

Q1FY21 result preview

Top Picks

- Balkrishna Industries (BIL IN)
- TVS Motor Company (TVSL IN)

INDIA

Auto & Auto Ancillaries

Dread it. Run from it. Destiny (earnings) still arrives.

- ▶ **Shutdown leads to unprecedented financial impact:** The auto industry saw slump in wholesale dispatches due to the nationwide lockdown leading to no production and sales for first six weeks of Q1FY21 and restricted activity for the latter part of the quarter. CV's fared the worst with M&HCV volumes declined (down >95% YoY) while 3W volumes were down ~75%. On consumer side, 2Ws fared better (~70% decline) than PVs (~80% decline) due to resilient rural demand coupled with release of pent up demand in Jun'20. Tractors were the lone bright spot witnessing a V-shaped recovery (only ~20% drop). Across our coverage universe, amongst OEMs, 2Ws are likely to witness lowest financial impact due to lower fixed costs nature of business while PAT losses are likely to be the norm. Balkrishna Industries is the only coverage stock expected to post earnings growth (2%).
- ▶ **Consumer sentiment remains weak while OEM's try to fix financing issues:** During the quarter, we witnessed that: a) retail demand trends remain modest due to lack of regular business activity in containment zones, which accounted for ~1/3rd sales, and b) OEMs have doled out incentives to spur demand, have tied up with financial institutions to provide flexi credit support schemes as tighter credit clearance norms are further likely to impact demand recovery
- ▶ **Margin pressures to sustain as frequent start-stops to impact productivity:** Weaker product mix, low operating utilisation and continued production start-stops across regions are likely to keep operating margins in check. We expect a few replacement segment/Agri focused companies to do relatively better than others. Amongst OEMs, Bajaj Auto is likely to register the lowest PAT decline at 48% YoY driven by export resilience.
- ▶ **Key factors to watch:** 1) Sustenance of pent-up demand and outlook for upcoming festive season, and 2) new cost initiatives undertaken to protect margins.
- ▶ **Our view:** We expect demand recovery to remain driven by rural markets which have higher income visibility due to better MSPs for the upcoming *kharif* harvest. Also, increased MNREGA spends in allied business activities (e.g. construction), could further boost rural cashflows, hence our relative preference for tractors, 2Ws vis-a-vis PVs, CVs stays.

Quarterly summary

Company	Revenue			EBITDA			Adjusted PAT		
	AMJ' 20	% chg		AMJ' 20	% chg		AMJ' 20	% chg	
(Rs mn)		(YoY)	(QoQ)		(YoY)	(QoQ)		(YoY)	(QoQ)
2-wheelers									
Bajaj Auto	35,399	(54)	(48)	3,758	(69)	(70)	5,908	(48)	(55)
Eicher Motors	8,095	(66)	(63)	748	(88)	(84)	277	(87)	(81)
Hero Motocorp	26,594	(67)	(57)	1,396	(88)	(79)	777	(85)	(88)
TVS Motors	15,778	(65)	(55)	(267)	NC	NC	(1,363)	NC	NC
4-wheelers									
Ashok Leyland	3,430	(94)	(91)	(2,514)	NC	NC	(3,464)	NC	NC
M&M	54,281	(58)	(40)	4,510	(75)	(63)	3,230	(70)	(65)
Maruti Suzuki	36,253	(82)	(80)	(3,116)	NC	NC	(3,836)	NC	NC
Tata Motors	313,337	(49)	(50)	(18,961)	NC	NC	(86,401)	NC	NC
Ancillaries									
Asahi India	2,846	(59)	(52)	(19)	NC	NC	(548)	NC	NC
Balkrishna Inds.	10,436	(14)	(25)	2,981	0.7	(27)	1,805	2	(30)
Bharat Forge	4,623	(66)	(48)	163	(95)	(85)	(527)	NC	NC
Bosch	11,831	(57)	(47)	727	(85)	(79)	584	(79)	(28)
CEAT	10,222	(40)	(33)	957	(40)	(50)	(68)	NC	NC
Mahindra CIE	9,639	(56)	(42)	81	(97)	(96)	(702)	NC	NC
Motherson Sumi	92,952	(45)	(39)	120	(99)	(99)	(4,158)	NC	NC
Varroc Engineering	16,416	(43)	(41)	(470)	NC	NC	(2,220)	NC	NC
Wabco Ltd	1,853	(71)	(54)	(295)	NC	NC	(237)	NC	NC

