



RESULT UPDATE

ASHOK LEYLAND

Cost focus bolsters margin

India Equity Research | Automobiles



Ashok Leyland's (AL) Q4FY19 EBITDA at INR9.8bn came in line with our and consensus expectations as higher raw material prices were offset by internal cost efficiencies. QoQ margin rose 80bps to 11.1% (Tata Motors' CV business' declined) reflecting management's focus on profitable growth (gained 180bps market share in Q4FY19 to 36.5%). While near-term outlook is hazy, we continue to believe that the underlying demand trend is strong. We expect demand recovery soon as liquidity normalises and overloading ban (relaxed before the election) resumes. Management's commentary on pre-buying in FY20 not dampening FY21 growth prospects validates our thesis highlighted in [Emission norm concern: Much ado about nothing](#). Retain 'BUY' with TP of INR112.

Internal cost focus helps offset external headwinds

Revenue at INR88.5bn (up 1% YoY) was 1% below expectation. Gross margin slipped ~260bps QoQ to 27.3% due to higher commodity costs and inventory clearance. Despite this, EBITDA at INR9.8bn (margin of 11%) came in line with estimate as the company was successful in streamlining costs. Discounts continued to remain high at ~INR425-440K per vehicle. While commodity cost pressures are behind and some tailwinds are emerging, we have assumed margin pressure in our estimates.

Focus stays on profitable growth

We are enthused by management's unwavering focus on profitable growth rather than just on buying market share. We perceive margin tailwinds from expansion of product portfolio in domestic market and exports. Also, introduction of modular platform for >16T vehicles will not only improve efficiency, but also customisation of offerings.

Outlook and valuation: Expanding portfolio, reach; maintain 'BUY'

Granular focus on expanding product offerings, deepening distribution and focus on profitable growth will ensure strong FCF. The correction in the stock factors in a significant adverse demand scenario (a sharp decline in volumes and cash flow), which is unlikely, in our view. Hence, we maintain 'BUY/SO' with SOTP-based target price of INR113 (8x September FY20E EV/EBITDA and INR8/share for the financing business). At current price, the stock is trading at 14.3x/13.1x FY20/21E PER.

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	High
Sector Relative to Market	Overweight

MARKET DATA (R: ASOK.BO, B: AL IN)

CMP	: INR 94
Target Price	: INR 112
52-week range (INR)	: 152 / 78
Share in issue (mn)	: 2,935.5
M cap (INR bn/USD mn)	: 275 / 3,961
Avg. Daily Vol.BSE/NSE('000)	: 24,363.7

SHARE HOLDING PATTERN (%)

	Current	Q3FY19	Q2FY19
Promoters *	51.1	51.1	51.1
MF's, FI's & BK's	9.2	9.2	10.0
FII's	21.9	21.9	22.9
Others	17.8	17.8	16.0
* Promoters pledged shares (% of share in issue)			17.8

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Auto Index
1 month	(6.3)	(2.6)	(6.4)
3 months	(1.4)	3.1	(3.7)
12 months	(46.6)	5.2	(27.6)

Financials

(INR mn)

Year to March	Q4FY19	Q4FY18	% Chg	Q3FY19	% Chg	FY19	FY20E	FY21E
Total operating Income	88,459	87,801	0.7	63,252	39.9	290,550	330,502	385,000
EBITDA	9,854	11,256	(12.5)	6,496	51.7	31,358	33,381	36,960
Adjusted Profit	6,530	7,413	(11.9)	3,864	69.0	20,408	19,224	20,905
Adjusted Diluted EPS	2.2	2.6	(14.6)	1.3	69.0	7.0	6.6	7.1
Diluted P/E (x)						13.5	14.3	13.1
EV/EBITDA (x)						7.5	7.7	6.7
ROAE (%)						26.2	22.0	21.7

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Q4FY19 conference call: Key highlights

Key highlights

- Total Industry Volume (TIV) came down marginally in the year (due to base effect). Gained a market share of 1.8% over FY19. Current share is 36.9%. In Q1FY19, the company stayed away from some low-margin business, which has cost it some market share.
- Positive impact of mix and cost management helped deliver a double-digit EBITDA margin. Hinduja Foundry turned PAT-positive this year.
- Well placed and on schedule to meet the BS VI deadline. Test results have been very positive.
- TIV growth of 10–12% expected in FY20. Management expects pre-buying in FY20 due to the BS VI impact. However, precedents indicate that even in the year of emission norms' implementation, demand stays put.
- At the board meeting, Mr. Gopal Mahadevan was appointed as a whole-time director of the company.
- Q4 EBITDA margin – Margin was weighed down by higher discounting, which continued in during the quarter. Steel prices have consistently increased over the quarter and the full year.
- Average discounts in Q4 were about 12-15%, even higher (about INR425–440k versus INR420k in Q3FY19)
- Retaining focus on exports.
- Net cash in FY19 is INR7,150mn.
- **For FY20-** the company is looking to maintain margins and grow market share sensibly.
- **Demand revival** – If GDP expands, the CV segment will grow. Otherwise, growth is likely to remain challenged. The company believes the economy will grow.
- **Rated load norm implementation** – Once again, it is being implemented in some states.
- Parts revenue – Grew by 20–25% in Q4FY19 and FY19.

