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Q3FY21 result preview

Top Picks

- Balkrishna Industries (BIL IN)
- TVS Motor Company (TVSL IN)
- Motherson Sumi (MSSL IN)

Research Analysts:

Nishant Vass

nishant.vass@icicisecurities.com
+91 22 6637 7260

Pratit Vajani

pratit.vajani@icicisecurities.com
+91 22 6637 7161

INDIA



Auto & Auto Ancillaries

Volume growth gains to be limited due to input costs rise

- ▶ **Wholesale dispatch momentum remains strong in festive quarter:** The auto industry witnessed wholesale despatches rise to historic highs in the run-up to the festive months. As states opened up further in the approach to the festive season (Oct+Nov'20), wholesales despatches have remained elevated even in Dec'20 ([Link](#)). Component shortages (e.g. semiconductors) has led to OEM's focussing on channel inventory (currently at ~4-6 weeks) to manage potential production issues. On the consumer side, PVs fared better (~12% growth) than 2Ws (~8% growth) due to resilient rural demand coupled with the need for personal mobility. Tractors remained on strong growth trajectory (up ~20%). On the commercial side, 3Ws fared the worst with volumes declining ~50% YoY while CV volumes declined ~5% YoY.
- ▶ **Consumer sentiment remained mixed even with new launches, attractive discounts and adequate financing:** During the quarter, we witnessed: a) retail demand trends ([Link](#)) remained modest despite major festivals of *Navratri* and *Diwali* even as incentives remained strong across segments, and b) OEMs launched newer variants and models and replenished inventory levels to capture demand spurt during the festive season, consumer credit norms were relaxed to aid retail offtake.
- ▶ **Operating leverage aid margins while input costs start to elevate:** Weaker product mix and higher commodity prices may keep operating leverage benefits in check. We expect higher input costs impact on gross margins in 4Q. We expect better earnings resilience from companies with a) higher export mix, b) replacement revenue share, c) better pricing power.
- ▶ **Key factors to watch out:** 1) Sustenance of demand recovery and customer sentiment in 4Q, and 2) extent of price increases undertaken to protect margins.
- ▶ **Our view:** We expect demand to sustain primarily on the back of rural markets, which have higher income visibility vis-à-vis urban markets due to good monsoon, higher *kharif* acreage, and better MSPs. Also, we expect the mobility demand surge driven by Covid risk to normalise as public transport restarts across regions; hence, our relative preference for tractors, 2Ws vis-a-vis PVs stays.

Quarterly summary

Company (Rs mn)	Revenue			EBITDA			Adjusted PAT		
	OND' 20	% chg		OND' 20	% chg		OND' 20	% chg	
		(YoY)	(QoQ)		(YoY)	(QoQ)		(YoY)	(QoQ)
2-wheelers									
Bajaj Auto	86,662	13.4	21	14,469	5.8	14	12,748	1.0	12
Eicher Motors	28,728	22	35	7,026	18	45	5,233	7	45
Hero Motocorp	94,300	35	1	11,128	7	-13	8,262	-6	-13
TVS Motors	53,563	30	16	4,525	25	5	2,155	28	10
4-wheelers									
Ashok Leyland	48,406	21	71	2,795	24	247	311	7	NC
M&M	1,45,498	20	26	23,355	31	14	13,933	42	6
Maruti Suzuki	2,32,412	12	24	22,429	7	16	15,929	2	16
Tata Motors	8,56,414	19	60	1,16,448	57	91	37,419	115	NC
Ancillaries									
Asahi India	7,515	11	19	1,525	29	23	603	70	61
Balkrishna Inds.	13,793	16	-11	4,357	18	-17	2,753	25	-19
Bharat Forge	10,508	-2	19	2,270	-4	45	1,083	-15	49
Bosch	27,928	10	13	3,638	14	26	2,799	7	NC
CEAT	18,794	10	-4	2,371	31	-18	842	35	-51
Mahindra CIE	18,821	9	11	2,274	6	51	1,055	7	74
Motherson Sumi	1,68,147	10	12	16,255	35	17	4,581	19	21
Varroc Engineering	31,858	13	8	3,355	24	26	521	82	NC
Wabco Ltd	4,807	9	15	734	22	16	500	29	42

Source: I-Sec research; **OND:** Oct-Nov-Dec

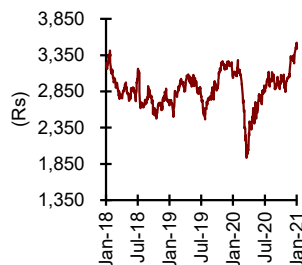
Please refer to important disclosures at the end of this report

2-Wheelers

Bajaj Auto (BUY)