Source: I-Sec research; AMJ'20: Apr-Jun'20

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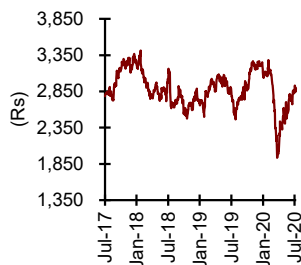
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2-Wheelers

Bajaj Auto (ADD)

(QoQ chg: 18%; YoY chg: 5.6%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	35,399	77,558	(54.4)	68,159	(48)
Raw material costs	24,041	55,638	(56.8)	46,653	(48)
Employee costs	3,800	3,605	5.4	3,421	11
Other expenditures	3,800	6,333	(40.0)	5,557	(32)
Total operating expenses	31,641	65,576	(51.7)	55,631	(43)
EBITDA	3,758	11,982	(68.6)	12,528	(70)
EBITDA margin (%)	10.6	15.4	-483 bps	18.4	-776 bps
Depreciation & Amortisation	664	601	10	633	5
Other income	4,794	4,413	9	5,327	(10)
Interest costs	10	5		9	
PBT	7,878	15,788	(50)	17,212	(54)
Exceptional Items	-	-		-	
Taxes	1,969	4,531	(57)	4,109	(52)
PAT	5,908	11,257	(48)	13,103	(55)

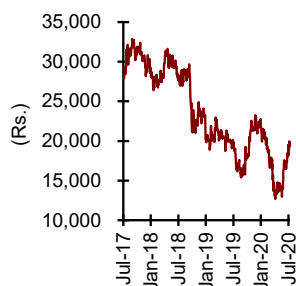
Source: Company data, I-Sec research

- Domestic volumes declined ~65% YoY, with domestic 2W segment dropping 70% YoY while domestic 3W slumped 94% YoY. Exports dropped 54% YoY due to Covid-related production shutdowns.
- We expect ~16% QoQ increase in realisations on account of BS-VI price hikes, higher export realisations (aided by INR depreciation). We expect gross margins to increase 382bps YoY and employee costs to remain high (up 609bps YoY). We expect EBITDA to decline ~69% YoY.
- We expect PAT to drop ~48% YoY boosted by lower tax (at 25%).
- **Key monitorables:** Outlook of 3-W business, impact of downtrading, and outlook on demand in key export markets

Eicher Motors (ADD)

(QoQ chg: 41.6%; YoY chg: 3.7%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	8,095	23,526	-65.6	21,795	-62.9
Raw material costs	4,615	12,834	-64.0	12,602	-63.4
Employee costs	1,641	2,041	-19.6	2,051	-20.0
Other expenditures	1,124	2,667	-57.8	2,902	-61.2
Purchase of traded goods	-32	-109	-70.4	-293	-89.0
Total operating expenses	7,348	17,433	-57.9	17,263	-57.4
EBITDA	748	6,093	-87.7	4,533	-83.5
EBITDA margin (%)	9.2	25.9	-1667 bps	20.8	-1156 bps
Depreciation & Amortisation	1,094	868	26.0	1,079	1.4
Other income	1,458	1,884	-22.6	1,462	-0.3
Interest costs	13	29	-57.3	25	-49.2
PBT	1,099	7,079	-84.5	4,891	-77.5
Taxes	-	-	-	-	-
PAT	277	2,097	-86.8	1,429	-80.6

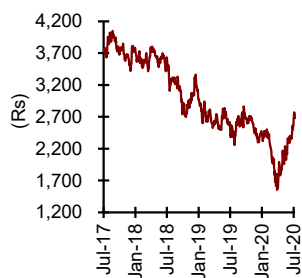
Source: Company data, I-Sec research

- Royal Enfield volumes declined ~69% YoY due to Covid-related sales loss and discretionary demand weakness across markets. Realisations are expected to improve ~10% YoY due to the increasing contribution of 650cc twins, BS-VI price increases. Revenues thus are expected to be down ~66% YoY.
- We expect EBITDA margin to decline 1,667bps YoY to 9.2% as employee costs are likely to remain sticky (up 1,160bps). Thus, PAT is likely to decline 87% YoY.
- **Key monitorables:** New model launch timelines, guidance and demand outlook, levers to improve margins.

