

AUTOMOBILES

| Q3FY21 Preview

| 14 January 2021

Margins to remain stressed despite healthy volume uptick

Given higher quarterly dispatches, we expect Q3FY21 revenues to expand for our auto universe. Most segments – PVs, 2Ws, tractors and LCVs – have reported strong double-digit volume growth. MHCV declines also moderated YoY. But the spike in prices of commodities, rubber and crude derivatives will put substantial pressure on margins and earnings. Most auto stocks have rallied sharply in recent months on robust dispatches and continue to be richly valued – much ahead of long-term P/E multiples. We remain negative on the sector.

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OEMs: Led by 13% higher volumes, we expect a 17% YoY increase in Maruti's (MSIL) Q3 revenue. However, the sharp upswing in commodity prices makes us skeptical on margins. 2W volumes are up ~20% YoY for Hero (HMCL) & TVS Motor (TVSL) and ~9% for Bajaj Auto (BJAUT) & Eicher Motors (EIM – RE). 2W EBITDA margins are forecast to decline QoQ due to the rising commodity prices. Discounts remain high – typical for the festive season. We expect HMCL and TVSL to report lower profits QoQ despite festive demand purely due to lower gross margins. For BJAUT, higher 3W volumes QoQ should aid earnings.

In the CV segment, MHCV volume declines moderated to ~8% YoY on lower economic activity and uncertainty over the scrappage policy. But with a 19% YoY jump in average realisation per unit (low base in Q3FY20 and BSVI transition cost), we expect Ashok Leyland (AL) to report >27% YoY revenue growth. We raise our target P/E for AL from 16x to 20x on an expected MHCV upcycle.

Tractors & Tillers: Tractor volumes have risen ~20% YoY for M&M (MM) and ~26% for Escorts (ESC) in Q3. Swaraj Engines (SWE) and VST Tillers (VSTT) are expected to report >50% revenue growth. Margins for all these agri-related players are forecast to decline QoQ on higher raw material cost. We upgrade tractor industry growth estimates and hence those for MM, ESC and VSTT.

Tyres: OEMs have seen sequential growth in MHCV tyre sales. Our channel checks suggest that replacement demand for truck tyres (radial) remains steady. The farm subsegment (tractors) has clocked strong growth. We expect higher capacity utilisation in 'bias' tyres and project overall revenue growth of ~5% QoQ from the tyre pack. The sharp jump in rubber prices (from ~Rs 120/kg to Rs 145/kg) and higher crude derivative costs (up ~10% QoQ) are expected to shave 400bps of Q3 gross margins QoQ and also impact Q4. We cut estimates and recommend a strong SELL on the entire tyre pack.

RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
AL IN	120	60	SELL
BJAUT IN	3,572	2,800	SELL
EIM IN	2,890	2,200	SELL
ESC IN	1,345	1,150	SELL
HMCL IN	3,265	2,900	SELL
MSIL IN	8,154	6,900	SELL
MM IN	830	630	SELL
TVSL IN	511	350	SELL
VSTT IN	1,921	2,300	BUY
APTY IN	190	140	SELL
BIL IN	1,709	1,340	SELL
CEAT IN	1,188	780	SELL
JKI IN	88	70	SELL
MDA IN	90	110	BUY
MRF IN	89,936	67,000	SELL
SWE IN	1,382	1,300	SELL
SRTY IN	1,904	1,200	SELL

