

Top Research Picks

- ➔ HCL Technologies: Acquires Geometric for US\$ 192mn
- ➔ Mphasis: Blackstone acquires HP stake, price below par

Other Research

- ➔ India Energy: CGD price cut data implies margin improvement
- ➔ India Automobiles: Pick-up in 2W, LCV demand noteworthy

5 April 2016



4 April 2016
BUY
TP: INR 975.00
▲ 18.8%

HCL Technologies

HCLT IN

Acquires Geometric for US\$ 192mn

HCLT has announced the acquisition of Geometric Ltd in an all-stock deal, issuing 10 shares for every 43 shares in the latter. Geometric specialises in engineering services and PLM consultancy, with over 60 clients in the automotive and industrial engineering segments. We believe the deal is small and while it further strengthens the traditional business, it does not add new capabilities. Also, it will be EPS-dilutive by 30bps, adding only 2% to HCLT's topline with little scope for value add.

- ➔ **Another tuck-in acquisition:** HCLT has announced the 100% acquisition of Geometric (except the 58% stake in Geometric's JV – 3DPLM Software Solutions) in an all-stock deal worth US\$ 192mn. HCLT will issue 10 equity shares in lieu of every 43 shares in Geometric. The deal aims to strengthen HCLT's product lifecycle management (PLM) consultancy and engineering services portfolio. Currently, 19% of HCLT's revenues are derived from engineering services.
- ➔ **Geometric adds to engineering services capabilities:** Geometric provides engineering services, PLM consultancy, embedded system solutions and digital technology solutions to more than 60 clients in the US and Europe, primarily in the automotive and industrial engineering segments. All of Geometric's 2,606 employees spread across 13 delivery centres will be absorbed by HCLT. Geometric earned revenues of Rs 6.7bn in 9MFY16 and Rs 8.1bn in FY15.
- ➔ **Marginal financial impact:** We estimate that the acquisition will add ~2% to HCLT's overall revenues. But below-company-average margins (13.5% for Geometric as of Q3FY16 vs. 20.5% for HCLT) will make the deal marginally EPS-dilutive by 30bps.
- ➔ **View:** We view this as a small acquisition for HCLT and, at 1.5x FY15 sales, a tad expensive. It does provide cross-selling opportunities in terms of services & clients, but mostly in traditional services. We do not foresee much value add in terms of forward-looking capabilities. However, HCLT's valuations at 13.1x FY17E EPS are attractive – we maintain BUY with a Mar'17 TP of Rs 975 (14.5x one-year fwd P/E).

Financial Highlights

Y/E 30 Jun	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	329,769	370,826	421,104	470,038	524,776
EBITDA (INR mln)	86,815	86,984	89,524	108,109	120,698
Adjusted net profit (INR mln)	63,810	72,525	74,607	88,530	99,692
Adjusted EPS (INR)	45.1	51.4	52.9	62.7	70.6
Adjusted EPS growth (%)	58.2	13.8	2.9	18.7	12.6
DPS (INR)	22.3	32.8	33.0	32.0	32.0
ROIC (%)	55.2	48.5	41.1	42.9	44.4
Adjusted ROAE (%)	37.8	33.0	29.1	29.6	30.3
Adjusted P/E (x)	18.2	16.0	15.5	13.1	11.6
EV/EBITDA (x)	6.2	5.5	5.2	4.3	3.6
P/BV (x)	5.7	4.9	4.2	3.6	3.4

Source: Company, Bloomberg, RCML Research



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PRICE CLOSE (01 Apr 16)

INR 820.40

MARKET CAP

INR 1,157.1 bln
USD 17.5 bln

SHARES O/S

700.0 mln

FREE FLOAT

28.6%

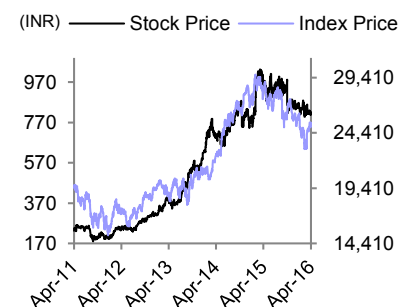
3M AVG DAILY VOLUME/VALUE

1.8 mln / USD 22.3 mln

52 WK HIGH

INR 1,047.50

52 WK LOW

INR 784.95

[Click here](#) for the full report.