Mix management

- Higher tonnage vehicle demand going up. So margins are improving.
- Positive sentiment would grow in the ICV segment, and the company can potentially outgrow the market, thereby taking advantage of operating leverage, which would compensate for lower margin in this segment versus HCVs.
- The company therefore needs to maintain an astute balance between volumes and margins.
- Done well in the tipper (20% of volumes) and ICV segment. Both have grown higher than market in FY19.
- Market share of tractor trailers and multi-axles was flat in FY19.
- Working on developing electric LCVs. While it is desirable that India adopts electric LCV for intra-city movement, it will be very expensive.

**Dealer inventory**

- At any point in time, it is about 20 days (+/- four to five days)
- At end-FY19, inventory at the company end was 8,900 units (~15 days of average sales).
- Strategy in FY20 is to plan capacity cautiously.

Capex

- FY19 capex was INR9,500mn.
- The company has run without significant capex for almost five years.
- FY20 capex – INR15bn. This will be for:
 1. Phoenix (project code name for the LCV business)
 2. Modular business
 3. Capacity enhancement
 4. Electric vehicles
- May make investments in subsidiaries of about INR2bn (over and above capex) – Albonair, Optare and AL UAE.
- Estimated FY21 capex – INR10–15bn (leaning towards the lower end of the range). May change based on product demand. For instance, if EVs do not see an uptick that capex can be postponed.
- Trying to optimise facilities. So, the company is presently not looking to build new facilities.

Capacity

- MHCV – 180k units, but can be scaled up easily. Don't see capacity constraint for FY20. Final capacity is also dependent on types product demand.
- Even if demand spikes beyond expectations, the company will be able to meet it without any brownfield capacity addition.

Modular platform

- The company plans to introduce it along with BS VI.
- Looking at improving the manufacturing business.
- Will be applicable for product range upwards of 16T as of now. Not applicable for ICVs.

BS VI

- Empirical evidence shows growth takes place in the year after new emission norms take effect. This is in line with our thesis (refer to [note](#))
- Pre-buying is expected in Q2 and Q3FY20.
- However, demand slowed due to wait-and-watch ahead of election results.
- Demand is expected to pick up in Q2 and Q3 and will be much stronger than Q1FY20.

Non-t

1. all products will be available in left-hand drive.

On ruck business outlook

- **Exports**

1. Reworking the entire export strategy.



2. FY19 was not as per plan as target markets (Middle East, Sri Lanka and Bangladesh) face their own set of challenges. The situation is normalising/improving here.
 3. LCV product – PARTNER (recently launched in the Middle East) will be used to help them make foray into newer markets like Russia.
 4. All products will come with a left-hand drive function also from FY21. This will help the company explore newer markets.
 5. See a lot more traction in African markets. Very active in seven–eight markets, all of which are growing. Also looking to enter ASEAN markets.
 6. Towards the end of FY20, expect new products in the LCV segment.
 7. After FY20, one of the key differentiators (from competition) is the robustness and durability of the product and strong aftersales.
- Defence
 1. Now that the new government has been decided, expect a pick-up in defence business (new order + execution of current tenders).
 2. FY19 revenue was INR1,500mn (against INR4,800mn in FY18). Business was lower as government ordering was subdued. Expect this to pick up in FY20.

Receivable days & working capital

- In FY18, the company had quite a bit of cash on the balance sheet due to customer advances (which come in from dealers). FY18 was an exception. Advances in FY19 were lower, so receivables went up.
- For the past five years, the company has managed to deliver negative working capital (inventory + receivables – payables)

Hinduja Finance

- Consolidated book is INR260bn, including housing finance.
- Performance is very satisfying. NPAs are coming down.

CEO appointment

- The search is on. The board is on top of this and looking at candidates globally as well as internally.

New vision for Ashok Leyland

- Originally wanted to be among the top ten truck makers and top five in buses (set in 2011).
- Were able to achieve this in FY19.
- Have set up a more challenging growth target.