Price & Target in Rupees



Company-wise expectations

FIG 1 – QUARTERLY PREVIEW

Company (Rs mn)	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Remarks
Ashok Leyland						
Sales	51,177	40,157	27.4	28,366	80.4	Volumes grew 7% YoY in Q3 with the fall in MHCVs tapering to 8%; LCVs were up 29%. ASPs are set to improve 19% YoY due to BSVI transition and a better product mix, aiding revenue growth of 27% YoY. Operating efficiencies are likely to partly offset RM cost inflation, driving 74% EBITDA growth; margins are forecast at 7.7%. Adj. PAT is estimated at Rs 1.2bn.
EBITDA	3,923	2,252	74.2	804	387.9	
Adj PAT	1,247	278	348.6	(1,467)	NA	
EBITDA margin (%)	7.7	5.6	-	2.8	-	
PAT margin (%)	2.4	0.7	-	(5.2)	-	
Maruti Suzuki						
Sales	241,173	207,068	16.5	187,445	28.7	Led by a 13% YoY rise in volumes and a mere 2% rise in ASP (poor product mix despite BSVI transition), we expect 17% YoY revenue growth. Operating margins are forecast to contract 70bps YoY and 80bps QoQ given RM cost pressure. Adj. PAT should improve 4% YoY to Rs 16.2bn. Key factors to watch: inventory levels, RM price trend and new launch timelines.
EBITDA	22,983	21,021	9.3	19,336	18.9	
Adj PAT	16,207	15,648	3.6	13,716	18.2	
EBITDA margin (%)	9.5	10.2	-	10.3	-	
PAT margin (%)	6.7	7.6	-	7.3	-	
Bajaj Auto						
Sales	90,013	76,397	17.8	71,559	25.8	Volumes grew 9% YoY in Q3; 3Ws were down 36% while 2Ws were up a healthy 16%. We expect ASP to improve ~8% YoY, leading to revenue growth of 18%. Operating margins are projected to contract on higher RM costs, partly offset by better efficiencies. Key monitorables: export demand, inventory levels, 3W recovery timeline and any new launch timelines.
EBITDA	15,055	13,672	10.1	12,662	18.9	
Adj PAT	13,901	12,616	10.2	11,382	22.1	
EBITDA margin (%)	16.7	17.9	-	17.7	-	
PAT margin (%)	15.4	16.5	-	15.9	-	
Eicher Motors						
Sales	28,588	23,635	21.0	21,233	34.6	RE volumes rose 9% YoY in Q3 and ASPs are expected to improve 11%, aiding revenue growth of 21%. Gross margins are likely to decline sequentially by 130bps, capping EBITDA growth at only 2.6% YoY. We estimate that adj. PAT will fall 6% YoY to Rs 4.6bn. Key monitorables: launch timelines of new models and performance of studio stores.
EBITDA	6,106	5,952	2.6	4,838	26.2	
Adj PAT	4,610	4,889	(5.7)	3,609	27.7	
EBITDA margin (%)	21.4	25.2	-	22.8	-	
PAT margin (%)	16.1	20.7	-	17.0	-	
Hero MotoCorp						
Sales	94,513	69,967	35.1	93,673	0.9	We expect ASPs to rise 13% YoY given price hikes and BSVI transition while volumes have increased 20%, supporting a 35% jump in revenues. Gross margins are expected to deteriorate sequentially, weighing on EBITDA margins (-240bps YoY, -130bps QoQ to 12.4%). Key monitorables: inventory levels, new launches and any vendor-side supply challenges.
EBITDA	11,764	10,390	13.2	12,864	(8.6)	
Adj PAT	8,490	8,804	(3.6)	9,535	(11.0)	
EBITDA margin (%)	12.4	14.8	-	13.7	-	
PAT margin (%)	9.0	12.6	-	10.2	-	
TVS Motor						
Sales	52,444	41,225	27.2	46,055	13.9	Revenues are forecast to improve 27% YoY to Rs 52.4bn (volumes +20% YoY, ASPs +5%). 3Ws continue to struggle. RM cost pressure would likely compress EBITDA margins to 7.7% (-110bps YoY, -160bps QoQ). Adj. PAT is projected to fall 12% YoY given higher depreciation and interest charges compared to Q3FY20.
EBITDA	4,012	3,633	10.4	4,301	(6.7)	
Adj PAT	1,729	1,971	(12.3)	1,963	(11.9)	
EBITDA margin (%)	7.7	8.8	-	9.3	-	
PAT margin (%)	3.3	4.8	-	4.3	-	
Mahindra&Mahindra (MM+MVML)						
Sales	141,268	109,351	29.2	121,203	16.6	Auto volumes have declined 8% YoY while tractor sales picked up 20% in Q3. Higher revenue share from the auto segment and sequential RM cost inflation could lower operating margins to 14.2% (-430bps YoY, -590bps QoQ), translating to flattish EBITDA growth YoY. Adj. PAT is likely to grow 37% YoY to Rs 13.4bn given one-off tax costs in Q3FY20.
EBITDA	20,030	19,980	0.3	24,412	(18.0)	
Adj PAT	13,411	9,808	36.7	13,112	2.3	
EBITDA margin (%)	14.2	18.3	-	20.1	-	
PAT margin (%)	9.5	9.0	-	10.8	-	