BUY

TP: INR 975.00

▲ 18.8%

HCL Technologies

HCLT IN



Company Update

INDIA

INFORMATION TECHNOLOGY

Per Share Data

Y/E 30 Jun (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	45.1	51.4	52.9	62.7	70.6
Adjusted EPS	45.1	51.4	52.9	62.7	70.6
DPS	22.3	32.8	33.0	32.0	32.0
BVPS	144.6	167.0	195.8	227.3	239.2

Valuation Ratios

Y/E 30 Jun (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	1.6	1.3	1.1	1.0	0.8
EV/EBITDA	6.2	5.5	5.2	4.3	3.6
Adjusted P/E	18.2	16.0	15.5	13.1	11.6
P/BV	5.7	4.9	4.2	3.6	3.4

Financial Ratios

Y/E 30 Jun	FY14A	FY15A	FY16E	FY17E	FY18E
Profitability & Return Ratios (%)					
EBITDA margin	26.3	23.5	21.3	23.0	23.0
EBIT margin	24.1	22.2	19.8	21.6	21.6
Adjusted profit margin	19.3	19.6	17.7	18.8	19.0
Adjusted ROAE	37.8	33.0	29.1	29.6	30.3
ROCE	36.4	28.9	25.3	26.4	26.8
YoY Growth (%)					
Revenue	28.2	12.5	13.6	11.6	11.6
EBITDA	50.8	0.2	2.9	20.8	11.6
Adjusted EPS	58.2	13.8	2.9	18.7	12.6
Invested capital	16.7	16.0	19.8	12.8	4.1
Working Capital & Liquidity Ratios					
Receivables (days)	97	107	108	109	106
Inventory (days)	0	0	0	0	0
Payables (days)	108	112	101	95	87
Current ratio (x)	2.4	2.6	2.7	3.0	3.1
Quick ratio (x)	1.2	1.3	1.2	1.4	1.5
Turnover & Leverage Ratios (x)					
Gross asset turnover	2.6	2.6	2.7	2.7	2.8
Total asset turnover	1.3	1.1	1.1	1.2	1.2
Net interest coverage ratio	0.0	0.0	0.0	0.0	0.0
Adjusted debt/equity	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)

DuPont Analysis

Y/E 30 Jun (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	80.5	79.2	78.4	78.0	78.0
Interest burden (PBT/EBIT)	99.8	111.1	114.0	111.8	112.5
EBIT margin (EBIT/Revenue)	24.1	22.2	19.8	21.6	21.6
Asset turnover (Revenue/Avg TA)	125.7	112.1	114.7	115.7	119.6
Leverage (Avg TA/Avg equities)	155.5	150.5	143.4	136.1	133.3
Adjusted ROAE	37.8	33.0	29.1	29.6	30.3

BUY

TP: INR 975.00

▲ 18.8%

HCL Technologies

HCLT IN



Company Update

INDIA

INFORMATION TECHNOLOGY

Income Statement

Y/E 30 Jun (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Total revenue	329,769	370,826	421,104	470,038	524,776
EBITDA	86,815	86,984	89,524	108,109	120,698
EBIT	79,481	82,492	83,489	101,497	113,583
Net interest income/(expenses)	0	0	0	0	0
Other income/(expenses)	(166)	9,120	11,687	12,003	14,228
Exceptional items	0	0	0	0	0
EBT	79,315	91,613	95,176	113,501	127,811
Income taxes	(15,505)	(19,088)	(20,569)	(24,970)	(28,118)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	(1)	0	0	0	0
Reported net profit	63,810	72,525	74,607	88,530	99,692
Adjustments	0	0	0	0	0
Adjusted net profit	63,810	72,525	74,607	88,530	99,692

Balance Sheet

Y/E 30 Jun (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	83,274	91,001	93,133	96,160	96,824
Other current liabilities	0	0	0	0	0
Provisions	0	0	0	0	0
Debt funds	7,632	4,617	1,600	1,607	1,607
Other liabilities	14,847	12,409	11,402	11,447	11,447
Equity capital	954	979	1,032	1,036	1,036
Reserves & surplus	203,072	234,747	275,398	319,858	336,631
Shareholders' fund	204,027	235,726	276,430	320,894	337,668
Total liabilities and equities	309,780	343,754	382,565	430,109	447,547
Cash and cash eq.	101,601	116,196	114,387	136,773	145,461
Accounts receivables	99,901	116,547	132,967	148,818	155,120
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Investments	159	94	1,647	1,653	1,653
Net fixed assets	84,283	88,943	101,099	110,269	112,716
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	23,836	30,221	32,466	32,596	32,596
Total assets	309,780	352,001	382,565	430,109	447,547