(QoQ chg: 11.7%; YoY chg: 13.2%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes	13,06,810	12,02,486	8.7	10,53,337	24
Net Realisation/unit (Rs)	66,315	63,532	4.4	67,935	(2.4)
Total operating income	86,662	76,397	13.4	71,559	21
Raw material costs	62,674	53,422	17.3	50,581	24
Employee costs	3,408	3,482	(2.1)	3,246	5
Other expenditures	6,111	5,820	5.0	5,069	21
Total operating expenses	72,193	62,725	15.1	58,896	23
EBITDA	14,469	13,672	5.8	12,662	14
EBITDA margin (%)	16.7	17.9	-120 bps	17.7	-100 bps
Depreciation & Amortisation	675	617	9	643	5
Other income	3,001	3,662	(18)	2,858	5
Interest costs	21	5	351	27	(20)
PBT	16,773	16,713	0	14,851	13
Exceptional Items	-	-	-	-	-
Taxes	4,026	4,097	(2)	3,469	16
PAT	12,748	12,616	1	11,382	12

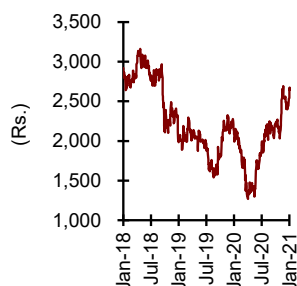
Source: Company data, I-Sec research

- Domestic volumes declined ~3% YoY even as domestic 2W segment grew 8% YoY, while domestic 3W slumped 65% YoY. Exports grew 22% YoY as major geographies in Africa and LatAm opened up post easing of lockdowns.
- We expect ~4% YoY increase in realizations on account of BS-VI price hikes, better product mix and higher export volumes. We expect operating performance improvement over a subdued Q2 and growth of ~13% YoY. Gross margins are expected to decline 239bps YoY on higher raw material costs while employee costs may remain lower (down 63bps YoY). We expect EBITDA to improve ~6% YoY at an EBITDA margin of 16.7% (down 120bps) as other expenses rose 5% YoY.
- We expect PAT to remain largely flat at 1% YoY growth even as other income drops 18% (down 133bps).
- Key monitorables:** Outlook on 3W business, premiumisation trends, and outlook on demand in key export markets.

Eicher Motors (ADD)

(QoQ chg: 18.4%; YoY chg: 27.4%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes	1,99,668	1,82,791	9.2	1,50,519	32.7
Net Realisation/unit (Rs)	1,43,880	1,29,302	11.3	1,41,063	2.0
Total operating income	28,728	23,635	21.5	21,233	35.3
Raw material costs	16,145	11,433	41.2	11,703	38.0
Employee costs	2,280	1,776	28.4	1,976	15.4
Other expenditures	2,993	2,981	0.4	2,169	38.0
Purchase of traded goods	285	1,493	-80.9	548	-47.9
Total operating expenses	21,703	17,683	22.7	16,395	32.4
EBITDA	7,026	5,952	18.0	4,838	45.2
EBITDA margin (%)	24.5	25.2	-73 bps	22.8	167 bps
Depreciation & Amortisation	1,169	942	24.1	1,036	12.9
Other income	1,092	1,358	-19.6	998	9.4
Interest costs	17	27	-37.5	18	-5.0
PBT	6,931	6,341	9.3	4,782	44.9
Taxes	1,698	1,452	17.0	1,173	44.7
PAT	5,233	4,889	7.0	3,609	45.0

Source: Company data, I-Sec research

- Royal Enfield volumes at ~200k units grew 9.2% YoY driven by new products. Net realizations are expected to improve 11.3% YoY due to the rising contribution of 650cc twins and BS-VI price increases.
- Revenues are expected to rise 21.5% YoY as gross margins come in at ~43% (down 250bps) on rising raw material costs.
- We expect EBITDA margin to decline 73bps YoY to 24.5% as employee costs may remain sticky (up 42bps). PAT too is expected to witness 7% YoY improvement despite higher tax rate (25%).
- **Key monitorables:** New model launch timelines, guidance and demand outlook, and levers to improve margins.