Company (Rs mn)	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Remarks
Escorts						
Sales	20,515	16,334	25.6	16,397	25.1	Tractor volumes increased 26% YoY in Q3 and ASPs are slated to be flat, leading to 26% growth in revenue to Rs 20.5bn. EBITDA margins are forecast to decline 340bps QoQ (+200bps YoY) whereas adj. PAT moves up 53% YoY to Rs 2.3bn. Key monitorables: supply chain situation and updates on the Kubota deal.
EBITDA	3,067	2,123	44.5	3,009	1.9	
Adj PAT	2,345	1,531	53.2	2,300	2.0	
EBITDA margin (%)	15.0	13.0	-	18.4	-	
PAT margin (%)	11.4	9.4	-	14.0	-	
Swaraj Engines						
Sales	2,604	1,701	53.1	2,923	(10.9)	We expect volumes to grow 54% YoY and revenue growth of 53% YoY to Rs 2.6bn. Gross margin decline and normalised other expenses would compress EBITDA margins sequentially (-100bps QoQ, +110bps YoY). Adj. PAT is expected at Rs 227mn. Key monitorables: demand outlook and market share gains.
EBITDA	331	197	68.0	400	(17.3)	
Adj PAT	227	129	76.0	271	(16.2)	
EBITDA margin (%)	12.7	11.6	-	13.7	-	
PAT margin (%)	8.7	7.6	-	9.3	-	
VST Tillers						
Sales	1,906	1,233	54.6	2,204	(13.5)	Since the restrictions on tiller imports from China, the company has witnessed a sharp jump in tiller demand. It continues to see strong demand in tractors as well. We expect higher volumes to assist 55% YoY growth in revenues. Key monitorables: newer subsidy announcements which could further escalate demand for tillers.
EBITDA	233	54	331.5	377	(38.2)	
Adj PAT	196	35	460.0	299	(34.4)	
EBITDA margin (%)	12.2	4.4	-	17.1	-	
PAT margin (%)	10.3	2.8	-	13.6	-	
Apollo Tyres						
Sales	45,000	43,997	2.3	42,827	5.1	We have factored in OEM demand and steady growth in the replacement market to arrive at our Q3 revenue estimate of Rs 45bn. With the sharp jump in crude costs and rubber prices over the last few months, we expect gross margins to deteriorate QoQ for most tyre companies while a higher share of revenue from OEMs would further weigh on margins.
EBITDA	5,445	5,335	2.1	6,948	(21.6)	
Adj PAT	1,025	1,739	(41.1)	1,999	(48.7)	
EBITDA margin (%)	12.1	12.1	-	16.2	(412)	
PAT margin (%)	2.3	4.0	-	4.7	-	
Balkrishna Industries						
Sales	13,991	11,605	20.6	15,788	(11.4)	We assume tonnage volume growth of 17% YoY with ASP improving by 3%, driving a 21% YoY rise in revenues. Operating margins are expected to plummet QoQ by 520bps as RM costs have spiked. Adj. PAT is projected at Rs 2.4bn (+10% YoY, -28% QoQ).
EBITDA	4,025	3,415	17.9	5,367	(25.0)	
Adj PAT	2,434	2,207	10.3	3,395	(28.3)	
EBITDA margin (%)	28.8	29.4	-	34.0	(523)	
PAT margin (%)	17.4	19.0	-	21.5	-	
CEAT						
Sales	20,300	17,086	18.8	19,651	3.3	With OEM sales normalising, CEAT would face a weaker product mix along with higher RM costs, leading to a 430bps QoQ drop in EBITDA margins. EBITDA is expected to fall 27% QoQ (+17% YoY). Adj. PAT is estimated at Rs 788mn (+27% YoY, -54% QoQ). Key monitorables: management's view on demand, direction of RM prices and any hike in product prices.
EBITDA	2,125	1,812	17.2	2,905	(26.9)	
Adj PAT	788	621	26.8	1,702	(53.7)	
EBITDA margin (%)	10.5	10.6	-	14.8	(432)	
PAT margin (%)	3.9	3.6	-	8.7	-	
JK Tyre						
Sales	24,000	21,998	9.1	22,748	5.5	We have factored in OEM demand and steady growth in the replacement market to arrive at our Q3 revenue estimate of Rs 24bn. With CV sales normalising, we expect revenues to trend upwards sequentially while higher RM costs would act as a headwind. Key monitorables: further plans of debt reduction, CV demand outlook and capacity utilisation levels.
EBITDA	2,756	2,442	12.9	3,550	(22.4)	
Adj PAT	608	117	420.0	1,089	(44.1)	
EBITDA margin (%)	11.5	11.1	-	15.6	-	
PAT margin (%)	2.5	0.5	-	4.8	-	
MRF						
Sales	44,300	40,089	10.5	41,864	5.8	Revenue is expected to grow 11% YoY to Rs 44.3bn given positive growth across OEMs and a steady demand uptick in the replacement segment. RM cost inflation would impact operating margins. MRF is expected to post a profit of Rs 3bn. Key monitorables: capacity expansion plans, RM cost trend and demand in the replacement market.
EBITDA	7,193	6,102	17.9	8,544	(15.8)	
Adj PAT	3,014	2,366	27.4	4,030	(25.2)	
EBITDA margin (%)	16.2	15.2	-	20.4	-	
PAT margin (%)	6.8	5.9	-	9.6	-	

Company (Rs mn)	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Remarks
TVS Srichakra						
Sales	5,622	4,975	13.0	5,350	5.1	Given full exposure to 2W tyres, we expect volumes to replicate healthy growth in the 2W industry at 13% YoY. Estimated gross margin shrinkage of 470bps QoQ could lead to an EBITDA decline of 19% QoQ to Rs 686mn (+43% YoY). Adj. PAT is projected to grow 121% to Rs 296mn (-25% QoQ).
EBITDA	686	481	42.6	849	(19.2)	
Adj PAT	296	134	120.9	394	(24.9)	
EBITDA margin (%)	12.2	9.7	-	15.9	-	
PAT margin (%)	5.3	2.7	-	7.4	-	
Minda Corp						
Sales	7,611	6,714	13.4	6,561	16.0	Strong growth in OEM production, especially 2Ws, will benefit the company. We expect healthy growth of 16% QoQ in its quarterly revenues. With higher operating efficiencies, we model for EBITDA margins of 10.5% (lossmaking plastic division hived off) and a sharp QoQ recovery in adj. PAT.
EBITDA	796	761	4.6	666	19.5	
Adj PAT	354	416	(14.9)	258	37.2	
EBITDA margin (%)	10.5	11.3	-	10.2	-	
PAT margin (%)	4.7	6.2	-	3.9	-	