Hero MotoCorp (HOLD)

(QoQ chg: 34.7%; YoY chg: 11.7%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	26,594	80,303	(66.9)	62,384	(57.4)
Raw material costs	18,520	55,919	(66.9)	43,200	(57.1)
Employee costs	3,483	4,677	(25.5)	4,354	(20.0)
Other expenditures	3,194	8,127	(60.7)	8,231	(61.2)
Total operating expenses	25,197	68,723	(63.3)	55,785	(54.8)
EBITDA	1,396	11,580	(87.9)	6,599	(78.8)
EBITDA margin (%)	5.3	14.4	-917 bps	10.6	-533 bps
Depreciation & Amortisation	1,922	2,361	(18.6)	1,747	10.0
Other income	1,610	2,188	(26.4)	1,695	(5.0)
Interest costs	49	44	11.5	41	20.0
PBT	0	0	NC	0	NC
Exceptional Items	1,036	11,364	(90.9)	6,506	(84.1)
Taxes	259	6,165	(95.8)	299	(13.3)
PAT	777	5,199	(85.1)	6,207	(87.5)

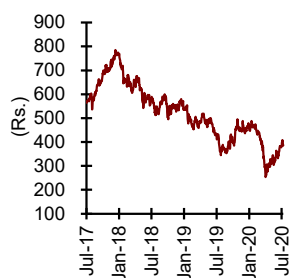
Source: Company data, I-Sec research

- We expect revenue decline of ~67% YoY largely due to volume drop of ~70% YoY. However, net realisations are expected to improve ~8% due to pass-through of the BS-VI price increase.
- We expect EBITDA margin to decline 917bps YoY due to higher other expenses (up 189bps) and sticky employee costs (up 727bps).
- **Key monitorables:** Channel inventory levels, demand outlook and customer response for new products launched.

TVS Motor Company (BUY)

(QoQ chg: 26.1%; YoY chg: -7.8%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	15,778	44,686	(64.7)	35,034	(55.0)
Raw material costs	11,839	33,577	(64.7)	26,098	(54.6)
Employee costs	1,781	2,489	(28.4)	2,227	(20.0)
Other expenditures	2,425	5,063	(52.1)	4,041	(40.0)
Total operating expenses	16,045	41,128	(61.0)	32,366	(50.4)
EBITDA	(267)	3,558	NC	2,669	NC
EBITDA margin (%)	-1.7%	8.0%	-965 bps	7.6%	-931 bps
Depreciation & Amortisation	1,306	1,194	9.4	1,243	5.0
Other income	13	12	10.0	251	(95)
Interest costs	258	291	(11.4)	235	10.0
PBT	(1,817)	2,085	NC	1,442	NC
Exceptional Items	-	-		(323)	
Taxes	(454)	662	NC	160	NC
PAT	(1,363)	1,423	NC	959	NC

Source: Company data, I-Sec research

- TVS' volumes declined 70% YoY while realisations are expected to be up ~18% on better product mix and increased prices post BS-VI introduction. We expect revenue decline of ~65% even as gross margins are likely to remain flat (up 11bps).
- EBITDA margin is expected to decline 965bps while TVS is likely to report loss of Rs1.36bn.
- **Key monitorables:** Demand outlook, new product launches, and guidance on margin trajectory.

4-Wheelers

Ashok Leyland (ADD)

(QoQ chg: 12.1%; YoY chg: -39.2%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	3,430	56,839	(94)	38,385	(91)
Raw material costs	2,453	39,737	(94)	27,290	(91)
Employee costs	2,458	5,004	(51)	4,097	(40)
Other expenditures	1,034	6,728	(85)	5,168	(80)
Total operating expenses	5,945	51,469	(88)	36,555	(84)
EBITDA	-2,514	5,370	NC	1,830	NC
EBITDA margin (%)	(73.3)	9.4	-8274 bps	4.8	-7806 bps
Depreciation & Amortisation	1,950	1,646	18	1,877	4
Other income	276	211	31	344	(20)
Interest costs	430	126	243	331	30
PBT	-4,619	3,809	NC	-34	NC
Exceptional Items	0	-201	-100	-687	-100
Taxes	-1,155	1,305	NC	-148	NC
PAT	-3,464	2,302	NC	-573	NC
Adjusted PAT	-3,464	2,434	NC	-113	NC

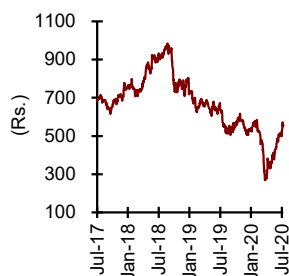
Source: Company data, I-Sec research

- M&HCV volumes dropped 96% YoY while LCVs declined 72% YoY, thus, leading to revenue decline of ~94% YoY.
- We expect margins to decline ~8,274bps YoY due to sharply negative operating leverage. We expect adjusted-PAT to be at a negative ~Rs3.5bn.
- **Key monitorables:** Update on M&HCV growth outlook for FY21E, scrappage policy update, and feedback for AVTR platform.