Hero MotoCorp (HOLD)

(QoQ chg: -5.5%; YoY chg: 30.1%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes	18,45,274	15,40,868	19.8	18,14,683	1.7
Net Realisation/unit (Rs)	51,104	45,408	12.5	51,579	(0.9)
Total operating income	94,300	69,967	34.8	93,599	0.7
Raw material costs	69,077	46,598	48.2	66,600	3.7
Employee costs	5,215	4,697	11.0	5,112	2.0
Other expenditures	8,881	8,282	7.2	9,097	(2.4)
Total operating expenses	83,172	59,578	39.6	80,809	2.9
EBITDA	11,128	10,390	7.1	12,790	(13.0)
EBITDA margin (%)	11.8	14.8	-305 bps	13.7	-186 bps
Depreciation & Amortisation	1,766	2,037	(13.3)	1,732	2.0
Other income	1,555	1,822	(14.7)	1,413	10.0
Interest costs	45	59	(23.2)	46	(2.0)
PBT	0	0	NC	0	NC
Exceptional Items	10,871	10,115	7.5	12,500	(13)
Taxes	2,609	1,311	99.0	2,965	(12)
PAT	8,262	8,804	(6.2)	9,534	(13)

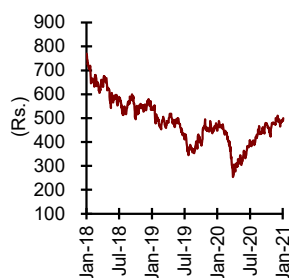
Source: Company data, I-Sec research

- We expect revenue growth of ~35% YoY largely due to volume rise of ~20% YoY and net realization improvement of ~13% due to pass-through of the BS-VI price increase.
- We expect gross margins at ~27% (down 665bps) due to higher raw material costs. EBITDA margin is expected to decline 305bps YoY even as employee costs decline 118bps YoY.
- **Key monitorables:** Channel inventory levels, demand outlook and customer response for new products launched.

TVS Motor Company (BUY)

(QoQ chg: 4.3%; YoY chg: 11.4%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes	9,89,517	8,21,521	20	8,67,824	14.0
Net Realisation/unit (Rs)	54,131	50,217	7.8	53,069	2.0
Total operating income	53,563	41,255	29.8	46,055	16.3
Raw material costs	41,796	29,787	40.3	35,246	18.6
Employee costs	2,464	2,332	5.7	2,143	15.0
Other expenditures	4,778	5,503	(13.2)	4,365	9.5
Total operating expenses	49,038	37,622	30.3	41,754	17.4
EBITDA	4,525	3,633	24.6	4,301	5.2
EBITDA margin (%)	8.4%	8.8%	-36 bps	9.3%	-89 bps
Depreciation & Amortisation	1,371	1,214	13.0	1,331	3.0
Other income	89	9	896.9	111	(20)
Interest costs	407	211	92.6	407	0.0
PBT	2,836	2,217	27.9	2,674	6.1
Exceptional Items	-	(760)		-	
Taxes	681	247	176.0	712	(4)
PAT	2,155	1,210	78.2	1,963	9.8
Adjusted PAT	2,155	1,685	27.9	1,963	9.8

Source: Company data, I-Sec research

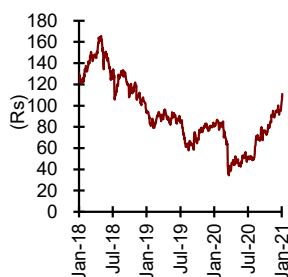
- TVS' volumes witnessed 20% YoY jump leading to ~8% higher realization on better product mix and increased BS-VI model prices. We expect ~30% YoY increase in revenues even as gross margins may decline 583bps YoY to 22% due to higher commodity metal basket prices.
- EBITDA margin is expected to be marginally down at 8.4% (lower by 36bps) while TVS is likely to report Adj. PAT growth of ~28% YoY at Rs2.15bn.
- **Key monitorables:** Demand outlook, new product launches, and guidance on margin trajectory.

4-Wheelers

Ashok Leyland (ADD)

(QoQ chg: 45.0%; YoY chg: 3%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes	33,410	31,200	7	21,536	55
Net Realisation/unit (Rs)	1.45	1.29	12.6	1.32	10.0
Total operating income	48,406	40,157	21	28,366	71
Raw material costs	35,412	29,532	20	20,201	75
Employee costs	4,857	2,728	78	3,736	30
Other expenditures	5,342	5,645	(5)	3,625	47
Total operating expenses	45,611	37,905	20	27,562	65
EBITDA	2,795	2,252	24	804	247
EBITDA margin (%)	5.8	5.6	17 bps	2.8	294 bps
Depreciation & Amortisation	1,797	1,575	14	1,712	5
Other income	230	223	3	219	5
Interest costs	829	337	146	872	(5)
PBT	398	563	(29)	-1,561	NC
Exceptional Items	88	264	(67)	-111	NC
Taxes	0	-22	NC	-17	NC
PAT	311	278	12	-1,467	NC
Adjusted PAT	311	289	7	-1,455	NC

