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Q1FY22 result preview

Top Picks

- TVS Motor Company (TVSL IN)
- Motherson Sumi (MSSL IN)
- Tata Motors (TTMT IN)

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INDIA



Auto & auto ancillaries

Higher RM costs, negative operating leverage hit margins

- **Wholesale despatches dip on production shutdowns and supply chain issues:** The auto industry witnessed drop in wholesale despatches in Q1 (~31% QoQ) as OEMs declared production shutdowns ranging 1-3 weeks as covid second wave struck. As an increasing number of states began to witness lockdowns, with public transport curtailed and component shortages (e.g. semiconductors), OEMs focused on completing plant maintenance to manage potential production issues. On the consumer side, 2W wholesales fared marginally worse (30% decline QoQ) than PVs (28% down QoQ) due to delay in wedding season (relevant for North India). Tractor wholesales only moderately (~1% QoQ) due to seasonality. On the commercial side, CV wholesales fell ~50% QoQ.
- **Consumer sentiment recovering (pent-up release) as OEMs continue to hike prices:** During the quarter: a) retail demand trends ([Link](#)) witnessed strong improvement as lockdowns eased and pent-up demand was released; and b) relaxation in consumer credit norms (LTV: ~90%) aided growth even as OEMs undertook multiple price hikes and discounts/incentives tapered off;
- **Negative operating leverage, rising input costs to impact EBITDA margins:** Negative operating leverage (QoQ) amidst higher commodity prices (OEM price hikes remain insufficient) are likely to impact operating margins in H1. Across I-Sec OEM coverage, higher input costs are likely to drag EBITDA margins by ~80-670bps QoQ. We also expect better earnings resilience from companies with: a) higher export mix, b) higher replacement revenue share, and c) better pricing power.
- **Key factors to watch out:** 1) Sustenance of demand recovery and customer sentiment in Q2 as inventories rise across categories, and 2) extent of price increases undertaken to protect margins.
- **Our view:** We expect demand to improve in tractor segment on the back of resilient rural incomes with: 1) higher income visibility due to better outlook on farm incomes (higher MSPs, better yield), and 2) rural infra spends driven income effect. Also, we expect economic activity led by infra segment across regions to help the economy-facing segments; hence we prefer domestic CV vis-a-vis consumer space (2W/PV).

Quarterly summary

Company (Rs mn)	Revenue			EBITDA			Adjusted PAT		
	AMJ' 21	% chg		AMJ' 21	% chg		AMJ' 21	% chg	
		(YoY)	(QoQ)		(YoY)	(QoQ)		(YoY)	(QoQ)
2-wheelers									
Bajaj Auto	73,653	139	-14	12,430	204	-18	10,857	106	-18
Eicher Motors	18,392	139	-37	3,749	31,400	-42	2,962	2,309	-37
Hero Motocorp	29,715	95	-33	6,360	489	-47	4,406	619	-49
TVS Motors	38,871	171	-27	3,428	NC	-36	959	NC	-67
4-wheelers									
Ashok Leyland	28,982	345	-59	356	NC	-93	-1,405	NC	NC
M&M	1,24,509	123	-7	16,850	194	-14	8,405	2,058	-16
Maruti Suzuki	1,79,855	338	-25	11,266	NC	-43	8,717	NC	-25
Tata Motors	6,49,571	103	-27	50,139	689	-61	-21,053	NC	NC
Ancillaries									
Asahi India	6,184	179	-23	1,168	NC	-36	378	NC	-55
Balkrishna Inds.	16,264	73	-7	5,048	101	-9	3,252	166	-13
Bharat Forge	11,767	176	-10	3,023	NC	-16	1,550	NC	-25
Bosch	22,126	123	-31	1,819	NC	-60	1,825	NC	-49
CEAT	18,232	63	-20	1,495	47	-41	235	-321	-83
Mahindra CIE	17,515	138	-20	1,897	NC	-34	792	NC	677
Motherson Sumi	1,54,364	85	-9	13,792	-350	-20	4,414	NC	-38
Varroc Engineering	31,690	146	-13	389	NC	-74	-1,397	NC	NC
Wabco Ltd	5,233	215	-27	421	-247	-50	310	NC	NC

Source: I-Sec research; **AMJ:** Apr-May-Jun

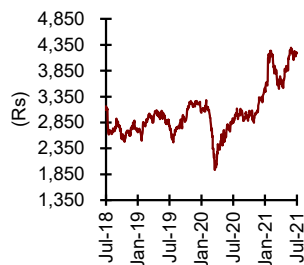
Please refer to important disclosures at the end of this report

2-Wheelers

Bajaj Auto (BUY)