Source: Company, BOBCAPS Research

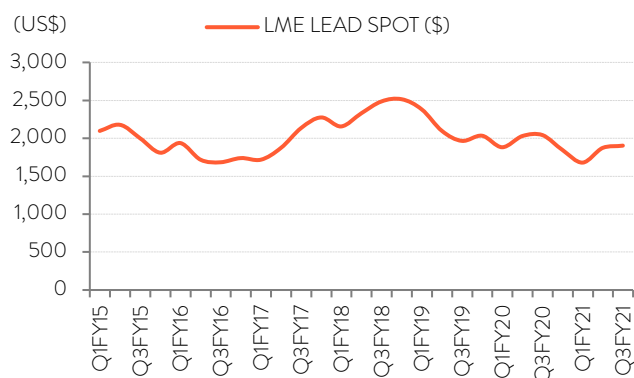
Quarterly commodity and currency trends

FIG 2 – COMMODITY AND CURRENCY TREND

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Key Commodities											
Aluminium (USD)	2,264	2,054	1,966	1,862	1,794	1,765	1,756	1,691	1,501	1,704	1,916
QoQ (%)	18.8	(9.3)	(4.3)	(5.3)	(3.7)	(1.6)	(0.5)	(3.7)	(11.2)	13.5	12.3
Lead (USD)	2,384	2,097	1,966	2,034	1,883	2,029	2,042	1,843	1,679	1,875	1,902
QoQ (%)	10.6	(12.0)	(6.2)	3.5	(7.4)	7.7	0.6	(9.8)	(8.9)	11.7	1.6
Brent oil (USD)	75	75	68	63	69	62	63	51	31	43	44
QoQ (%)	48.7	1.0	(10.1)	(6.8)	8.5	(9.7)	1.2	(19.2)	(37.9)	35.8	4.5
Rubber (RS4) (Rs)	12,382	13,071	12,357	12,565	13,899	14,265	12,749	13,423	12,066	13,088	15,219
QoQ (%)	(5.4)	5.6	(5.5)	1.7	10.6	2.6	(10.6)	5.3	(10.1)	8.5	16.2
Hot rolled steel (CNY)	4,168	4,300	3,926	3,802	3,949	3,793	3,720	3,602	3,550	3,928	4,182
QoQ (%)	28.7	3.2	(8.7)	(3.2)	3.8	(3.9)	(1.9)	(3.2)	(1.4)	10.6	6.5
Cold rolled steel (CNY)	4,606	4,788	4,535	4,313	4,326	4,292	4,307	4,257	3,947	4,480	5,095
QoQ (%)	21.4	4.0	(5.3)	(4.9)	0.3	(0.8)	0.4	(1.2)	(7.3)	13.5	13.6
Key Currencies											
INR/USD	67.1	70.1	72.1	70.5	69.6	70.3	71.2	72.4	75.9	74.4	73.8
QoQ (%)	4.0	4.5	2.9	(2.2)	(1.3)	1.1	1.3	1.6	4.9	(2.0)	(0.8)
INR/EUR	79.9	81.5	82.3	80.1	78.2	78.2	78.9	79.9	83.6	86.9	88.1
QoQ (%)	12.4	2.1	0.9	(2.6)	(2.4)	0.1	0.9	1.2	4.7	3.9	1.3
INR/GBP	91.2	91.4	92.8	91.7	89.4	86.7	91.7	92.7	94.2	96.1	97.5
QoQ (%)	10.5	0.2	1.5	(1.1)	(2.5)	(3.0)	5.7	1.1	1.6	1.9	1.5
INR/JPY	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
QoQ (%)	5.8	2.4	1.6	0.1	(1.1)	3.7	(0.1)	1.5	6.1	(0.7)	0.9
USD/EUR	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2
QoQ (%)	8.2	(2.4)	(1.9)	(0.4)	(1.1)	(1.0)	(0.4)	(0.4)	(0.1)	6.1	5.5
USD/GBP	1.4	1.3	1.3	1.3	1.3	1.2	1.3	1.3	1.2	1.3	1.3
QoQ (%)	6.3	(4.2)	(1.3)	1.3	(1.3)	(4.1)	4.5	(0.6)	(3.0)	4.1	2.3