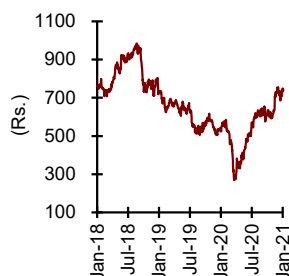
Source: Company data, I-Sec research

- M&HCV volumes dropped 8% YoY while LCVs grew 29% YoY, thus leading to revenue growth of ~21% YoY, up 71% QoQ.
- We expect EBITDA margins to improve ~17bps YoY due to positive operating leverage gains eaten up higher raw material costs. We expect adjusted-PAT to rise 7% YoY at Rs311mn.
- **Key monitorables:** Improvement in economic activity and update on M&HCV growth outlook for FY22E, scrappage policy update, and feedback for AVTR platform and *Bada Dost*.

Mahindra & Mahindra (BUY)

(QoQ chg: 17.9%; YoY chg: 41.3%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes	2,39,438	2,16,816	10	1,85,270	29
Net Realisation/unit (Rs)	6,07,665	5,59,012	9	6,25,591	(3)
Total operating income	1,45,498	1,21,203	20	1,15,903	26
Raw material costs	1,00,272	81,591	23	76,979	30
Employee costs	9,504	8,300	15	7,920	20
Other expenditures	12,367	13,425	(8)	10,432	19
Total operating expenses	1,22,143	1,03,315	18.2	95,330	28
EBITDA	23,355	17,888	30.6	20,573	14
EBITDA margin (%)	16.1	14.8	129 bps	17.8	-170 bps
Depreciation & Amortisation	6,457	5,900	9	5,870	10
Other income	2,495	2,092	19	3,839	(35)
Interest costs	1,061	254	318	1,179	(10)
PBT	18,333	13,826	33	17,364	6
Exceptional Items	-	(6,006)	NC	(11,495)	NC
Taxes	4,400	4,019	9	4,252	3
Reported PAT	13,933	3,802	266	1,618	761
Adjusted PAT	13,933	9,808	42	13,112	6

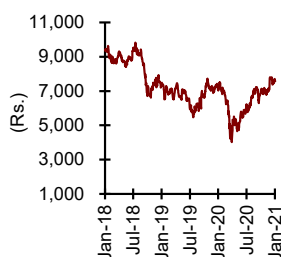
Source: Company data, I-Sec research

- Overall automotive volumes declined ~6% YoY while tractor segment grew ~37% YoY.
- We expect margin improvement of 129bps YoY to 16.1% due to mix benefit via the higher volume share of tractor segment (48% vis-à-vis 39% in Q3FY20) to offset the commodity price increases impact.
- M&M is expected to report Adj. PAT growth of 42% at ~Rs14bn.
- **Key monitorables:** Update on subsidiary deal terms (SsangYong), launches of BS-VI products, growth outlook for FY22E in auto and tractor segments, and margin guidance.

Maruti Suzuki (SELL)

(QoQ chg: 7.4%; YoY chg: 7.0%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes	4,95,897	4,37,361	13.4	3,93,130	26.1
Net Realisation/unit (Rs)	4,66,802	4,73,449	-1.4	4,76,802	-2.1
Total operating income	2,32,412	2,07,068	12.2	1,87,445	24.0
Raw material costs	1,69,978	1,46,811	15.8	1,31,143	29.6
Employee costs	8,764	8,670	1.1	8,268	6.0
Other expenditures	31,241	30,566	2.2	28,698	8.9
Total operating expenses	2,09,983	1,86,047	12.9	1,68,109	24.9
EBITDA	22,429	21,021	6.7	19,336	16.0
EBITDA margin (%)	9.7	10.2	-50 bps	10.3	-67 bps
Depreciation & Amortisation	7,812	8,580	-8.9	7,659	2.0
Other income	6,272	7,840	-20.0	6,025	4.1
Interest costs	202	217	-7.1	224	-10.0
PBT	20,687	20,064	3.1	17,478	18.4
Exceptional Items	-	-	-	-	-
Taxes	4,758	4,416	7.7	3,762	26.5
PAT	15,929	15,648	1.8	13,716	16.1

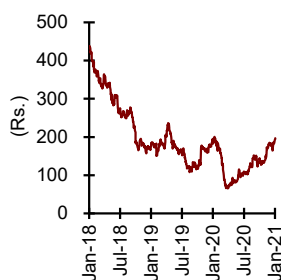
Source: Company data, I-Sec research

- Maruti Suzuki is expected to report 12.2% YoY growth in revenues due to domestic PV volume growth of ~13% YoY and export growth of 21% YoY. Realisation declined ~1% at Rs467k amid stable market share in PC share and competition in UV share.
- We expect gross margin decline of 224bps and EBITDA improvement of 6.7% at ~Rs22bn, down 50bps YoY, as employee expenses are marginally down by 42bps.
- We expect PAT growth of ~2% YoY at ~Rs16bn as other income declines (down 109bps).
- **Key monitorables:** Demand outlook and guidance for FY22E, discounting trends, and update on new product launches.

