	3%	-14%	-11%
Ebdita	105	122	132	96	27	20	19
Ebdita Gr%	42%	16%	8%	-27%	-4%	-28%	-30%
Net Profits	69	80	82	66	17	13	11
Profit Gr%	34%	16%	3%	-19%	-5%	-26%	-33%
Ebdita Margin%	15.7%	15.8%	15.1%	12.5%	14.3%	11.6%	11.3%
Net Profit Margin%	10.3%	10.3%	9.4%	8.6%	8.7%	7.6%	6.5%

Std/Fig in Rs Cr

- The company is expected to report sales de-growth of 11.3% YoY to Rs 170 crs on account of lower volumes led by low demand sentiment in the industry and spread of COVID-19 in March 2020.
- However, the strong monsoon in south & west regions along with strong reservoir conditions will drive the growth going ahead.
- Realization is expected to decline by 4.3% YoY in 4QFY20.
- EBITDA margin is expected to decline by 28 bps QoQ to 11.3% due to decline in realization, increased employee and other expenses.
- Due to outbreak of COVID-19, the Company's production and office operations at its facilities in Mohali are closed with effect from 23rd March, 2020 till lock down date.

Key Trackable this Quarter

- Tractor industry demand outlook
- Management's strategy regarding pricing and margins

The Company is currently trading at 17 times FY20E EPS. HOLD

TVSL IN

CMP 400
Target 472
Upside 18%
Rating NEUTRAL

	FY17	FY18	FY19	FY20E
Roe%	23%	23%	20%	16%
Roce%	20%	26%	25%	20%
P/E	36.6	43.0	31.3	31.0
P/B	8.5	9.9	6.3	5.1
EV/Ebdita	24.4	24.5	15.1	14.3

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Growth YoY							
Domestic	12%	16%	9%	-23%	-2%	-26%	-40%
Export	-7%	35%	33%	10%	22%	23%	4%
Total Volumes	9%	18%	13%	-17%	2%	-17%	-30%
Average Realisation	0%	6%	6%	7%	8%	7%	9%
Financials							
Sales	12,135	15,175	18,210	16,266	4,384	4,125	3,324
Sales Gr%	9%	25%	20%	-11%	10%	-12%	-24%
Ebdita	857	1,175	1,433	1,364	308	363	263
Ebdita Gr%	6%	37%	22%	-5%	10%	-3%	-15%
Net Profits	558	663	670	614	134	121	95
Profit Gr%	14%	19%	1%	-8%	-19%	-32%	-29%
Ebdita Margin%	7.1%	7.7%	7.9%	8.4%	7.0%	8.8%	7.9%
Net Profit Margin%	4.6%	4.4%	3.7%	3.8%	3.1%	2.9%	2.9%

Std/Fig in Rs Cr

□ TVSMOTOR is expected to report sales de-growth of 24% YoY to Rs 3324 crs in 4QFY20 on back of decline in domestic volumes led by low demand sentiment and COVID-19 lockdown post mid March 2020.

□ Overall Realization is expected to be up by 9% YoY led by BS VI transition and improved product mix.

□ EBITDA margin is expected to decline by 91 bps QoQ to 7.9 bps due to higher fixed expenses.

□ Recently, the company acquired Britain's iconic sporting motorcycle, "Norton", in an all-cash deal for a consideration of Rs 153 crs by acquiring certain assets of Norton Motorcycles (U.K.) Limited (in administration) through one of TVS Motor's overseas subsidiaries.

□ In Feb 2020, the outbreak of Coronavirus has impacted the supply of certain components from CHINA for production of BS-VI vehicles of the company.

Key Trackable this Quarter

- Investment in loss making subsidiaries (PT. Indonesia and Singapore)
- Management commentary on margins

The Company is trading at 31x FY20E EPS. NEUTRAL

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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: mkgarwal@narnolia.com, Contact No.:033-40541700.

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Narnolia Financial Advisors Ltd.
803 & 703, A Wing, Kanakia Wall
Street
Andheri Kurla Road, Andheri (E)
Mumbai-400093
T: +912262701200
D: +912262701236
www.narnolia.com