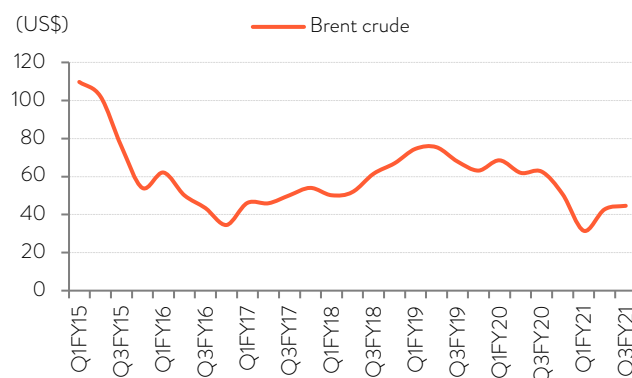
Source: Bloomberg, BOBCAPS Research

FIG 3 – LEAD PRICE TREND



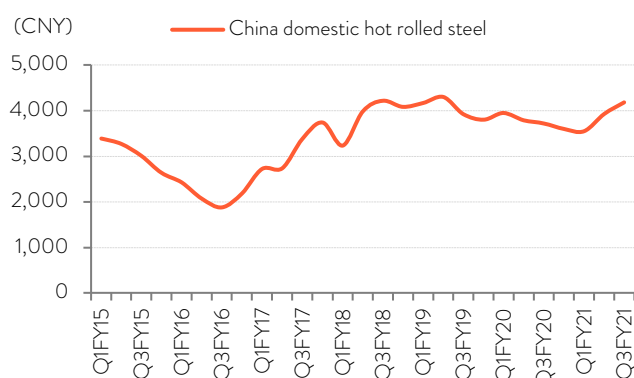
Source: Bloomberg, BOBCAPS Research

FIG 4 – BRENT CRUDE PRICE TREND



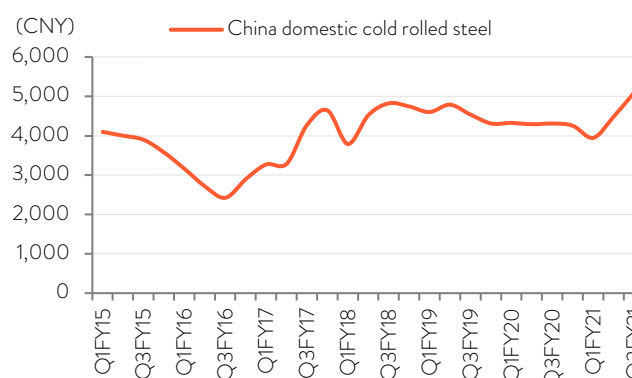
Source: Bloomberg, BOBCAPS Research

FIG 5 – CHINESE HOT ROLLED STEEL PRICE TREND



Source: Bloomberg, BOBCAPS Research

FIG 6 – CHINESE COLD ROLLED STEEL PRICE TREND



Source: Bloomberg, BOBCAPS Research

Quarterly volume trends

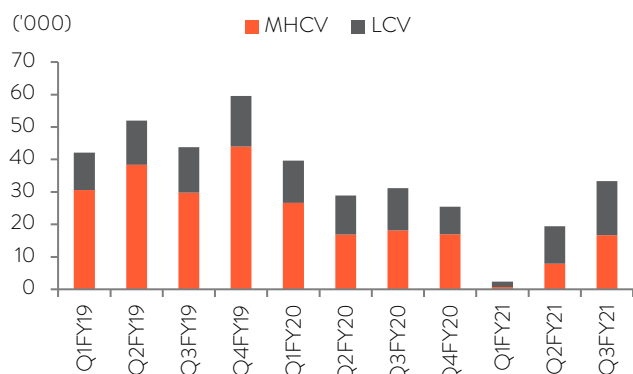
FIG 7 – Q3FY21 VOLUME SNAPSHOT

Company	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Ashok Leyland	33,410	31,205	7.1	19,444	71.8
HCVs	16,586	18,122	(8.5)	7,936	109.0
LCVs	16,824	13,083	28.6	11,508	46.2
Atul Auto	5,640	13,568	(58.4)	4,185	34.8
Three-Wheelers	5,640	13,568	(58.4)	4,185	34.8
Bajaj Auto	1,306,810	1,202,513	8.7	1,053,337	24.1
Motorcycles	1,193,867	1,027,161	16.2	964,465	23.8
3Ws	112,943	175,352	(35.6)	88,872	27.1
Exports (of above)	687,111	562,772	22.1	232,926	195.0
Eicher Motors	199,668	182,791	9.2	59,307	236.7
RE	181,465	168,249	7.9	136,885	32.6
VECV	18,203	14,542	25.2	13,634	33.5
Escorts	31,562	25,109	25.7	24,441	29.1
Hero MotoCorp	1,845,314	1,540,868	19.8	1,814,683	1.7
Mahindra & Mahindra	223,978	216,816	3.3	95,308	135.0
Auto	122,277	132,361	(7.6)	92,024	32.9
Tractors	101,701	84,455	20.4	93,246	9.1

Company	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Maruti Suzuki	495,897	437,361	13.4	76,599	547.4
Domestic	467,369	413,698	13.0	370,619	26.1
Exports	28,528	23,663	20.6	22,511	26.7
TVS Motor	989,517	821,521	20.4	267,563	269.8
2Ws	951,879	773,130	23.1	834,346	14.1
3Ws	37,638	48,391	(22.2)	33,488	12.4