Tata Motors (BUY)

(QoQ chg: 39.5%; YoY chg: 6.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	8,56,414	7,16,761	19.5	5,35,300	60.0
Raw material costs	5,41,321	4,64,184	16.6	3,34,673	61.7
Employee costs	73,304	77,373	-5.3	64,090	14.4
Other expenditures	1,13,234	91,174	24.2	65,442	73.0
Total operating expenses	12,107	10,093	20.0	10,112	19.7
EBITDA	7,39,967	6,42,824	15.1	4,74,317	56.0
EBITDA margin (%)	1,16,448	73,937	57.5	60,983	91.0
Depreciation & Amortisation	13.6	10.3	328 bps	11.4	220 bps
Other income	60,812	51,993	17.0	56,015	8.6
Interest costs	7,651	9,001	-15.0	6,332	20.8
Product Dev. Exp.	19,117	17,436	9.6	19,496	-1.9
PBT	44,170	13,510	227.0	-8,195	NC
Taxes	7,791	-6,046	NC	-4,714	NC
PAT before MI, PA and Excep.	36,379	19,556	86.0	-3,482	NC
Minority Interests	252	176	43.2	72	250.1
Profit from Associates	1,292	-1,986	NC	360	258.8
Less: Exceptional Items	-	11	-100.0	-49	NC
PAT	37,419	17,383	115.3	-3,144	NC

Source: Company data, I-Sec research

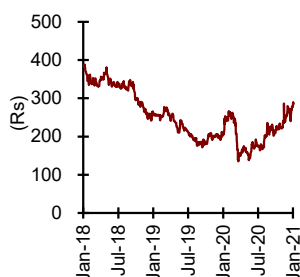
- JLR wholesale volumes declined 5% YoY (at ~124k units).
- Topline growth is expected to be ~20% with EBITDA margin up 328bps to 13.6%.
- We expect JLR to post revenues of ~GBP7.2bn (up ~13% YoY) with adjusted EBITDA margin of 13.7% (up 295bps YoY). On operational basis, we expect JLR to report PAT of ~GBP320mn.
- Standalone business is expected to witness topline growth of 39.4% YoY as PV business is witnessing strong growth and is likely to post EBITDA margin improvement of ~343bps YoY to 3.1%.
- **Key monitorables:** Impact of Brexit on demand and inventory situation across JLR's key markets, outlook on capital expenditure and R&D, and domestic business turnaround strategy.

Ancillaries

Asahi India Glass (BUY)

(QoQ chg: 31.6%; YoY chg: 37.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	7,515	6,756	11	6,298	19
Raw material costs	2,625	2,303	14	2,176	21
Employee costs	660	635	4	630	5
Other expenditures	1,797	1,587	13	1,486	21
Power & Fuel	909	1,046	-13	770	18
Total operating expenses	5,991	5,570	8	5,061	18
EBITDA	1,525	1,186	29	1,237	23
EBITDA margin (%)	20.3	17.6	274 bps	19.6	65 bps
Depreciation & Amortisation	342	331	3	322	6
Other income	37	46	-20	55	-34
Interest costs	359	365	-2	379	-5
PBT	861	536	61	591	46
Exceptional Items	-	37		-	-
Taxes	258	169	53	217	NC
PAT	603	330	82	374	61
Adjusted PAT	603	355	70	374	61

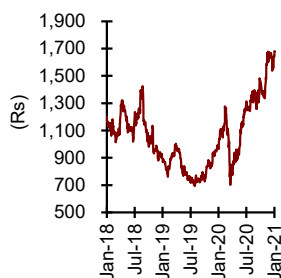
Source: Company data, I-Sec research

- We expect topline growth of ~11% YoY due to growth across segments.
- We expect EBITDA margin expansion of 274bps YoY at ~20.3% aided by better product mix (higher share of architectural segment sales) and lower gas prices (down 339bps).
- Adjusted-PAT growth is likely 70% YoY to Rs603mn.
- **Key monitorables:** Demand scenario in various segments, and industry scenario impact of import duties on pricing on architectural side, new gas contracts.