Mahindra & Mahindra (ADD)

(QoQ chg: 45.4%; YoY chg: -10.8%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	54,281	1,28,055	(58)	90,047	(40)
Raw material costs	35,228	86,971	(59)	57,898	(39)
Employee costs	6,058	8,679	(30)	7,127	(15)
Other expenditures	8,485	14,469	(41)	12,748	(33)
Total operating expenses	49,770.8	1,10,119.2	(54.8)	77,772.7	(36)
EBITDA	4,510.2	17,935.5	(74.9)	12,274.5	(63)
EBITDA margin (%)	8.3	14.0	-570 bps	13.6	-532 bps
Depreciation & Amortisation	6,789	5,839	16	6,172	10
Other income	2,840	1,919	48	3,155	(10)
Interest costs	413	302	37	359	15
PBT	148	13,714	(99)	8,899	(98)
Exceptional Items	-	13,671	(100)	(35,776)	NC
Taxes	37	4,787	(99)	5,673	(99)
PAT	111	22,597	(100)	(32,550)	(100)
Adjusted PAT	3,230	10,740	(70)	9,340	(65)

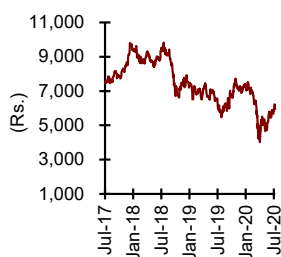
Source: Company data, I-Sec research

- Overall automotive volumes declined ~76% YoY while tractor segment performed better at ~24% decline YoY.
- We expect margins to decline ~570bps YoY to 8.3% on account of higher other expenses (up 433bps) and employee costs (up 438bps) despite the tractor segment salvaging the decline.
- One of the few OEM's which is expected to post a positive PAT (Rs3.2bn).
- **Key monitorables:** Update on launches of BS-VI products, growth outlook for FY21E in auto & tractor segment, and margin guidance.

Maruti Suzuki (SELL)

(QoQ chg: 11.8%; YoY chg: 0.6%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	36,253	1,97,198	-81.6	1,81,987	-80.1
Raw material costs	25,381	1,40,913	-82.0	1,27,914	-80.2
Employee costs	7,784	8,591	-9.4	8,194	-5.0
Other expenditures	6,204	27,216	-77.2	30,415	-79.6
Total operating expenses	39,369	1,76,720	-77.7	1,66,523	-76.4
EBITDA	-3,116	20,478	NC	15,464	NC
EBITDA margin (%)	-8.6	10.4	-1898 bps	8.5	-1709 bps
Depreciation & Amortisation	9,053	9,186	-1.4	8,230	10.0
Other income	7,528	8,364	-10.0	8,804	-14.5
Interest costs	340	547	-37.9	283	20.0
PBT	-4,981	19,109	NC	15,755	NC
Exceptional Items	-	-		-	
Taxes	-1,146	4,754	NC	2,838	NC
PAT	-3,836	14,355	NC	12,917	NC

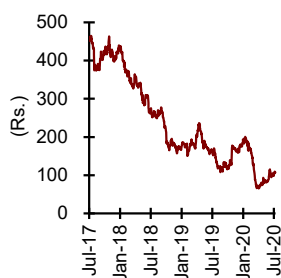
Source: Company data, I-Sec research

- Revenues are expected to decline 82% YoY due to domestic PV volumes decline of 82% YoY and exports decline of 66% YoY. Realisations are likely to shrink 3.4% YoY at Rs473k due to mix (downtrading/ no diesel sales).
- We expect EBITDA loss of Rs3.1bn, down 1,898bps YoY, as employee expenses remain high at 21.5% of sales (up 1712bps).
- We expect PAT loss of Rs3.8bn.
- **Key monitorables:** Demand outlook and guidance for FY21, discounting trends, and update on new product launches.