Cash Flow Statement

Y/E 30 Jun (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	71,144	77,017	80,642	95,142	106,808
Interest expenses	0	0	0	0	0
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(2,255)	(8,920)	(14,287)	(12,823)	(5,638)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	68,889	68,097	66,355	82,319	101,169
Capital expenditures	(19,375)	(8,796)	(17,481)	(15,011)	(8,792)
Change in investments	378	65	(1,553)	(7)	0
Other investing cash flows	(3,523)	(6,739)	(2,956)	(900)	(770)
Cash flow from investing	(22,520)	(15,471)	(21,989)	(15,918)	(9,563)
Equities issued	0	0	0	0	0
Debt raised/repaid	1,860	(5,452)	(4,025)	52	0
Interest expenses	0	0	0	0	0
Dividends paid	(31,425)	(46,308)	(46,582)	(45,170)	(45,170)
Other financing cash flows	38,342	5,482	12,679	1,103	(37,749)
Cash flow from financing	8,777	(46,278)	(37,927)	(44,015)	(82,918)
Changes in cash and cash eq	55,146	6,348	6,438	22,386	8,688
Closing cash and cash eq	101,601	107,949	122,634	136,773	145,461

4 April 2016

HOLD

TP: INR 475.00

▲ 1.4%

Mphasis

MPHL IN

Blackstone acquires HP stake, price below par

Blackstone and its affiliates have rolled out an open offer to acquire 26% of MPHL's equity from the public at Rs 457/sh. The open offer was triggered by a preceding agreement to acquire promoter HP Enterprises' 60.2% stake for Rs 54.6bn (Rs 430/sh). We view the entry of a more focused private equity player with committed revenues from HP as positive for the stock. However an open offer to the public below the current market price is disappointing. Maintain HOLD with a Mar'17 TP of Rs 475.

- ➔ **The open offer:** Blackstone Capital Partners VI L.P., along with Marble II Pte Ltd and Marble I Pte Ltd, has rolled out an open offer to buy 54.9mn equity shares of MPHL from shareholders at Rs 457.54/sh. The offer translates to Rs 25.1bn for acquiring 26% share voting rights in the company on a fully diluted basis, but is below the current market price of Rs 468/sh.
- ➔ **The "triggering offer":** The open offer has been triggered by the acquirer's intention to buy promoter HP Enterprises' (HPE) 60.2% stake in MPHL. The deal valued at Rs 54.6bn (translating to Rs 430/sh) has been in the pipeline post restructuring of the HP business. With the reorganisation, HP revenues for MPHL have been declining and now represent only 24% of overall revenues (vs. 41% in Q3FY13). However, the purchase agreement requires HPE to renew the 5-year master services agreement with MPHL with committed revenues of US\$990mn over next 5 years. HP is currently run rating at US\$54mn/ quarter (Q3), and thus this deal is likely to put a floor to HP decline.
- ➔ **View:** The change in promoter to an established private equity player is a positive and we expect to see greater deal participation. However, the open offer price is disappointing and we do not anticipate much tendering by shareholders. Overall the deal is positive from a strategic standpoint and we would like to see more consistent execution before turning more constructive. Maintain HOLD with a ar'17 TP of Rs 475 set at 12x one-year forward EPS.

Financial Highlights

Y/E 31 Mar	5MFY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	25,939	57,948	61,181	65,310	71,183
EBITDA (INR mln)	4,397	8,676	9,040	9,954	10,869
Adjusted net profit (INR mln)	3,026	6,746	7,185	8,118	8,603
Adjusted EPS (INR)	14.7	32.3	34.2	38.7	41.0
Adjusted EPS growth (%)	(58.0)	119.3	6.0	13.0	6.0
DPS (INR)	14.0	16.0	49.0	17.0	68.0
ROIC (%)	8.5	16.6	17.1	18.5	20.7
Adjusted ROAE (%)	6.2	12.8	12.7	13.4	14.7
Adjusted P/E (x)	31.8	14.5	13.7	12.1	11.4
EV/EBITDA (x)	18.6	9.3	8.5	7.7	6.4
P/BV (x)	1.9	1.8	1.7	1.6	1.8