Other expenses lower by 10% YoY

- Closed down regional warehouse post-GST.
- There is also a stringent cost control in the company.

Albornair

- ALL will use Albornair for the urea dosing system.



- Albonair is working with other OEMs on the SCR systems. So, they have a lot of experience.

Project Pheonix (LCV)

- Looking to launch a mid-segment product (3–5 ton segment), which will provide new domestic + export opportunities.
- Introduction from April 2020 onwards

Key highlights

- At the start of the year, expected TIV of 10–15% (bordering around 15%). The fall in TIV around 7% this quarter, should be seen in the context with a 42% YoY hike in Q3FY18 (higher base effect).
- Industry January performance has been flattish (not de-growth). Industry growth
- executed some of them
- Visibility on the progress of these tenders converting to firm orders is however very low
- KIT ordering has been low so far.

BS VI cost increase

- Aiming to do better than the regulatory norms
- Test results are positive

Chart 1: Volume mix trend

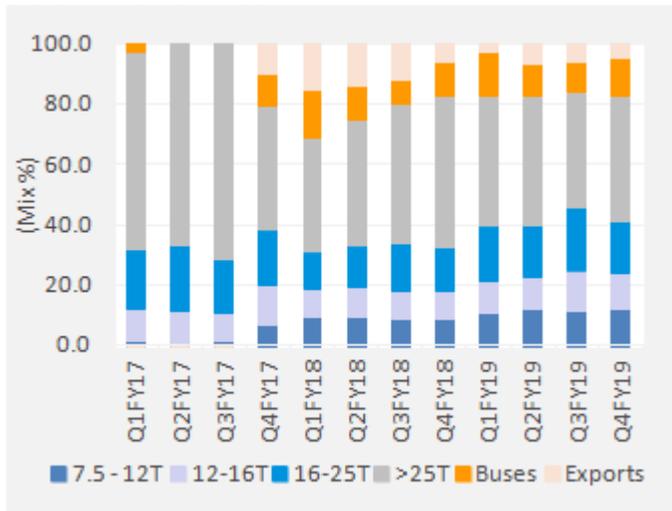
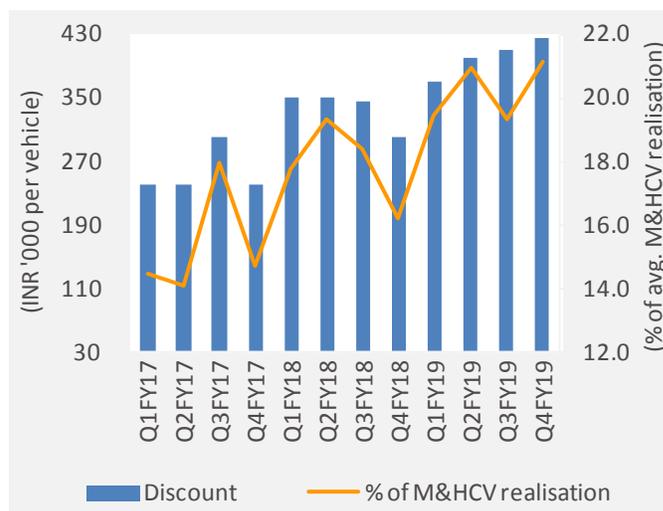


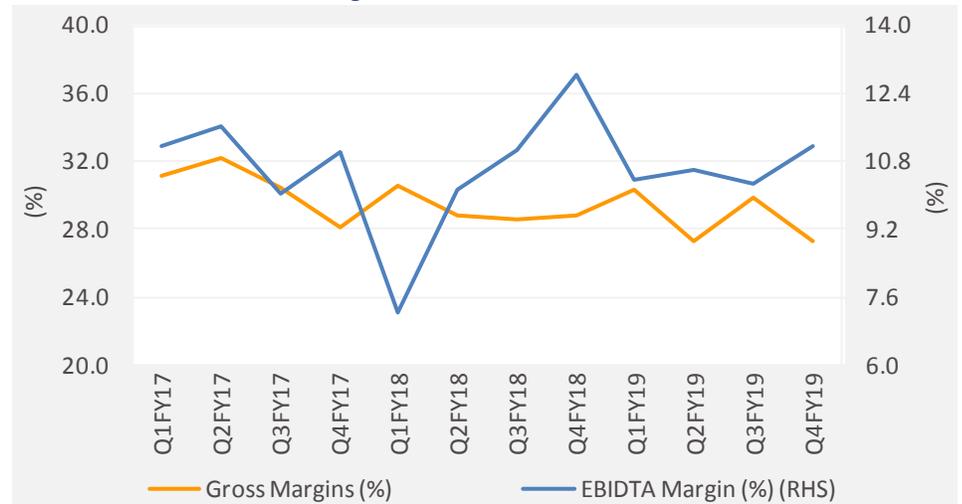
Chart 2: Discount trend



Source: Company, Edelweiss research



Chart 3: Gross and EBITDA margin trend



Source: Company, Edelweiss research

Table 1: Valuation snapshot

(INR mn)	September 2020E
EBITDA	35,170
EV/EBITDA	8.0
Enterprise value	281,363
Net debt	(22,671)
Equity value	304,034
No. of shares	2,927
Value of core business (INR)	104
Hinduja Finance - 61.9% stake valued at 2x FY18 BV (INR)	8
Target price (INR)	112