(QoQ chg: 94%; YoY chg: 38.6%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Volumes	10,06,014	4,43,103	127.0	11,69,664	(14)
Net Realisation/unit (Rs)	73,213	69,493	5.4	73,492	(0.4)
Total operating income	73,653	30,792	139.2	85,961	(14)
Raw material costs	52,762	20,666	155.3	61,767	(15)
Employee costs	2,916	3,373	(13.5)	3,070	(5)
Other expenditures	5,545	2,668	107.8	5,884	(6)
Total operating expenses	61,223	26,707	129.2	70,720	(13)
EBITDA	12,430	4,085	204.3	15,241	(18)
EBITDA margin (%)	16.9	13.3	361 bps	17.7	-85 bps
Depreciation & Amortisation	629	638	(1)	662	(5)
Other income	2,694	3,379	(20)	2,836	(5)
Interest costs	19	10	104	20	(5)
PBT	14,476	6,817	112	17,395	(17)
Exceptional Items	-	-		-	
Taxes	3,619	1,536	136	4,074	(11)
PAT	10,857	5,280	106	13,321	(18)

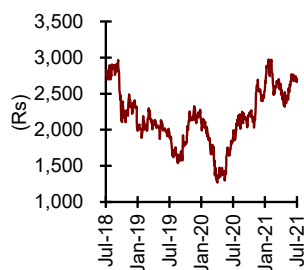
Source: Company data, I-Sec research

- Domestic volumes grew ~87% YoY even as domestic 2W segment grew 84% YoY while domestic 3W grew ~176% YoY. Exports grew 158% YoY as major geographies in Africa and LatAm reached normalcy.
- We expect 5.4% YoY growth in realisations on account of better mix. Gross margins are expected to decline 452bps YoY on higher raw material costs (up ~155% YoY) while employee costs may remain lower (down 699bps YoY). We expect EBITDA to rise 2x YoY at an EBITDA margin of 16.9% (up 361bps) as other expenses declined 114bps YoY.
- We expect PAT to double YoY at Rs10.8bn.
- Key monitorables:** Outlook on 3W business, premiumisation trends, and outlook on demand in key export markets.

Eicher Motors (HOLD)

(QoQ chg: 7.6%; YoY chg: 39.2%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Volumes	1,23,640	57,269	115.9	2,04,604	-39.6
Net Realisation/unit (Rs)	1,48,753	1,34,315	10.7	1,42,833	4.1
Total operating income	18,392	7,692	139.1	29,224	-37.1
Raw material costs	10,538	4,759	121.4	17,446	-39.6
Employee costs	2,007	1,693	18.6	2,142	-6.3
Other expenditures	2,098	1,228	70.9	3,201	-34.5
Total operating expenses	14,643	7,680	90.7	22,789	-35.7
EBITDA	3,749	12	31,400.2	6,435	-41.7
EBITDA margin (%)	20.4	0.2	2023 bps	22.0	-164 bps
Depreciation & Amortisation	1,063	971	9.5	1,234	-13.8
Other income	1,192	1,153	3.4	1,129	5.6
Interest costs	20	30	-33.4	22	-10.0
PBT	3,857	163	2,260.7	6,307	-38.8
Taxes	895	40	2,115.1	1,627	-45.0
PAT	2,962	123	2,309	4,681	-36.7

Source: Company data, I-Sec research

- Royal Enfield volumes at ~124k were up ~116% YoY on a lower base driven by new products. Net realisations are expected to improve by 10.7% YoY due to the rising contribution of exports and price increases led by commodity basket.
- Revenues are expected to rise 1.4x YoY as gross margins may come in at ~43% (up 457bps) on better product mix despite rising raw material costs.
- We expect EBITDA margin improvement of 2023bps YoY (down 164 bps QoQ) to 20.4%.
- PAT may rise 23x YoY (down 37% QoQ) at Rs2.96bn.
- **Key monitorables:** New model launch timelines, chip shortage impact on production, guidance on demand and margins.

Hero MotoCorp (ADD)

(QoQ chg: -0.6%; YoY chg: 7.8%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Volumes	10,24,489	5,63,426	81.8	15,68,077	(34.7)
Net Realisation/unit (Rs)	56,500	52,741	7.1	55,345	2.1
Total operating income	57,884	29,715	94.8	86,786	(33.3)
Raw material costs	41,166	20,939	96.6	61,173	(32.7)
Employee costs	4,396	3,824	15.0	4,884	(10.0)
Other expenditures	5,962	3,872	54.0	8,691	(31.4)
Total operating expenses	51,524	28,635	79.9	74,748	(31.1)
EBITDA	6,360	1,081	488.6	12,037	(47.2)
EBITDA margin (%)	11.0	3.6	735 bps	13.9	-288 bps
Depreciation & Amortisation	1,468	1,708	(14.0)	1,631	(10.0)
Other income	1,049	1,485	(29.4)	874	20.0
Interest costs	66	63	5.5	63	5.0
Exceptional item	0	0	0	0	0
PBT	5,875	795	639.0	11,291	(48)
Taxes	1,469	182	707.8	2,642	(44)
PAT	4,406	613	618.6	8,650	(49)