Tata Motors (BUY)

(QoQ chg: 44.2%; YoY chg: -29.1%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	3,13,337	6,14,670	-49.0	6,24,930	-49.9
Raw material costs	1,84,507	3,97,755	-53.6	4,08,096	-54.8
Employee costs	65,258	77,196	-15.5	76,987	-15.2
Other expenditures	82,533	1,03,200	-20.0	1,20,072	-31.3
Total operating expenses	3,32,298	5,78,151	-42.5	6,05,156	-45.1
EBITDA	-18,961	36,519	NC	19,774	NC
EBITDA margin (%)	-6.1	6.2	-1222 bps	5.9	-1191 bps
Depreciation & Amortisation	60,773	51,117	18.9	58,149	4.5
Other income	5,238	8,360	-37.3	5,645	-7.2
Interest costs	20,207	17,116	18.1	19,528	3.5
Product Dev. Exp.	9,585	7,940	20.7	12,865	-25.5
PBT	-1,04,289	-31,294	NC	-65,123	NC
Taxes	-18,771	1,961	NC	3,583	NC
PAT before MI, PA and Excep.	-85,518	-33,254	NC	-68,706	NC
Minority Interests	250	220	13.6	305	-18.0
Profit from Associates	-634	-2,454	NC	-1,925	-67.1
Less: Exceptional Items	-	1,088	-100.0	28,007	NC
PAT	-86,401	-37,017	NC	-98,943	NC
Adjusted PAT	-86,401	-35,928	NC	-70,936	NC

Source: Company data, I-Sec research

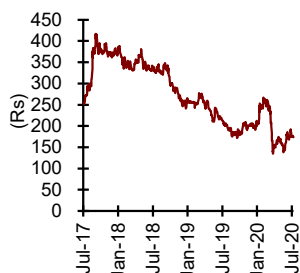
- JLR retail volumes have declined ~48% YoY (at ~60k units).
- Topline is expected to decline 49% with EBITDA margin down 1,222bps to -6.1%.
- We expect JLR to post revenues of ~GBP 2.3bn (down ~49% YoY) with adjusted EBITDA margin of -4.9% (down 912bps YoY). On operational basis, we expect JLR to report a loss of ~GBP 614mn.
- Standalone business is expected to witness a topline decline of ~84% YoY and is likely to post EBITDA margin drop of ~4315bps YoY to -36.7%.
- **Key monitorables:** Demand and inventory situation globally, discounting trends across JLR's key markets, outlook on capital expenditure and R&D, domestic business turnaround strategy.

Ancillaries

Asahi India Glass (BUY)

(QoQ chg: 7.8%; YoY chg: -16.4%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	2,846	6,997	-59	5,911	-52
Raw material costs	982	2,357	-58	1,705	-42
Employee costs	541	652	-17	636	-15
Other expenditures	953	1,676	-43	1,792	-47
Power & Fuel	390	1,050	-63	852	-54
Total operating expenses	2,865	5,736	-50	4,985	-43
EBITDA	-19	1,262	NC	926	NC
EBITDA margin (%)	-0.7	18.0	-1869 bps	15.7	-1633 bps
Depreciation & Amortisation	360	316	14	350	3
Other income	18	29	-40	19	-9
Interest costs	371	360	3	341	9
PBT	-733	615	NC	254	NC
Exceptional Items	-	-	-	-	-
Taxes	-185	213	NC	-304	NC
PAT	-548	401	NC	558	NC
Adjusted PAT	-548	401	NC	558	NC

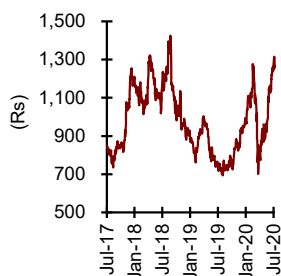
Source: Company data, I-Sec research

- We expect topline decline of ~59% YoY due to weakness in automotive (~62% YoY decline) and non-automotive segments at ~53% YoY decline
- We expect EBITDA margin to shrink 1,869bps YoY at -0.7% due higher employee costs (up 968bps) and higher other expenses (up 953bps) despite lower gas prices (down 132bps) and lower import costs.
- Expect adjusted-PAT loss at Rs548mn.
- **Key monitorables:** Gas costs trajectory going ahead, demand scenario in various segments and industry scenario on pricing, and imports on architectural side.