Source: Company, Bloomberg, RCML Research



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PRICE CLOSE (01 Apr 16)

INR 468.35

MARKET CAP

INR 98.4 bln

USD 1.5 bln

SHARES O/S

210.0 mln

FREE FLOAT

35.2%

3M AVG DAILY VOLUME/VALUE

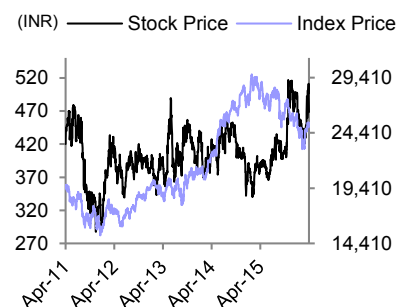
0.2 mln / USD 1.6 mln

52 WK HIGH

INR 534.35

52 WK LOW

INR 361.05


[Click here](#) for the full report.

HOLD

TP: INR 475.00

▲ 1.4%

Mphasis

MPHL IN



Company Update

INDIA

INFORMATION TECHNOLOGY

Per Share Data

Y/E 31 Mar (INR)	5MFY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	14.7	32.3	34.2	38.7	41.0
Adjusted EPS	14.7	32.3	34.2	38.7	41.0
DPS	14.0	16.0	49.0	17.0	68.0
BVPS	243.6	260.9	279.8	298.6	260.0

Valuation Ratios

Y/E 31 Mar (x)	5MFY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	3.2	1.4	1.2	1.2	1.0
EV/EBITDA	18.6	9.3	8.5	7.7	6.4
Adjusted P/E	31.8	14.5	13.7	12.1	11.4
P/BV	1.9	1.8	1.7	1.6	1.8

Financial Ratios

Y/E 31 Mar	5MFY14A	FY15A	FY16E	FY17E	FY18E
Profitability & Return Ratios (%)					
EBITDA margin	17.0	15.0	14.8	15.2	15.3
EBIT margin	15.0	13.3	13.6	14.0	14.0
Adjusted profit margin	11.7	11.6	11.7	12.4	12.1
Adjusted ROAE	6.2	12.8	12.7	13.4	14.7
ROCE	5.1	9.5	9.8	10.3	11.5
YoY Growth (%)					
Revenue	(55.2)	123.4	5.6	6.7	9.0
EBITDA	(56.7)	97.3	4.2	10.1	9.2
Adjusted EPS	(58.0)	119.3	6.0	13.0	6.0
Invested capital	4.2	(0.9)	11.7	(8.1)	2.6
Working Capital & Liquidity Ratios					
Receivables (days)	190	77	58	48	48
Inventory (days)	0	0	0	0	0
Payables (days)	0	0	0	0	0
Current ratio (x)	3.4	3.8	6.1	4.2	3.3
Quick ratio (x)	1.7	2.1	3.5	2.6	1.7
Turnover & Leverage Ratios (x)					
Gross asset turnover	2.2	5.5	6.2	6.1	5.6
Total asset turnover	0.4	0.8	0.9	0.9	0.9
Net interest coverage ratio	0.0	0.0	0.0	0.0	0.0
Adjusted debt/equity	(0.3)	(0.4)	(0.4)	(0.5)	(0.4)

DuPont Analysis

Y/E 31 Mar (%)	5MFY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	70.7	71.7	72.6	72.3	72.3
Interest burden (PBT/EBIT)	110.0	121.8	119.1	122.7	119.7
EBIT margin (EBIT/Revenue)	15.0	13.3	13.6	14.0	14.0
Asset turnover (Revenue/Avg TA)	37.7	80.8	85.2	88.1	94.8
Leverage (Avg TA/Avg equities)	137.9	135.5	126.4	122.1	128.1
Adjusted ROAE	6.2	12.8	12.7	13.4	14.7



Income Statement

YE 31 Mar (INR mln)	5MFY14A	FY15A	FY16E	FY17E	FY18E
Total revenue	25,939	57,948	61,181	65,310	71,183
EBITDA	4,397	8,676	9,040	9,954	10,869
EBIT	3,893	7,721	8,312	9,147	9,941
Net interest income/(expenses)	414	1,401	1,449	2,080	1,958
Other income/(expenses)	0	0	(53)	0	0
Exceptional items	0	0	0	0	0
EBT	4,282	9,408	9,898	11,227	11,898
Income taxes	(1,191)	(2,630)	(2,713)	(3,109)	(3,295)
Extraordinary items	(64)	(32)	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	3,026	6,746	7,185	8,118	8,603
Adjustments	0	0	0	0	0
Adjusted net profit	3,026	6,746	7,185	8,118	8,603