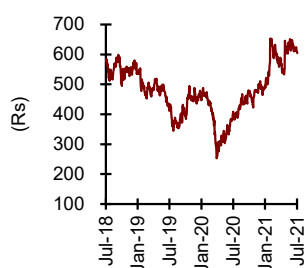
Source: Company data, I-Sec research

- We expect revenue growth of ~95% YoY largely due to volume rise of ~82% YoY and net realisation improvement of ~7% due to pass-through of the RM cost inflation related price increases.
- We expect gross margins at ~29% (down 65bps) due to higher raw material costs. EBITDA margin is expected to improve 735bps YoY as other expenses shrink 273bps and employee costs decline 527bps YoY.
- We expect PAT to decline ~49% QoQ to ~4.4bn
- **Key monitorables:** Channel inventory levels, demand outlook, and update on electric plans with Gogoro.

TVS Motor Company (BUY)

(QoQ chg: 5.6%; YoY chg: 53.9%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Volumes	6,57,758	2,75,338	138.9	9,27,579	(29.1)
Net Realisation/unit (Rs)	59,096	51,999	13.6	57,375	3.0
Total operating income	38,871	14,317	171.5	53,220	(27.0)
Raw material costs	29,572	10,864	172.2	40,098	(26.3)
Employee costs	2,198	1,970	11.6	2,681	(18.0)
Other expenditures	3,674	1,972	86.3	5,079	(27.7)
Total operating expenses	35,444	14,806	139.4	47,858	(25.9)
EBITDA	3,428	(488)	NC	5,362	(36.1)
EBITDA margin (%)	8.8%	-3.4%	1223 bps	10.1%	-126 bps
Depreciation & Amortisation	1,366	911	50.0	1,366	0.0
Other income	69	26	168.0	69	0
Interest costs	195	523	(62.7)	195	0.0
PBT	1,936	(1,896)	NC	3,870	(50.0)
Exceptional Items	-	-		-	
Taxes	977	(505)	NC	977	0
PAT	959	(1,391)	NC	2,893	(66.9)
Adjusted PAT	959	(1,391)	NC	2,893	(66.9)

Source: Company data, I-Sec research

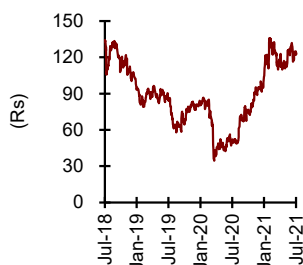
- TVS' volumes witnessed 1.4x YoY jump (down 29% QoQ) leading to ~14% higher realisation on better product mix and price hikes taken in Q4/Q1. We expect 172% YoY increase (-27% QoQ) in revenues even as gross margins may decline 20bps YoY to ~24% due to higher commodity metal basket prices.
- EBITDA margin is expected to rise 1,223bps to 8.8% on lower employee costs (down 811bps) and other expenditure (down 432bps).
- We expect adjusted-PAT down ~67% QoQ to ~Rs959mn.
- **Key monitorables:** Demand outlook, new product launches, and guidance on margin trajectory.

4-Wheelers

Ashok Leyland (BUY)

(QoQ chg: 3.1%; YoY chg: 139.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Volumes	17,987	4,569	294	44,060	(59)
Net Realisation/unit (Rs)	1.60	1.42	12.7	1.59	1.0
Total operating income	28,982	6,509	345	70,005	(59)
Raw material costs	23,296	4,175	458	53,834	(57)
Employee costs	2,410	3,542	(32)	4,016	(40)
Other expenditures	2,921	2,125	37	6,813	(57)
Total operating expenses	28,626	9,841	191	64,663	(56)
EBITDA	356	-3,332	NC	5,342	(93)
EBITDA margin (%)	1.2	(51.2)	5243 bps	7.6	-640 bps
Depreciation & Amortisation	1,748	1,637	7	2,185	(20)
Other income	304	256	19	380	(20)
Interest costs	786	768	2	771	2
PBT	-1,874	-5,481	NC	2,766	NC
Exceptional Items	-468	-1,610	NC	728	(164)
Taxes	0	-17	NC	374	(100)
PAT	-1,405	-3,888	NC	2,412	NC
Adjusted PAT	-1,405	-3,877	NC	2,132	NC

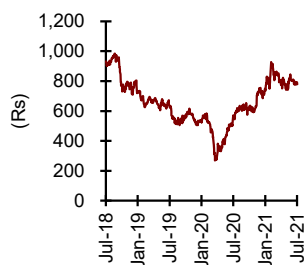
Source: Company data, I-Sec research

- LCV volumes grew 152% YoY while M&HCVs grew 786% YoY, thus leading to revenue growth of 3.5x YoY, down 59% QoQ. Gross margins declined 1,321bps to 22.7% on higher input costs.
- We expect gross margins to decline 1,624bps due to negative operating leverage. EBITDA margins are expected to decline 5,243bps to 1.2% despite 4,610bps decline in employee costs.
- We expect adjusted-PAT loss at Rs1.4bn.
- **Key monitorables:** M&HCV growth outlook for FY22E, scrappage policy and its potential impact, and feedback for AVTR platform and *Bada Dost*.