Balkrishna Industries (BUY)

(QoQ chg: 15.2%; YoY chg: 72.4%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Volumes (MT)	53,473	47,321	13.0	61,224	-12.7
ASP/Kg (Rs/Kg)	258	250	3.1	253	1.8
Total operating income	13,793	11,840	16.5	15,514	-11.1
Raw material costs	5,619	4,791	17.3	6,115	-8.1
Employee costs	827	710	16.5	844	-2.0
Other expenditures	2,990	2,640	13.2	3,276	-8.7
Total operating expenses	9,436	8,141	15.9	10,235	-7.8
EBITDA	4,357	3,700	17.8	5,279	-17.5
EBITDA margin (%)	31.6	31.2	34 bps	34.0	-244 bps
Depreciation & Amortisation	1,112	949	17.2	1,012	9.9
Other income	407	20	1,936.5	282	44.4
Interest costs	21	19	10.9	34	-39.5
PBT	3,632	2,752	32.0	4,515	-19.6
Exceptional Items	-	-	-	-	-
Taxes	879	542	62.3	1,120	-21.5
PAT	2,753	2,211	24.5	3,395	-18.9

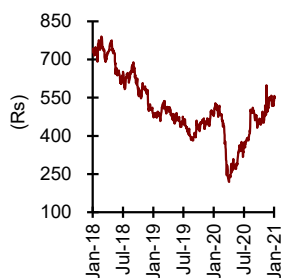
Source: Company data, I-Sec research

- We expect the company's volumes to grow ~17% YoY (~53.5kMT) on account of good growth in agri markets and recovery in the EU and US markets. We expect topline improvement of ~17% YoY.
- Margins are expected to witness slight improvement of 34bps YoY to 31.6% due to favourable product mix and carbon black benefits leading to gross margin of 59.3%.
- We expect adjusted PAT to grow 24.5% YoY to ~Rs2.75bn.
- **Key monitorables:** Update on agri, OTR market outlook, expected margin trends, and pricing outlook across segments.

Bharat Forge (REDUCE)

(QoQ chg: 28.0%; YoY chg: 23.8%)

Price chart



Quarterly estimates (standalone)

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	10,508	10,767	-2.4	8,815	19.2
Raw material costs	3,825	4,201	-9.0	3,204	19.4
Employee costs	1,116	1,179	-5.3	1,108	0.7
Other expenditures	3,298	3,031	8.8	2,937	12.3
Total operating expenses	8,238	8,411	-2.1	7,249	13.6
EBITDA	2,270	2,356	-3.7	1,566	45.0
EBITDA margin (%)	21.6	21.9	-28 bps	17.8	384 bps
Depreciation & Amortisation	923	824	12.0	883	4.5
Other income	360	398	-9.4	313	15.2
Interest costs	278	356	-21.8	75	270.2
PBT	1,429	1,574	-9.2	921	55.2
Exceptional Items	-	-	-	29	
Taxes	346	297	16.5	189	82.9
PAT	1,083	1,277	-15.2	703	54.2
Adjusted PAT	1,083	1,277	-15.2	725	49.3

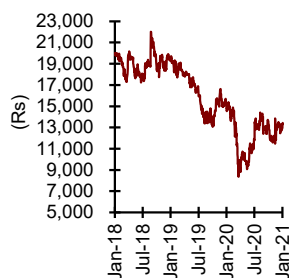
Source: Company data, I-Sec research

- We expect standalone revenue decline of 2.4% YoY due to fall in production across CV segments.
- Company is expected to witness 28bps YoY EBITDA margin contraction to 21.6% as other expenses rise sharply by 323bps.
- We expect PAT to decline ~15% YoY to ~Rs1bn on account of higher depreciation and amortization charge (up 113bps).
- **Key monitorables:** Revival of domestic CV segment, North American Class-8 truck demand, and reduction of losses in subsidiaries.

Bosch (REDUCE)

(QoQ chg: 4.9%; YoY chg: -6.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	27,928	25,366	10	24,792	13
Raw material costs	16,198	13,222	23	14,716	10
Employee costs	3,233	3,049	6	3,083	5
Other expenditures	4,859	5,893	-18	4,112	18
Total operating expenses	24,290	22,164	10	21,911	11
EBITDA	3,638	3,203	14	2,881	26
EBITDA margin (%)	13.0	12.6	40 bps	11.6	141 bps
Depreciation & Amortisation	1,166	1,098	6	798	46
Other income	1,299	1,399	-7	1,015	28
Interest costs	29	29	-1	13	118
PBT	3,742	3,475	8	3,084	21
Exceptional Items	-	2,075	-	4,000	-
Taxes	943	206	358	-266	NC
PAT	2,799	1,194	134	-650	NC
Adjusted PAT	2,799	2,606	7	-22	NC