Balkrishna Industries (ADD)

(QoQ chg: 44.4%; YoY chg: 74.4%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	10,436	12,175	-14.3	13,897	-24.9
Raw material costs	4,325	5,750	-24.8	6,049	-28.5
Employee costs	724	696	4.2	754	-4.0
Other expenditures	2,405	2,770	-13.2	3,020	-20.4
Total operating expenses	7,455	9,215	-19.1	9,824	-24.1
EBITDA	2,981	2,959	0.7	4,074	-26.8
EBITDA margin (%)	28.6	24.3	426 bps	29.3	-75 bps
Depreciation & Amortisation	1,020	841	21.3	983	3.8
Other income	441	440	0.2	314	40.4
Interest costs	21	18	14.7	19	8.6
PBT	2,382	2,541	-6.3	3,386	-29.7
Exceptional Items	-	-	-	-	-
Taxes	576	776	-25.7	815	-29.3
PAT	1,805	1,765	2.3	2,571	-29.8
Adjusted PAT	1,805	1,765	2.3	2,571	-29.8

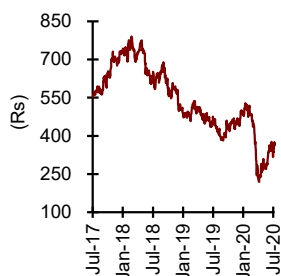
Source: Company data, I-Sec research

- We expect the company's volumes to decline ~20% YoY (~41kMT) on account of production shutdown in India. We expect topline to decline ~14% YoY.
- Margins are expected to improve 426bps YoY to 28.6% due to reduced RM costs and carbon black benefits leading to gross margin increase of 578bps.
- We expect adjusted PAT growth to be flat at 2.3% YoY.
- **Key monitorables:** Update on agri, OTR market outlook, expected margin trends, and pricing outlook across segments.

Bharat Forge (SELL)

(QoQ chg: 44.4%; YoY chg: -20.0%)

Price chart



Quarterly estimates (Standalone)

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	4,623	13,466	-65.7	8,812	-47.5
Raw material costs	1,858	4,983	-62.7	3,249	-42.8
Employee costs	951	1,238	-23.2	1,189	-20.0
Other expenditures	1,650	3,750	-56.0	3,271	-49.5
Total operating expenses	4,459	9,970	-55.3	7,709	-42.2
EBITDA	163	3,496	-95.3	1,103	-85.2
EBITDA margin (%)	3.5	26.0	-2243 bps	12.5	-899 bps
Depreciation & Amortisation	877	886	-1.0	847	3.5
Other income	352	401	-12.2	315	11.8
Interest costs	343	388	-11.7	415	-17.4
PBT	-704	2,623	NC	157	NC
Exceptional Items	-	-	-	939	-
Taxes	-177	881	NC	-50	NC
PAT	-527	1,742	NC	-732	NC

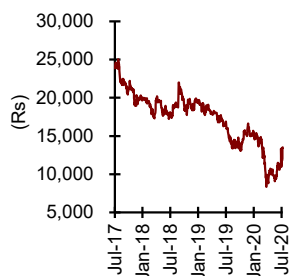
Source: Company data, I-Sec research

- We expect standalone revenue decline of ~66% YoY due to fall in production across CV segments.
- Company is expected to witness 2,243bps YoY EBITDA margin contraction to 3.5% due to negative operating leverage.
- We expect PAT to decline ~130% YoY to a negative ~Rs527mn on account of higher depreciation and amortisation charge (up 1,239bps).
- **Key monitorables:** Revival of domestic CV segment, North American Class-8 truck demand, and reduction of losses in subsidiaries.

Bosch (REDUCE)

(QoQ chg: 30.6%; YoY chg: -16.2%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	11,831	27,554	-57	22,368	-47
Raw material costs	6,513	15,002	-57	12,057	-46
Employee costs	2,487	3,524	-29	2,763	-10
Other expenditures	2,105	4,181	-50	4,135	-49
Total operating expenses	11,105	22,707	-51	18,955	-41
EBITDA	727	4,848	-85	3,413	-79
EBITDA margin (%)	6.1	17.6	-1145 bps	15.3	-912 bps
Depreciation & Amortisation	806	749	8	1,158	-30
Other income	889	988	-10	1,404	-37
Interest costs	29	18	61	49	-42
PBT	780	5,068	-85	3,610	-78
Exceptional Items	-	821	-	2,970	-
Taxes	197	1,432	-86	-170	-215
PAT	584	2,816	-79	811	-28

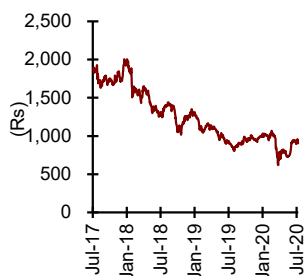
Source: Company data, I-Sec research

- We expect revenue decline of ~57% YoY due to fall in production across all major automotive segments.
- Company is expected to witness 1,145bps YoY EBITDA margin contraction to 6.1%.
- We expect PAT to decline ~79% YoY to ~Rs584mn as 'other income' improved 393bps and tax rate normalised to ~25%.
- **Key monitorables:** Details on content increase post BS-VI, strategy to reduce dependency on China imports, performance in 2W segment, margin outlook.