Mahindra & Mahindra (BUY)

(QoQ chg: -2.5%; YoY chg: 37.7%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY20	YoY (%)	Q4FY21	QoQ (%)
Volumes	1,86,777	95,308	96	2,00,666	(7)
Net Realisation/unit (Rs)	6,66,621	5,86,460	13.6	6,64,694	0.3
Total operating income	1,24,509	55,894	123	1,33,382	(7)
Raw material costs	87,587	36,240	142	92,255	(5)
Employee costs	7,327	7,704	(5)	7,964	(8)
Other expenditures	12,746	6,219	105	13,559	(6)
Total operating expenses	1,07,660	50,163	114.6	1,13,777	(5)
EBITDA	16,850	5,732	194.0	19,605	(14)
EBITDA margin (%)	13.5	10.3	328 bps	14.7	-117 bps
Depreciation & Amortisation	5,781	5,813	(1)	5,899	(2)
Other income	1,060	1,338	(21)	1,178	(10)
Interest costs	923	768	20	971	(5)
PBT	11,207	488	2,195	13,913	(19)
Exceptional Items	-	288	-	(8,399)	NC
Taxes	2,802	99	2,733	3,888	(28)
Reported PAT	8,405	678	1,140	1,625	417
Adjusted PAT	8,405	389	2,058	10,024	(16)

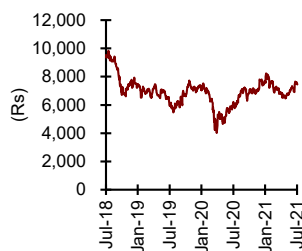
Source: Company data, I-Sec research

- Overall automotive volumes rose ~96% YoY, tractor segment ~52% YoY and auto segment ~193% YoY.
- We expect margin improvement of 328bps YoY to 13.5% due to mix benefit via the higher volume share of tractor segment (54% vis-à-vis 47% in Q4FY21) to offset the impact of commodity price increases.
- M&M is expected to report 20x growth YoY (down 16% QoQ) in adjusted-PAT to ~Rs8.4bn.
- **Key monitorables:** Timeline of launch of new/refresh products, growth outlook for in auto and tractor segments, and capital allocation update.

Maruti Suzuki (SELL)

(QoQ chg: 8.8%; YoY chg: 23.7%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Volumes	3,53,614	76,599	362	4,92,235	-28
Net Realisation/unit (Rs)	5,08,619	5,36,104	-5	4,88,053	4
Total operating income	1,79,855	41,065	338	2,40,237	-25
Raw material costs	1,33,456	29,364	354	1,77,509	-25
Employee costs	7,653	7,303	5	9,003	-15
Other expenditures	27,479	13,032	111	33,814	-19
Total operating expenses	1,68,588	49,699	239	2,20,326	-23
EBITDA	11,266	-8,634	NC	19,911	-43
EBITDA margin (%)	6.3	-21.0	2729 bps	8.3	-202 bps
Depreciation & Amortisation	7,262	7,833	-7	7,410	-2
Other income	7,910	13,183	-40	898	781
Interest costs	292	173	69	324	-10
PBT	11,623	-3,457	NC	13,075	-11
Exceptional Items	-	-	-	-	-
Taxes	2,906	-963	NC	1,414	105
PAT	8,717	-2,494	NC	11,661	-25

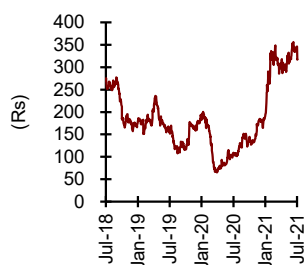
Source: Company data, I-Sec research

- Maruti Suzuki is expected to report 3.4x YoY growth / 25% QoQ decline in revenues due to domestic PV volume growth of 3.6x YoY and export growth of 3.8x YoY, albeit on a lower base. Realisation is expected to shrink 5% to ~Rs509k.
- We expect gross margin decline of 270bps YoY and EBITDA improvement of 2,729bps at Rs11.3bn, as employee expenses fell 1,353bps YoY while other expenses dropped 1,646bps YoY.
- We expect PAT at ~Rs8.7bn (decline of 25% QoQ).
- **Key monitorables:** Demand outlook and guidance for FY22, inventory and discounting trends, and impact of new Gujarat line on margins.