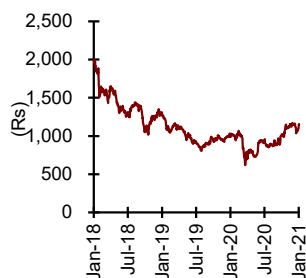
Source: Company data, I-Sec research

- We expect revenue growth of ~10% YoY on the back of higher production across all major automotive segments.
- Company is expected to witness 40bps YoY EBITDA margin expansion to 13% as other expenses drop 583bps.
- We expect adjusted PAT to grow ~7% YoY to ~Rs2.8bn as 'other income' declined 86bps and tax rate normalized to ~25%.
- **Key monitorables:** Details on content increase post BS-VI, strategy to reduce dependency on China imports, performance in 2W segment and margin outlook.

CEAT (BUY)

(QoQ chg: 12.9%; YoY chg: 15.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	18,794	17,086	10.0	19,651	-4.4
Raw material costs	10,525	9,814	7.2	10,493	0.3
Employee costs	1,573	1,340	17.4	1,589	-1.0
Other expenditures	4,326	4,120	5.0	4,665	-7.3
Total operating expenses	16,423	15,274	7.5	16,746	-1.9
EBITDA	2,371	1,812	30.9	2,905	-18.4
EBITDA margin (%)	12.6	10.6	201 bps	14.8	-217 bps
Depreciation & Amortisation	864	648	33.5	839	3.0
Other income	51	57	-10.0	42	20.9
Interest costs	435	301	44.7	444	-2.0
PBT	1,123	920	22.0	1,664	-32.6
Exceptional Items	-	3	-	-	-
Taxes	281	297	-5.5	-37	NC
PAT	842	621	35.7	1,702	-50.5

Source: Company data, I-Sec research

- We expect revenue growth of 10% YoY due to higher OEM volumes for the festive season and entry of CEAT into new launches.
- We expect EBITDA margin growth of 201bps YoY at 12.6% on account of higher gross margin (up 144bps) and lower marketing spend (down 110bps).
- Adjusted PAT is likely to be at Rs842mn.
- **Key monitorables:** Outlook on industry pricing, demand scenario in the replacement market, and progress on capex plans.

Mahindra CIE (BUY)

(QoQ chg: 23.3%; YoY chg: 1.0%)

Quarterly estimates

(Rs mn, year ending March 31)



	Q4CY20E	Q4CY19	YoY (%)	Q3CY20	QoQ (%)
Total operating income	18,821	17,229	9	16,943	11
Raw material costs	8,843	8,132	9	7,999	11
Employee costs	3,286	2,834	16	3,239	1
Other expenditures	4,417	4,120	7	4,197	5
Total operating expenses	16,547	15,086	10	15,435	7
EBITDA	2,274	2,143	6	1,508	51
EBITDA margin (%)	12.1	12.4	-35 bps	8.9	318 bps
Depreciation & Amortisation	914	788	16	849	8
Other income	108	63	71	420	-74
Interest costs	136	106	28	142	-4
PBT	1,332	1,312	2	937	42
Exceptional Items	-	97	-	-	-
Taxes	277	1,089	-75	330	-16
Reported PAT	1,055	126	735	607	74
Adjusted PAT	1,055	984	7	607	74

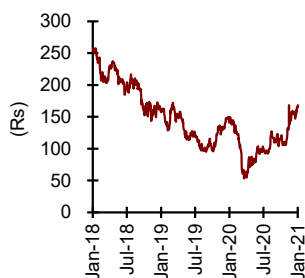
Source: Company data, I-Sec research

- Revenues are expected to report 9% YoY growth with gross margin expansion of 21bps at 53%.
- EBITDA margin may contract slightly by 35bps at 12.1% on account of sticky employee costs (up 101bps).
- We expect PAT at Rs1bn on lower tax outflow.
- **Key monitorables:** Update on demand scenario in India and Europe, new order wins in India, and update on cost reduction exercises.

Motherson Sumi Systems (BUY)

(QoQ chg: 43.2%; YoY chg: 15.8%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	1,68,147	1,52,597	10.2	1,49,572	12.4
Raw material costs	94,203	88,012	7.0	83,829	12.4
Employee costs	39,015	34,637	12.6	35,185	10.9
Other expenditures	18,674	17,867	4.5	16,640	12.2
Total operating expenses	1,51,892	1,40,516	8.1	1,35,654	12.0
EBITDA	16,255	12,082	34.5	13,918	16.8
Adj. EBITDA margin (%)	9.7	7.9	175 bps	9.3	36 bps
Depreciation & Amortisation	8,200	6,390	28.3	7,346	11.6
Other income	846	805	5.0	553	53.0
Interest costs	1,475	1,240	18.9	1,269	16.2
PBT	7,426	5,256	41.3	5,856	26.8
Exceptional Items	-	-		596	
Taxes	2,220	1,716	29.4	1,657	34.0
PAT before MI	5,206	3,541	47.0	3,603	44.5
Minority Interests	1,776	732	142.5	1,364	30.1
PAT after MI	3,430	2,808	22.1	2,239	53.2
Profit from Associates	204	237	-13.7	276	-26.1
DWH PAT	947	801	18.2	861	10.0
PAT	4,581	3,846	19.1	3,376	35.7
Adjusted PAT	4,581	3,846	19.1	3,784	21.1