CEAT (ADD)

(QoQ chg: 9.6%; YoY chg: -0.7%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	10,222	17,036	-40.0	15,236	-32.9
Raw material costs	5,622	10,475	-46.3	8,473	-33.6
Employee costs	1,042	1,240	-15.9	1,303	-20.0
Other expenditures	2,600	3,715	-30.0	3,561	-27.0
Total operating expenses	9,264	15,429	-40.0	13,337	-30.5
EBITDA	957	1,607	-40.4	1,899	-49.6
EBITDA margin (%)	9.4	9.4	-7 bps	12.5	-310 bps
Depreciation & Amortisation	727	595	22.3	693	5.0
Other income	52	148	-65.2	65	-20.0
Interest costs	372	296	25.7	338	10.0
PBT	-90	865	NC	933	NC
Exceptional Items	-	6	-100.0	281	-100
Taxes	-23	-11	NC	94	NC
PAT	-68	870	NC	558	NC
Adjusted PAT	-68	874	NC	755	NC

Source: Company data, I-Sec research

- We expect revenues to decline ~40% YoY due to lower replacement volumes and mix.
- We expect EBITDA margin to remain flat YoY at 9.4% on account of higher gross margins (up 649bps), lower employee costs and marketing spends.
- Adjusted PAT is likely to be at a negative Rs68mn.
- **Key monitorables:** Outlook on industry pricing, demand scenario in replacement market, and progress on capex plans.

Mahindra CIE (BUY)

(QoQ chg: 52.3%; YoY chg: -48.4%)

Quarterly estimates

(Rs mn, year ending March 31)



	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	9,639	21,745	-56	16,627	-42
Raw material costs	4,471	10,145	-56	7,629	-41
Employee costs	2,516	3,561	-29	3,145	-20
Other expenditures	2,570	5,214	-51	4,031	-36
Total operating expenses	9,557	18,920	-49	14,805	-35
EBITDA	81	2,825	-97	1,822	-96
EBITDA margin (%)	0.8	13.0	-1215 bps	11.0	-1011 bps
Depreciation & Amortisation	856	740	16	815	5
Other income	44	148	-70	49	-10
Interest costs	206	103	100	187	10
PBT	-936	2,130	NC	869	NC
Exceptional Items	-	-0	-	413	-
Taxes	-234	593	NC	247	NC
Reported PAT	-702	1,537	NC	209	NC

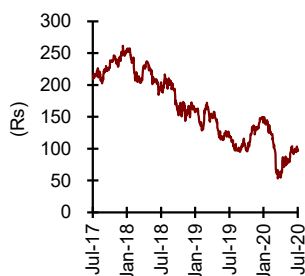
Source: Company data, I-Sec research

- Revenues are expected to decline 56% and gross margins to remain flat at 53.6%.
- EBITDA margin is likely to contract 1,215bps to 0.8% on account of higher employee costs.
- We expect PAT loss at Rs702mn on higher below EBITDA fixed costs.
- **Key monitorables:** Update on demand scenario in India & Europe, new order wins in India, and update on cost reduction exercises.

Motherson Sumi Systems (BUY)

(QoQ chg: 45.6%; YoY chg: -18.9%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	92,952	1,67,925	-44.6	1,51,591	-38.7
Raw material costs	51,518	96,586	-46.7	84,411	-39.0
Employee costs	31,321	39,171	-20.0	38,028	-17.6
Other expenditures	9,574	19,619	-51.2	15,235	-37.2
Forex Loss/(Gain)	419	-	-	-	-
Total operating expenses	92,832	1,55,375	-40.3	1,37,675	-32.6
EBITDA	120	12,550	-99.0	13,916	-99.1
Adj. EBITDA margin (%)	0.1	7.5	-734 bps	9.2	-905 bps
Depreciation & Amortisation	7,569	6,365	18.9	7,634	-0.9
Other income	301	547	-44.9	151	99.2
Interest costs	1,348	1,559	-13.6	1,382	-2.5
PBT	-8,494	5,173	NC	5,051	NC
Exceptional Items	-	-	-	292	-
Taxes	-2,894	1,774	NC	3,315	NC
PAT before MI	-5,600	3,399	NC	1,444	NC
Minority Interests	-1,697	291	NC	-477	NC
PAT after MI	-3,903	3,108	NC	1,921	NC
Profit from Associates	-255	207	NC	-87	NC
PAT	-4,158	3,316	NC	1,834	NC
Adjusted PAT	-4,158	3,316	NC	1,923	NC