Tata Motors (BUY)

(QoQ chg: -3.7%; YoY chg: 186.6%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	6,49,571	3,19,831	103.1	8,86,279	-26.7
Raw material costs	4,19,543	1,99,213	110.6	5,69,932	-26.4
Employee costs	72,778	56,943	27.8	79,830	-8.8
Other expenditures	99,902	45,899	117.7	84,057	18.9
Product development Exp.	7,209	10,949	-34.2	18,722	-61.5
Total operating expenses	5,99,431	3,13,004	91.5	7,52,542	-20.3
Adj EBITDA	50,139	6,355	689.0	1,27,448	-60.7
Adj EBITDA margin (%)	7.7	2.0	573 bps	14.4	-666 bps
Depreciation & Amortization	63,733	55,994	13.8	62,171	2.5
Other income	5,947	6,065	-1.9	6,914	-14.0
Interest costs	17,794	18,768	-5.2	21,448	-17.0
PBT	-25,440	-61,870	NC	57,032	NC
Taxes	-6,543	22,005	NC	-1,324	NC
PAT before MI, PA and Excep.	-18,897	-83,875	NC	58,356	NC
Minority Interests	280	-60	NC	201	39.6
Profit from Associates	-1,876	-598	NC	-745	NC
Less: Exceptional Items	-	-32	NC	1,33,465	NC
PAT	-21,053	-84,380	NC	-76,054	NC
Adjusted PAT	-21,053	-84,413	NC	57,411	NC

Source: Company data, I-Sec research

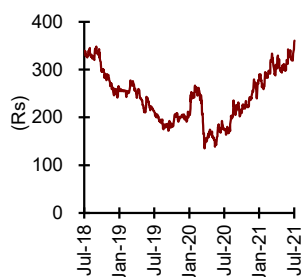
- JLR wholesale volumes grew 73% YoY (to 84.4k units) while Tata standalone volumes grew 3.6x YoY.
- Topline growth is expected to be 103.1% with EBITDA margin up 573bps to 7.7%.
- We expect JLR to post revenues of ~GBP5bn (up ~78% YoY) with adjusted EBITDA margin of 9.6% (up 608bps YoY). On reported basis, we expect JLR to report PAT loss of ~GBP104mn.
- We expect standalone business topline to increase 3.2x YoY (down 43% QoQ) as PV business is witnessing strong growth to hold its position as the third-largest player in India. We estimate EBITDA margin improvement of ~3,381bps YoY to 1.7%.
- **Key monitorables:** Production situation at JLR, demand and inventory situation across JLR's key markets, domestic business growth outlook, and new product launch timelines.

Ancillaries

Asahi India Glass (BUY)

(QoQ chg: 9.6%; YoY chg: 108.1%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	6,184	2,220	179	8,030	-23
Raw material costs	2,147	973	121	2,748	-22
Employee costs	651	505	29	701	-7
Other expenditures	1,390	572	143	1,844	-25
Power & Fuel	827	430	93	915	-10
Total operating expenses	5,016	2,479	102	6,208	-19
EBITDA	1,168	-259	NC	1,822	-36
EBITDA margin (%)	18.9	-11.7	3056 bps	22.7	-380 bps
Depreciation & Amortisation	368	288	28	338	9
Other income	45	19	134	159	-72
Interest costs	272	361	-25	302	-10
PBT	573	-890	NC	1,341	-57
Exceptional Items	-	-	-	-	-
Taxes	195	-322	NC	494	-61
PAT	378	-567	NC	847	-55
Adjusted PAT	378	-567	NC	847	-55

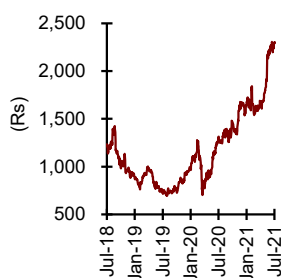
Source: Company data, I-Sec research

- We expect topline growth of 1.8x YoY due to growth in architectural segment.
- EBITDA margin is likely to expand 3,056bps YoY to 18.9% aided by better product mix (higher share of architectural segment sales) and lower gas prices (down 598bps).
- Adjusted-PAT is likely to be Rs378mn (down ~55% QoQ).
- **Key monitorables:** Demand scenario in various segments, situation of imports on the architectural side, and update on pricing of new gas contracts.