Balance Sheet

Y/E 31 Mar (INR mln)	5MFY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	0	0	0	0	0
Other current liabilities	13,044	12,875	7,246	12,302	13,315
Provisions	0	0	0	0	0
Debt funds	5,396	5,753	3,650	3,650	3,650
Other liabilities	0	0	0	0	0
Equity capital	2,101	2,101	2,102	2,102	2,102
Reserves & surplus	49,049	52,697	56,655	60,596	52,492
Shareholders' fund	51,150	54,798	58,757	62,698	54,594
Total liabilities and equities	69,590	73,426	69,652	78,650	71,559
Cash and cash eq.	22,824	27,640	25,085	32,044	23,061
Accounts receivables	12,967	11,371	8,229	8,995	9,736
Inventories	0	0	0	0	0
Other current assets	8,885	10,434	10,627	10,707	10,787
Investments	0	0	0	0	0
Net fixed assets	2,178	1,562	1,172	2,365	3,437
CWIP	62	318	849	849	849
Intangible assets	21,865	21,781	22,933	22,933	22,933
Deferred tax assets, net	0	0	0	0	0
Other assets	809	826	757	757	757
Total assets	69,590	73,932	69,652	78,650	71,559

Cash Flow Statement

Y/E 31 Mar (INR mln)	5MFY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	3,530	7,701	7,913	8,925	9,532
Interest expenses	(414)	(1,401)	(1,449)	(2,080)	(1,958)
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(1,167)	(122)	(2,681)	4,211	192
Other operating cash flows	0	0	0	0	0
Cash flow from operations	1,949	6,178	3,783	11,055	7,767
Capital expenditures	(1,050)	(595)	(869)	(2,000)	(2,000)
Change in investments	350	67	(1,083)	0	0
Other investing cash flows	525	1,681	1,697	2,292	2,170
Cash flow from investing	(175)	1,153	(255)	292	170
Equities issued	2,769	833	8,813	0	0
Debt raised/repaid	(175)	357	(2,103)	0	0
Interest expenses	(111)	(280)	(248)	(212)	(212)
Dividends paid	(3,440)	(3,931)	(12,039)	(4,177)	(16,708)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(957)	(2,521)	(6,077)	(4,389)	(16,920)
Changes in cash and cash eq	817	4,810	(2,549)	6,958	(8,983)
Closing cash and cash eq	22,824	27,634	25,091	32,044	23,061

4 April 2016

India Energy

CGD price cut data implies margin improvement

- ➔ **Price cuts well below decline in domestic gas prices:** CGD companies across India have used the decline in domestic gas prices as an opportunity to expand margins. Headline pricing data for most companies across the sector indicates that price cuts have been well below the 20% cut seen in domestic gas prices. IGL and Gujarat Gas (GGAS) – the only two listed CGD companies – have reduced CNG prices by 2% and 1.6% respectively. Cuts in domestic PNG prices have been relatively steeper – 11% by GGAS and 2.6% by IGL – probably considering political sensitivities.
- ➔ **IGL the primary gainer among CGD utilities:** IGL could see its margins expand by ~10% from Q1FY17 (~Rs 0.8/cm). Margins are on track with our assumption of Rs 5.8/scm EBITDA for FY17 (from Rs 5.5/scm in FY16). Domestic gas from APM fields constitutes ~70% of its gas sourcing mix (allotted for CNG and domestic PNG segments). Gains for GGAS from this price cut would be relatively lower, as APM gas constitutes only ~20% of its gas sourcing mix.
- ➔ **CNG economics relative to petrol/diesel improve:** Low price cuts are unlikely to affect volume growth expectations as CNG economics remain attractive. The price discounts to petrol and diesel have increased marginally to 54% and 34% respectively (in Delhi). The economics remain attractive enough to encourage greater use of CNG and discourage opposition to its mandatory use for commercial vehicles.