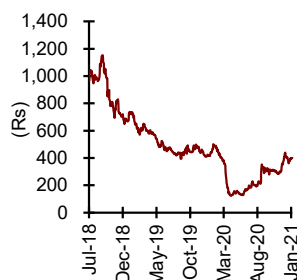
Source: Company data, I-Sec research

- Consolidated revenues are expected to grow ~10% YoY mainly due to production ramp-up across OEMs.
- EBITDA margin is expected to rise 175bps to 9.7%.
- Revenues from SMR are expected to grow 2% YoY at EBITDA margin expansion of 145bps, while PKC revenues may shrink by ~24% leading to margin contraction of 205bps respectively.
- **Key monitorables:** Progress on greenfield facilities in SMP (US, Hungary), update on India business content growth and margin trajectory, M&A opportunities.

Varroc Engineering (BUY)

(QoQ chg: 28.9%; YoY chg: -11.1%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	31,858	28,118	13.3	29,389	8.4
Raw material costs	20,230	17,272	17.1	18,771	7.8
Employee costs	3,972	3,978	-0.1	3,783	5.0
Other expenditures	4,301	4,173	3.1	4,175	3.0
Total operating expenses	28,503	25,422	12.1	26,729	6.6
EBITDA	3,355	2,695	24.5	2,661	26.1
EBITDA margin (%)	10.5	9.6	95 bps	9.1	148 bps
Depreciation & Amortisation	2,384	1,942	22.7	2,270	5.0
Other income	7	17	-59.7	4	96.1
Interest costs	398	366	8.9	443	-10.0
PBT	580	405	43.4	-49	NC
Exceptional Items					
Taxes	145	193	-24.7	429	-66.2
PAT before MI/JV	435	212	105.3	-478	NC
MI/JV profits	99	81	22.4	90	NC
Adjusted PAT	521	287	81.7	-401	NC

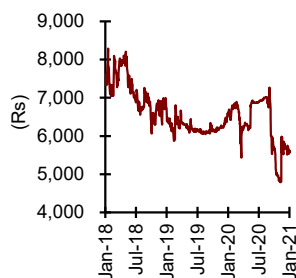
Source: Company data, I-Sec research

- We expect ~13% YoY growth in revenues as gross margins could contract 207bps to 36.5%.
- Expect adjusted-EBITDA margin expansion of 95bps at 10.5% as employee costs and other expenses decline 168bps and 134bps respectively.
- We expect PAT to rise ~ 82% to Rs521mn on account of strong operating leverage benefits.
- **Key monitorables:** Normalisation of VLS profitability from new plants, revenue growth outlook in domestic business post BS-VI, and outlook on margins.

Wabco India (REDUCE)

(QoQ chg: -1.4%; YoY chg: -15.8%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Total operating income	4,807	4,409	9	4,187	15
Raw material costs	2,772	2,555	9	2,387	16
Employee costs	721	686	5	642	12
Other expenditures	580	567	2	526	10
Total operating expenses	4,073	3,808	7	3,555	15
EBITDA	734	602	22	632	16
EBITDA margin (%)	15.3	13.6	162 bps	15.1	19 bps
Depreciation & Amortisation	235	223	5	224	5
Other income	178	158	12	111	60
Interest costs	8	5	86	9	-10
PBT	668	532	26	509	31
Exceptional Items	-	-	-	-	-
Taxes	168	145	16	158	7
PAT	500	387	29	351	42

Source: Company data, I-Sec research

- We expect ~9% YoY growth in revenues owing to ~23% growth in exports despite weakness in domestic M&HCV.
- We expect adjusted-EBITDA margin to improve ~162bps YoY to 15.3% due to lower employee costs (down 57bps) and lower other expenses (down 78bps).
- We expect PAT to grow 29% YoY to Rs500mn as other income rose 12% YoY.
- **Key monitorables:** Adoption rates of new products such as AMT/ESC amongst large M&HCV OEMs, outlook on exports and domestic volume growth in H2FY21 and outlook on margins.

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