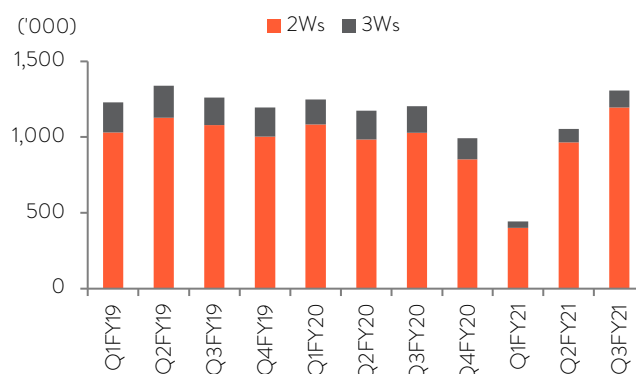
Source: Companies, BOBCAPS Research

FIG 8 – ASHOK LEYLAND



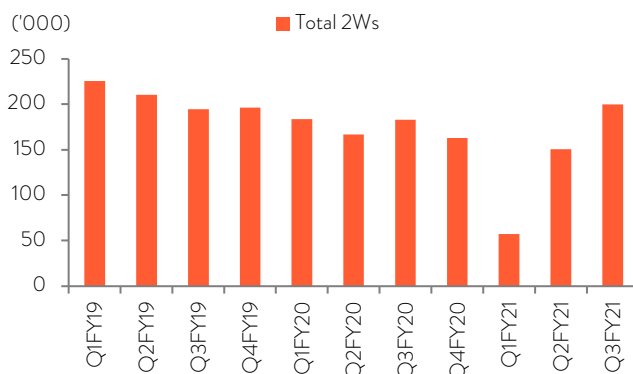
Source: Companies, BOBCAPS Research

FIG 9 – BAJAJ AUTO



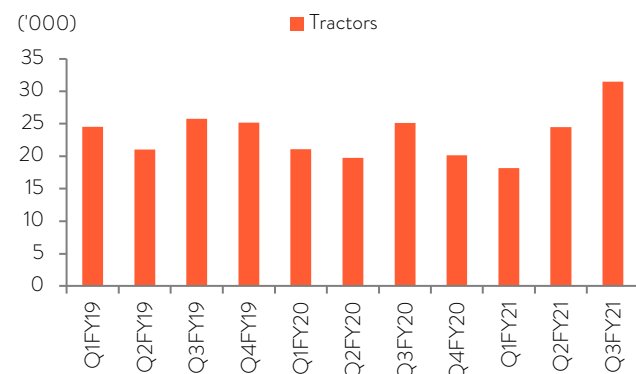
Source: Companies, BOBCAPS Research

FIG 10 – ROYAL ENFIELD



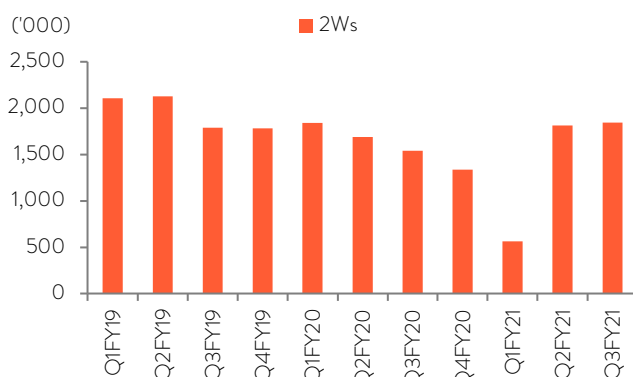
Source: Companies, BOBCAPS Research

FIG 11 – ESCORTS



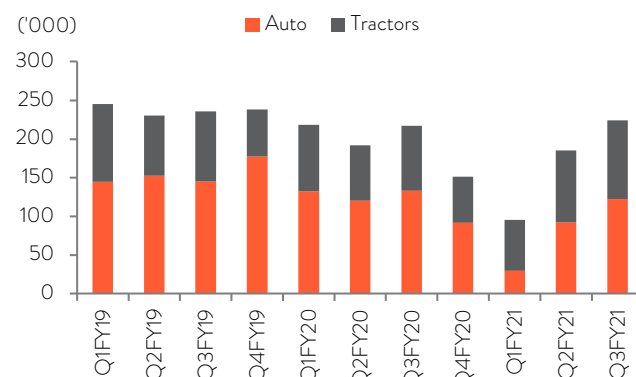
Source: Companies, BOBCAPS Research

FIG 12 – HERO MOTOCORP



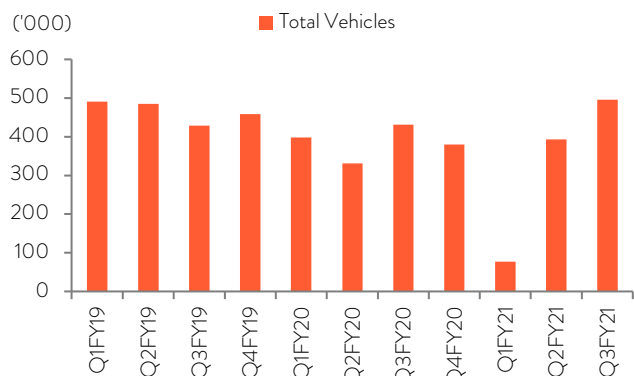
Source: Companies, BOBCAPS Research

FIG 13 – MAHINDRA & MAHINDRA



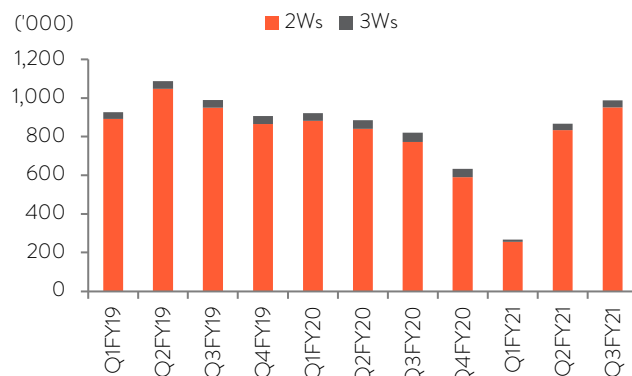
Source: Companies, BOBCAPS Research

FIG 14 – MARUTI SUZUKI



Source: Companies, BOBCAPS Research

FIG 15 – TVS MOTOR



Source: Companies, BOBCAPS Research

Valuation and View

We have factored in a significant revival in demand going forward. Most auto stocks have rallied sharply in the recent past on the back of strong dispatches and continue to be richly valued – much ahead of their long-term P/E multiples. Commodity prices have spiked in the last three months and will add significant pressure on margins. We maintain our negative stance on the entire auto pack.

The steep jump in input costs negatively impacts our FY22 and FY23 earnings forecasts for all tyre companies. Accordingly, we reduce target prices for most players. In contrast, we have upgraded our estimates for tractor industry growth and hence anticipate an improved performance for MM, ESC and VSTT. At the same time, a slower earnings CAGR over FY21-FY23 compels us to reduce target P/E multiples for ESC (from 19x to 17x) and VSTT (from 23x to 20x). We raise our target multiple for AL from 16x to 20x given the sharp growth in estimated earnings over the next two years led by an expected upcycle in MHCV sales.

These revisions coupled with valuation rollover leads to revised Mar'22 target prices for most of our coverage (Fig 16 & 17).

FIG 16 – REVISED ESTIMATES