Balkrishna Industries (BUY)

(QoQ chg: 38.0%; YoY chg: 79.9%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Volumes (MT)	60,954	38,096	60.0	68,002	-10.4
ASP/Kg (Rs/Kg)	267	247	7.9	257	3.7
Total operating income	16,264	9,417	72.7	17,499	-7.1
Raw material costs	6,872	3,665	87.5	7,213	-4.7
Employee costs	865	701	23.3	883	-2.0
Other expenditures	3,478	2,540	36.9	3,830	-9.2
Total operating expenses	11,215	6,906	62.4	11,926	-6.0
EBITDA	5,048	2,511	101.1	5,573	-9.4
EBITDA margin (%)	31.0	26.7	438 bps	31.8	-81 bps
Depreciation & Amortisation	1,055	1,000	5.5	1,034	2.0
Other income	327	130	151.3	430	-24.0
Interest costs	13	20	-33.2	23	-41.9
PBT	4,307	1,621	165.7	4,946	-12.9
Exceptional Items	-	-	-	-	-
Taxes	1,055	399	164.5	1,223	-13.7
PAT	3,252	1,222	166.1	3,723	-12.7

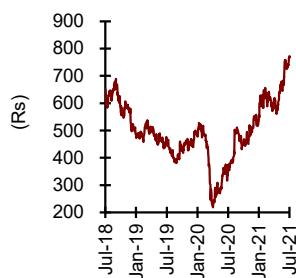
Source: Company data, I-Sec research

- We expect the company's volumes to grow 60% YoY (~61kMT) on account of good growth in agri markets and recovery in the EU and US. We expect topline improvement of ~73% YoY.
- Margins are expected to witness expansion of 438bps YoY to 31% due to favourable product mix and carbon black benefits leading to gross margin of 57.7%.
- We expect adjusted-PAT to grow ~1.6x YoY (down ~13% QoQ) to ~Rs3.25bn.
- **Key monitorables:** Update on agri, OTR market outlook, expected margin trends, and pricing outlook across segments.

Bharat Forge (HOLD)

(QoQ chg: 32.4%; YoY chg: 118.5%)

Price chart



Quarterly estimates (standalone)

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	11,767	4,270	175.6	13,073	-10.0
Raw material costs	4,637	1,844	151.4	5,266	-11.9
Employee costs	1,118	1,138	-1.8	1,134	-1.5
Other expenditures	2,989	1,316	127.2	3,083	-3.0
Total operating expenses	8,744	4,298	103.4	9,483	-7.8
EBITDA	3,023	-28	NC	3,591	-15.8
EBITDA margin (%)	25.7	-0.7	2634 bps	27.5	-178 bps
Depreciation & Amortisation	956	808	18.3	1,006	-5.0
Other income	309	420	-26.4	320	-3.3
Interest costs	303	299	1.5	137	122.2
PBT	2,072	-715	NC	2,768	-25.1
Exceptional Items	-	-	-	8	
Taxes	522	-153	NC	705	-25.9
PAT	1,550	-562	NC	2,054	-24.5
Adjusted PAT	1,550	-562	NC	2,060	-24.8

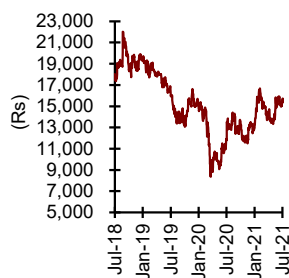
Source: Company data, I-Sec research

- We expect standalone revenue growth of ~1.8x YoY (down 10% QoQ) due to pick-up in production across CV segments.
- Company is expected to witness 2,634bps YoY EBITDA margin expansion to 25.7% as other expenses and employee costs fall sharply by 541bps and 1715bps respectively.
- We expect PAT at ~Rs1.55bn (down ~25% QoQ).
- **Key monitorables:** Update on domestic CV segment, global truck demand, update on non-auto demand trends, and margin guidance.

Bosch (SELL)

(QoQ chg: 5.6%; YoY chg: 14.1%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	22,126	9,915	123	32,177	-31
Raw material costs	13,485	5,719	136	19,743	-32
Employee costs	2,537	2,427	5	2,937	-14
Other expenditures	4,285	2,795	53	4,892	-12
Total operating expenses	20,307	10,940	86	27,572	-26
EBITDA	1,819	-1,025	NC	4,605	-60
EBITDA margin (%)	8.2	-10.3	1856 bps	14.3	-609 bps
Depreciation & Amortisation	875	728	20	921	-5
Other income	1,534	1,734	-12	1,171	31
Interest costs	39	18	114	41	-5
PBT	2,439	-37	NC	4,815	-49
Exceptional Items	-	1,972	-	-1,586	NC
Taxes	615	-801	NC	1,580	-61
PAT	1,825	-1,208	NC	4,820	-62
Adjusted PAT	1,825	-28	NC	3,611	-49

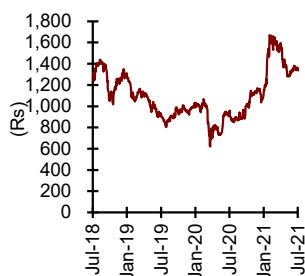
Source: Company data, I-Sec research

- We expect revenue growth of 1.23x YoY on the back of production ramp-up across all major automotive segments.
- Company is expected to witness 1,856bps YoY EBITDA margin expansion to 8.2% due to higher raw material costs (gross margin reduction of 327bps) even as employee expenses drop 1,301bps.
- We expect adjusted-PAT to reach Rs1.83bn (down ~49%).
- **Key monitorables:** Details on content increase and localisation post BS-VI, impact of semi-conductor shortages on demand, and margin outlook.