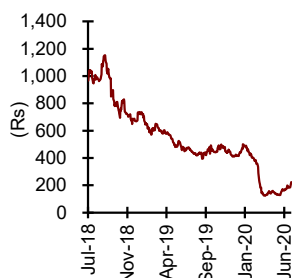
Source: Company data, I-Sec research

- Consolidated revenues are expected to decline 44.6% YoY mainly due to plant shutdown across various facilities in the EU.
- EBITDA margin is expected to decline 734bps to 0.1%.
- Revenues from SMR are expected to decline ~46% QoQ while SMP revenues are likely to shrink by 38% leading to margin contraction of 756bps and 1,037bps respectively.
- **Key monitorables:** Progress on greenfield facilities in SMP (US, Hungary), update on India business content growth and margin trajectory.

Varroc Engineering (BUY)

(QoQ chg: 72.2%; YoY chg: -50.2%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	16,416	28,981	-43.4	27,926	-41.2
Raw material costs	11,115	17,361	-36.0	18,628	-40.3
Employee costs	3,042	4,193	-27.5	4,055	-25.0
Other expenditures	2,730	4,457	-38.8	4,085	-33.2
Total operating expenses	16,886	26,011	-35.1	26,769	-36.9
EBITDA	-470	2,970	NC	1,157	NC
EBITDA margin (%)	-2.9	10.2	-1311 bps	4.1	-701 bps
Depreciation & Amortisation	2,169	1,646	31.8	2,066	5.0
Other income	6	12	-45.0	8	-20.0
Interest costs	362	313	15.8	362	-
PBT	-2,995	1,023	NC	-1,263	NC
Exceptional Items					
Taxes	-749	146	NC	4	NC
PAT before MI/JV	-2,246	876	NC	-1,266	NC
MI/JV profits	30	-1	NC	-105	NC
Adjusted PAT	-2,220	868	NC	-1,376	NC

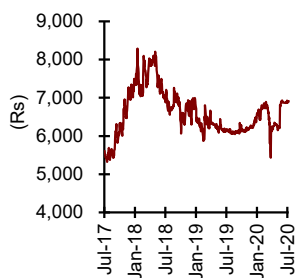
Source: Company data, I-Sec research

- We expect 43.4% YoY decline in revenues due to major OEM shutdowns across the EU and US; gross margin is likely to be down 780bps YoY to ~32%.
- Expect adjusted-EBITDA margin to shrink by 1,311bps YoY to -2.9% due to higher employee costs (up 406bps YoY).
- We expect PAT loss at Rs2.2bn on account of higher interest cost, D&A and offset by lower taxes.
- **Key monitorables:** Normalisation of VLS profitability from new plants, revenue growth outlook in domestic business post BS-VI, and outlook on margins.

Wabco India (SELL)

(QoQ chg: 10.7%; YoY chg: 12.5%)

Price chart



Quarterly estimates

(Rs mn, year ending March 31)

	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Total operating income	1,853	6,378	-71	4,049	-54
Raw material costs	1,377	4,064	-66	2,282	-40
Employee costs	494	638	-23	671	-26
Other expenditures	277	807	-66	579	-52
Total operating expenses	2,148	5,508	-61	3,532	-39
EBITDA	-295	870	NC	517	NC
EBITDA margin (%)	-15.9	13.6	-2954 bps	12.8	-2868 bps
Depreciation & Amortisation	272	222	22	247	10
Other income	250	153	63	181	38
Interest costs	1	3	-67	6	-87
PBT	-317	798	NC	446	-171
Exceptional Items	-	-	-	-	-
Taxes	-80	251	NC	130	-161
PAT	-237	548	NC	316	-175

Source: Company data, I-Sec research

- We expect ~71% YoY decline in revenues owing to weakness in domestic M&HCV.
- We expect adjusted-EBITDA margin to decline ~2,954bps YoY to -15.9% due to higher employee costs (up 1667bps).
- We expect PAT to decline to negative Rs237mn despite higher 'other income' and lower taxes.
- **Key monitorables:** Adoption rates of new products such as AMT/ESC amongst large M&HCV OEMs, outlook on exports and domestic volume growth in FY21, and outlook on margins.

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