Ticker	Revenue (%)			EBITDA (%)			EBITDA Margin (bps)			PAT (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
AL IN	0.0	2.7	2.7	(2.0)	1.5	0.8	(12)	(9)	(15)	NA	1.0	0.8
BJAUT IN	4.2	2.0	3.0	(0.7)	(3.7)	(2.9)	(81)	(98)	(102)	2.2	(0.3)	(2.5)
EIM IN	9.1	5.1	5.1	(3.0)	(3.3)	(0.0)	(246)	(189)	(115)	(6.5)	(7.3)	(0.6)
ESC IN	10.1	6.5	4.0	27.6	11.3	7.1	204	58	39	36.2	17.1	14.4
HMCL IN	9.5	1.5	1.5	11.1	(2.5)	(1.7)	17	(52)	(41)	18.5	1.3	0.6
MSIL IN	1.2	(1.9)	(1.9)	(13.6)	(10.9)	(8.9)	(132)	(96)	(77)	(2.0)	(3.4)	(1.9)
MM IN	12.5	6.6	4.7	28.5	5.0	1.3	185	(21)	(46)	29.4	3.1	(0.5)
TVSL IN	7.3	7.2	7.2	11.7	0.4	0.5	29	(53)	(53)	24.3	0.3	0.2
VSTT IN	9.4	8.3	9.2	33.3	19.1	21.2	237	111	125	32.3	18.2	20.3
APTY IN	0.7	2.8	3.2	(10.2)	(4.7)	(4.4)	(145)	(95)	(97)	(47.5)	(19.6)	(21.3)
BIL IN	1.4	(1.2)	(1.2)	(5.5)	(7.7)	(7.7)	(214)	(195)	(195)	(6.1)	(9.8)	(11.1)
CEAT IN	12.2	10.3	10.0	17.1	(2.2)	0.0	47	(127)	(105)	65.1	(18.6)	(6.5)
JKI IN	(0.6)	2.1	2.2	(8.1)	(6.7)	(6.6)	(88)	(103)	(103)	(50.6)	(14.5)	(15.1)
MDA IN	5.8	3.8	3.6	(12.2)	(6.3)	(4.0)	(177)	(113)	(86)	(10.4)	0.6	5.0
MRF IN	1.5	1.8	1.8	2.6	(2.3)	(2.3)	17	(62)	(63)	(9.8)	(8.3)	(8.8)
SWE IN	13.0	11.8	7.6	5.5	5.4	(0.0)	(91)	(76)	(95)	3.3	0.8	(5.7)
SRTY IN	0.9	(1.3)	3.7	(2.2)	(18.2)	(10.6)	(33)	(203)	(166)	10.4	(37.3)	(36.2)

Source: Company, BOBCAPS Research

FIG 17 – REVISED TARGET PRICE AND RATINGS

Ticker	CMP (Rs)	TP (Rs)		Rating		Target Multiple (x)	
		New (Mar'22)	Old (Sep'21)	New	Old	New	Old
AL IN	120	60	44	SELL	SELL	20	16
BJAUT IN	3,572	2,800	2,750	SELL	SELL	15	15
EIM IN	2,890	2,200	1,900	SELL	SELL	24	23
ESC IN	1,345	1,150	1,030	SELL	SELL	17	19
HMCL IN	3,265	2,900	2,700	SELL	SELL	15	15
MSIL IN	8,154	6,900	6,500	SELL	SELL	26	26
MM IN	830	630	510	SELL	SELL	14	13
TVSL IN	511	350	315	SELL	SELL	24	24
VSTT IN	1,921	2,300	2,100	BUY	BUY	20	23
APTY IN	190	140	160	SELL	SELL	16	16
BIL IN	1,709	1,340	1,600	SELL	ADD	22	25
CEAT IN	1,188	780	830	SELL	SELL	14	14
JKI IN	88	70	85	SELL	BUY	7	7
MDA IN	90	110	100	BUY	BUY	15	15
MRF IN	89,936	67,000	73,200	SELL	SELL	22	23
SWE IN	1,382	1,300	1,300	SELL	SELL	18	18
SRTY IN	1,904	1,200	1,780	SELL	SELL	14	14