CEAT (ADD)

(QoQ chg: -15.0%; YoY chg: 45.7%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	18,232	11,162	63.3	22,790	-20.0
Raw material costs	11,063	6,696	65.2	13,259	-16.6
Employee costs	1,481	1,492	-0.8	1,806	-18.0
Other expenditures	4,193	1,956	114.4	5,172	-18.9
Total operating expenses	16,737	10,144	65.0	20,237	-17.3
EBITDA	1,495	1,017	47.0	2,553	-41.4
EBITDA margin (%)	8.2	9.1	-91 bps	11.2	-300 bps
Depreciation & Amortisation	854	785	8.7	899	-5.0
Other income	25	149	-83.2	31	-20.0
Interest costs	353	483	-26.9	392	-10.0
PBT	313	-102	-407.3	1,294	-75.8
Exceptional Items	-	218	-100.0	-	-
Taxes	78	-61	-228.7	-125	-162.8
PAT	235	-259	-190.8	1,418	-83.4

Source: Company data, I-Sec research

- We expect CEAT's revenue growth at 63% YoY due to higher share in new model launches in PV OEMs.
- We expect EBITDA margin contraction of 91bps YoY at 8.2% on account of lower gross margin (down 68bps) and lower employee costs (down 525bps) even as marketing spends increased (up 548bps YoY).
- Adjusted-PAT is likely to be at Rs235mn(down ~83% QoQ).
- **Key monitorables:** Outlook on industry pricing situation, demand scenario in the replacement market, and progress on capex plans.

Mahindra CIE (BUY)

(QoQ chg: 38.9%; YoY chg: 97.9%)

Quarterly estimates

(Rs mn, year ending March 31)



	Q2CY21E	Q2CY20	YoY (%)	Q1CY21	QoQ (%)
Total operating income	17,515	7,355	138	21,894	-20
Raw material costs	8,322	3,447	141	10,184	-18
Employee costs	3,080	2,849	8	3,624	-15
Other expenditures	4,215	2,020	109	5,217	-19
Total operating expenses	15,618	8,316	88	19,025	-18
EBITDA	1,897	-961	NC	2,869	-34
EBITDA margin (%)	10.8	-13.1	2390 bps	13.1	-227 bps
Depreciation & Amortisation	857	518	65	883	-3
Other income	155	180	-14	194	-20
Interest costs	139	167	-17	142	-2
PBT	1,057	-1,466	NC	2,038	-48
Exceptional Items	-	-	-	-	-
Taxes	264	-183	NC	1,936	-86
Reported PAT	792	-1,283	NC	102	677
Adjusted PAT	792	-1,283	NC	102	677

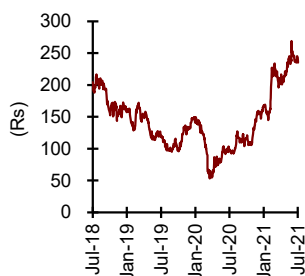
Source: Company data, I-Sec research

- Company is expected to report 1.4x YoY growth (20% QoQ decline) in revenues with gross margin contraction of 65bps at 52.5%.
- EBITDA margin may expand by 2,390bps to 10.8% on account of lower employee costs (down 2115bps) and other expenses (down 340bps).
- We expect PAT at Rs792mn on normalized tax rate at ~25%.
- **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: 11.5%; YoY chg: 142.0%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	1,54,364	83,484	84.9	1,69,719	-9.0
Raw material costs	86,518	49,558	74.6	95,696	-9.6
Employee costs	37,363	27,839	34.2	39,494	-5.4
Other expenditures	16,691	11,594	44.0	17,306	-3.6
Total operating expenses	1,40,572	88,990	58.0	1,52,496	-7.8
EBITDA	13,792	-5,507	-350.5	17,223	-19.9
Adj. EBITDA margin (%)	8.9	-6.6	1553 bps	10.1	-121 bps
Depreciation & Amortisation	6,841	6,994	-2.2	7,568	-9.6
Other income	700	473	48.0	616	13.7
Interest costs	1,380	1,101	25.3	1,365	1.1
PBT	6,272	-13,128	NC	8,906	-29.6
Exceptional Items	-	-		-2	NC
Taxes	1,562	-1,914	NC	656	138.0
PAT before MI	4,710	-11,214	NC	8,251	-42.9
Minority Interests	1,512	-3,812	NC	3,051	-50.4
PAT after MI	3,198	-7,402	NC	5,201	-38.5
Profit from Associates	182	-2	NC	238	-23.5
DWH PAT	1,034	-701	NC	1,702	-39.2
PAT	4,414	-8,105	NC	7,140	-38.2
Adjusted PAT	4,414	-8,105	NC	7,138	-38.2