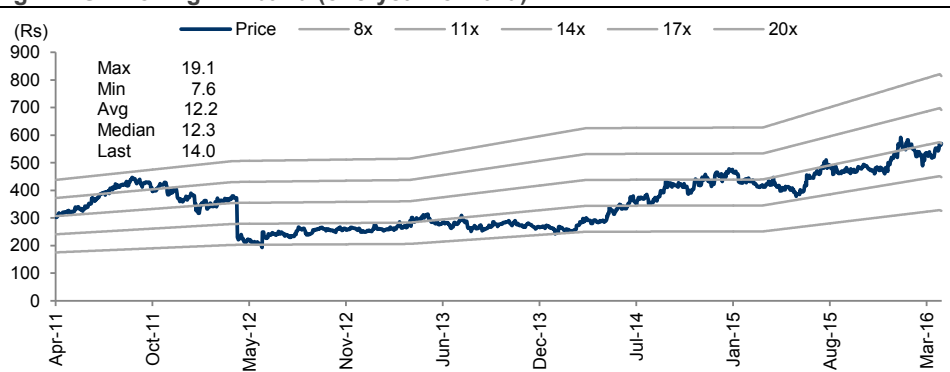
Fig 1 - CNG economics

Prices in Delhi	Vs. Petrol	Vs. Diesel
Average Daily Running (km)	75	75
Mileage (km/ltr)	14.0	20.0
Retail Price (Rs/ltr)	56.6	46.4
Retail CNG Price Rs/kg	36.6	36.6
Savings (Rs/km)	2.2	0.8
Annual Savings (Rs)	59,206	21,804

Source: RCML Research

- ➔ **Higher multiples justified on pricing power:** We see a strong case for further expansion in P/E multiples for IGL. The pricing behaviour of CGD companies (especially IGL) is trending similar to that for consumer companies. Delivery on volume growth should lead to the next phase of multiple re-rating.

Fig 2 - IGL Rolling P/E band (one-year forward)



Source: Bloomberg, RCML Research



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Ticker	CMP (Rs)	TP (Rs)	REC
GAIL IN	348	450	BUY
PLNG IN	247	340	BUY
IGL IN	564	710	BUY
GUJS IN	135	180	BUY
GUJGA IN	540	660	BUY

CNG prices

(Rs/kg)	Until Mar'16	From Apr'16	% change
Gujarat Gas	45.7	44.8	(2.0)
IGL - Delhi	37.2	36.6	(1.6)
IGL - NCR	42.6	41.9	(1.6)
MGL (Mumbai)	41.9	41.2	(1.7)
MNGL (Pune)	46.0	45.0	(2.2)
CUPL - Kanpur & Bareilly	51.5	50.8	(1.4)
CUPL - DBS Stations	54.5	53.8	(1.3)

Source: Company, RCML Research

Domestic PNG

(Rs/scm)	Until Mar'16	From Apr'16	% change
Gujarat Gas	26.4	23.6	(10.5)
IGL - Delhi	24.7	24.0	(2.6)
IGL - NCR	26.2	25.5	(2.5)
MGL - Slab 1	25.3	24.7	(2.4)
MGL - Slab 2	29.3	29.3	-
MNGL (Pune)	23.0	22.0	(4.3)
CUPL - Kanpur & Bareilly	25.5	24.9	(2.4)

Source: Company, RCML Research

4 April 2016

India Automobiles

Pick-up in 2W, LCV demand noteworthy

- ➔ **2Ws** have seen a pick-up in volumes in Mar'16; HMSI was the only player to post a decline of ↓5%. BJAUT led the pack at ↑26% YoY (est. ↑16% YoY) helped by the recently launched *Avenger* series and *V15*. HMCL registered ↑14% growth for the second consecutive month, helping it achieve flat volumes for FY16. TVSL's overall 2W volumes grew ↑13% with scooters leading the charge at ↑25%, followed by motorcycles at ↑16% and mopeds at ↑1%. Its domestic 2W volumes were up ↑20% helped by the newly launched *Apache* and *Victor* while exports declined 19%. *Royal Enfield* volumes surged ↑52%.
- ➔ **In CVs**, MHCVs continues to make merry with sales for AL/MNAL/TTMT up ↑32%/ ↑73%/ ↑25% YoY, and LCVs now gaining momentum as well (AL/MM/TTMT pick-ups ↑27%/ ↑20%/↑15%). Domestic tractor sales for MM/Escorts were up ↑34%/↑28%.
- ➔ **4W** growth was led by new launches at MSIL (↑15% YoY; *Baleno*, *Vitara Brezza*), MM (↑21% YoY; *TUV300*, *KUV100*) and Renault (↑160% YoY; *KWID*), particularly in the compact SUV segment. In a mixed showing, Hyundai/Honda/TTMT reported ↑4%/↓23%/↓44% YoY growth. Overall, the domestic market is estimated to grow at 4-4.5% in Mar 16.
- ➔ **View:** We reiterate our thesis that FY17 will be the year of the 2W; volumes in the last two months have only added to our belief. CV growth would continue to be resilient and further supported by a pick-up in LCVs. Top picks: HMCL, EIM and TTMT.