Source: Company, BOBCAPS Research

Stock performance

FIG 18 – ASHOK LEYLAND



FIG 19 – BAJAJ AUTO

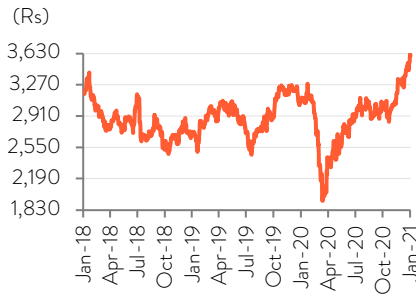


FIG 20 – EICHER MOTORS



FIG 21 – ESCORTS

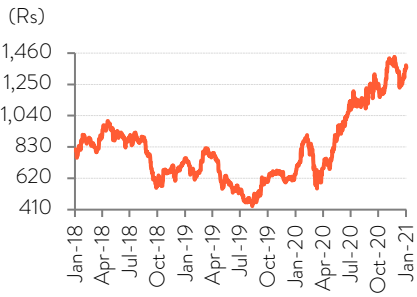


FIG 22 – HERO MOTOCORP

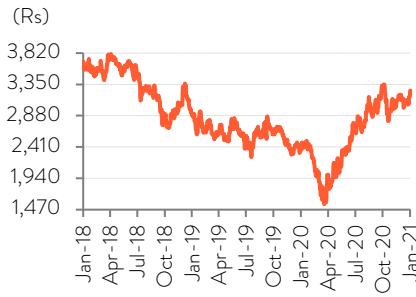


FIG 23 – MARUTI SUZUKI



FIG 24 – MAHINDRA & MAHINDRA

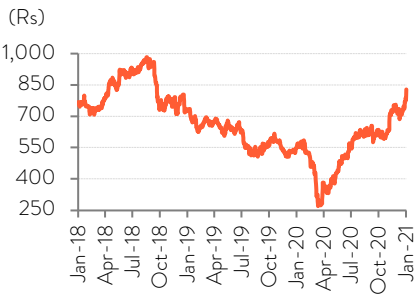


FIG 25 – TVS MOTOR

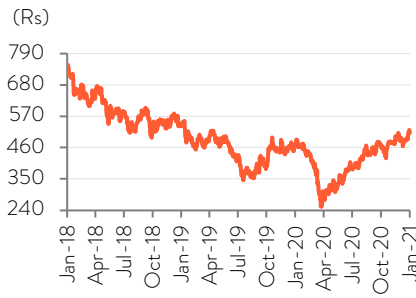


FIG 26 – VST TILLERS TRACTORS



FIG 27 – APOLLO TYRES

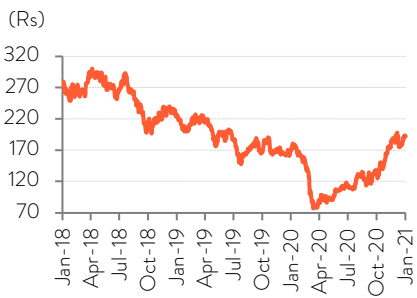


FIG 28 – BALKRISHNA INDUSTRIES

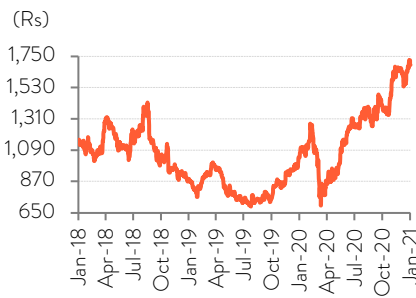


FIG 29 – CEAT



FIG 30 – JK TYRE & INDUSTRIES



FIG 31 – MINDA CORPORATION

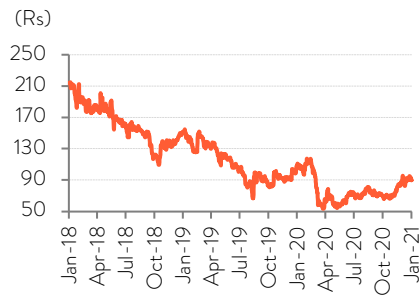


FIG 32 – MRF

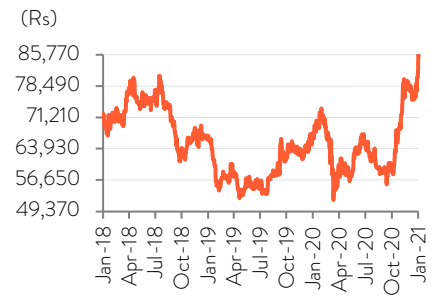


FIG 33 – SWARAJ ENGINES



FIG 34 – TVS SRICHAKRA



Source: NSE

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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