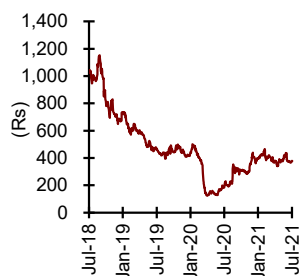
Source: Company data, I-Sec research

- Consolidated revenues are expected to grow ~85% YoY (albeit on a lower base).
- EBITDA margin is likely to rise 1,553bps to 8.9%.
- Revenues from SMRPBV likely to witness ~84% YoY growth at EBITDA margin of ~8.6% (up 1556bps), while PKC revenues may expand ~48% leading to 9.3% margin (expansion of 1,328bps).
- **Key monitorables:** Progress on greenfield facilities in SMP (US, Hungary), update on India business content growth and margin trajectory, and progress on restructuring plans.

Varroc Engineering (HOLD)

(QoQ chg: -4.7%; YoY chg: 60.7%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	31,690	12,857	146.5	36,513	-13.2
Raw material costs	21,864	8,624	153.5	24,644	-11.3
Employee costs	4,209	3,387	24.2	4,676	-10.0
Other expenditures	5,229	2,640	98.0	5,701	-8.3
Total operating expenses	31,302	14,651	113.6	35,021	-10.6
EBITDA	389	-1,794	NC	1,492	-73.9
EBITDA margin (%)	1.2	-14.0	1518 bps	4.1	-286 bps
Depreciation & Amortisation	2,244	2,069	8.4	2,362	-5.0
Other income	288	390	-26.1	320	-10.0
Interest costs	353	432	-18.2	372	-5.0
PBT	-1,920	-3,905	NC	-921	NC
Exceptional Items	-	-	-	-	-
Taxes	-480	-709	NC	266	-280.7
PAT before MI/JV	-1,440	-3,196	NC	-1,187	NC
MI/JV profits	51	110	NC	64	NC
Adjusted PAT	-1,397	-3,077	NC	-1,134	NC

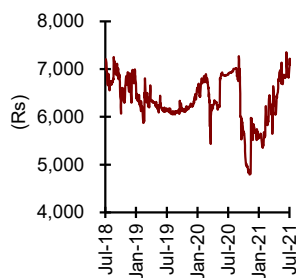
Source: Company data, I-Sec research

- We expect ~1.5x YoY growth (13.25 decline QoQ) in revenues as gross margins could contract 192bps to 31%.
- Expect adjusted-EBITDA margin expansion of 1,518bps to 1.2% as employee costs and other expenses decline 1,307bps and 404bps respectively.
- Adjusted-PAT likely to witness reduced YoY losses at ~Rs1.4bn.
- **Key monitorables:** Update on VLS profitability from new plants, revenue growth outlook in domestic business, and outlook on margins.

Wabco India (ADD)

(QoQ chg: 15.0%; YoY chg: 4.0%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Total operating income	5,233	1,660	215	7,123	-27
Raw material costs	3,501	776	351	4,711	-26
Employee costs	667	770	-13	784	-15
Other expenditures	644	400	61	793	-19
Total operating expenses	4,812	1,946	147	6,289	-23
EBITDA	421	-286	-247	835	-50
EBITDA margin (%)	8.1	-17.2	2529 bps	11.7	-367 bps
Depreciation & Amortisation	204	231	-12	226	-10
Other income	196	134	46	66	198
Interest costs	1	7	-81	2	-20
PBT	413	-390	NC	673	-39
Exceptional Items	-	-	-	-	-
Taxes	103	-76	NC	196	-48
PAT	310	-314	NC	476	-35

Source: Company data, I-Sec research

- We expect ~2.1x YoY growth (27% QoQ decline) in revenues owing to 3x growth in M&HCV OEM volumes despite weak exports.
- EBITDA margin is likely to improve by ~2,529bps YoY to 8.1% due to lower employee costs (down 3,366bps) and lower other expenses (down 1,178bps).
- We expect PAT profit to Rs310mn (down 35% QoQ).
- **Key monitorables:** Adoption rates of new products such as AMT/ESC amongst large M&HCV OEMs, outlook on exports and domestic volume growth in FY22, and outlook on margins.

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