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COMPANY	TICKER	CMP	TP (INR)	REC
Ashok Leyland	AL IN	110	100	BUY
Bajaj Auto	BJAUT IN	2,420	2,750	BUY
Elcher Motors	EIM IN	19,254	22,300	BUY
Hero Motocorp	HMCL IN	2,951	3,300	BUY
Mahindra & Mahindra	MM IN	1,195	1,300	HOLD
Maruti Suzuki	MSIL IN	3,723	4,100	BUY
Tata Motors	TTMT IN	380	470	BUY
TVS Motor	TVSL IN	325	270	HOLD

Automobile monthly sales: March'16

	Mar-16	Mar-15	% YoY	Feb-16	% MoM	% FY16	Comments
BJAUT (2W)	264,249	209,937	25.9	235,282	12.3	2.0	2W volumes gain momentum
HMCL	606,542	531,750	14.1	550,992	10.1	0.0	• BJAUT: ↑26% YoY, above our est. of 16%
HMSI	365,526	384,422	(4.9)	369,227	(1.0)	0.9	• HMCL: ↑14% YoY, above our est. of 8%
TVSL (2W)	226,653	200,238	13.2	211,148	7.3	5.7	• TVSL: 2W domestic/exports: ↑20%/↓19%;
Royal Enfield	51,320	33,679	52.4	49,156	4.4	53.4	motorcycles/scooters/mopeds: ↑16%/↑25%/↑1%;
							• RE volumes: ↑52% YoY
Maruti Suzuki							MSIL – Volumes surge on new launches
Domestic	118,895	103,719	14.6	108,115	10.0	11.5	• YoY: Mini: ↓9% Compact: ↑21% UV: ↑123%
Exports	10,450	7,836	33.4	9,336	11.9	1.8	Van: ↑10%
Total Sales	129,345	111,555	15.9	117,451	10.1	10.6	• Exports ↑33% YoY, ↑2% FY16
Ashok Leyland	16,702	12,754	31.0	13,403	24.6	33.9	AL – MHCV/LCV ↑32%/↑27%
M&M							MM – New launches boost Auto, tractors helped by weak base
Passenger Vehicles	26,885	22,183	21.2	23,718	13.4	6.5	• Domestic tractor sales ↑34% YoY (↓8% FY16) driven by a weak base.
4 wheel pick-ups	15,729	13,126	19.8	12,919	21.8	5.2	• PV sales boosted by new launches: ↑21% YoY;
3 Wheelers	4,644	4,808	(3.4)	3,766	23.3	(3.2)	4W pick-ups/3Ws: ↑20% /↑3%; overall domestic auto segment: ↑19% YoY; FY16: ↑5%
MNAL	1,709	988	73.0	945	80.8	37.4	
Tractors	13,931	10,392	34.1	12,702	9.7	(8.2)	
Exports (AS + FES)	4,502	5,881	(23.4)	3,526	27.7	8.0	
Total Sales	67,400	57,378	17.5	57,576	17.1	1.3	
Tata Motors							TTMT – LCV volumes gaining momentum, MHCV party continues
M&HCV	18,538	14,878	24.6	14,872	24.7	23.5	• LCVs: ↑15% YoY, MHCV ↑25%YoY
LCV	19,709	17,127	15.1	15,698	25.6	(10.9)	• Cars: ↓44% YoY,
PVs	8,454	15,039	(43.8)	10,962	(22.9)	(5.6)	• Exports: ↑26% YoY
Exports	6,356	5,047	25.9	5,142	23.6	16.2	
Total Sales	53,057	52,091	1.9	46,674	13.7	1.9	

Source: RCML Research

[Click here](#) for the full report.

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