Source: Company, Edelweiss research

Table 2: Volume assumptions

Units	FY18	FY19	FY20E	FY21E
MHCV - total	131,432	144,640	154,560	166,603
% YoY	16.0	10.0	6.9	7.8
Domestic - AL	116,534	134,419	143,828	155,335
% YoY	13.9	15.3	7.0	8.0
Exports	14,898	10,221	10,732	11,269
% YoY	35.7	(31.4)	5.0	5.0
Dost	42,078	54,129	57,918	62,551
% YoY	32.4	28.6	7.0	8.0

Source: Company, Edelweiss research



Financial snapshot

(INR mn)

Year to March	Q4FY19	Q4FY18	% change	Q3FY19	% change	FY19	FY20E	FY21E
Total operating Income	88,459	87,801	0.7	63,252	39.9	290,550	330,502	385,000
Raw material costs	64,292	62,478	2.9	44,357	44.9	206,796	237,301	277,200
Staff costs	5,735	4,588	25.0	5,001	14.7	20,988	23,135	27,335
Other expenses	8,578	9,478	(9.5)	7,398	15.9	31,409	36,686	43,505
Total expenditure	78,605	76,545	2.7	56,756	38.5	259,192	297,122	348,040
EBITDA	9,854	11,256	(12.5)	6,496	51.7	31,358	33,381	36,960
Depreciation	1,598	1,574	1.5	1,607	(0.6)	6,210	6,856	7,616
EBIT	8,257	9,682	(14.7)	4,890	68.9	25,148	26,525	29,344
Interest	166	244	(31.9)	192	(13.4)	704	772	987
Other income	91	594	(84.7)	208	(56.3)	1,099	1,323	1,507
Add: Exceptional items	(117)	24	NA	(61)	NA	(575)	-	-
Profit before tax	8,065	10,057	(19.8)	4,845	66.5	24,969	27,076	29,864
Provision for taxes	1,535	2,625	(41.5)	1,027	49.4	5,136	7,852	8,959
Reported net profit	6,530	7,431	(12.1)	3,808	71.5	19,833	19,224	20,905
Adjusted Profit	6,530	7,413	(11.9)	3,864	69.0	20,408	19,224	20,905
Diluted shares (mn)	2,936	2,846		2,936		-	2,936	2,936
Adjusted Diluted EPS	2.2	2.6	(14.6)	1.3	69.0	7.0	6.6	7.1
Diluted P/E (x)	-	-		-		13.5	14.3	13.1
EV/EBITDA (x)	-	-		-		7.5	7.7	6.7
ROAE (%)	-	-		-		26.2	22.0	21.7
Raw material	72.7	71.2		70.1		71.2	71.8	72.0
Employee cost	6.5	5.2		7.9		7.2	7.0	7.1
Other expenses	9.7	10.8		11.7		10.8	11.1	11.3
EBITDA	11.1	12.8		10.3		10.8	10.1	9.6
Adjusted net profit	7.4	8.4		6.1		7.0	5.8	5.4
Tax rate	19.0	26.1		21.2		20.6	29.0	30.0



Company Description

Ashok Leyland (AL) is the second largest commercial vehicle manufacturer in India. The Hinduja Group holds 51% stake in the company through the holding company, Hinduja Automotive (UK). The company has 6 manufacturing plants across 4 locations in India — Ennore (Tamil Nadu), Hosur (Tamil Nadu), Alwar (Rajasthan), Bhandara (Maharashtra) and Pantnagar (Uttaranchal). It focuses on the M&HCV segment with significant presence in bus segment.

Investment Theme

AL is a pure play on the M&HCV segment. The company has been a key beneficiary of sharp recovery in higher tonnage segment/South region and has commendably improved balance sheet (better FCF/ lower debt). We expect market share gains to sustain led by expanding product portfolio in small and intermediate ICV segment and expansion of dealership network across non-South regions. Sharpening focus on high margin-businesses like spares, defence and exports is a potent margin trigger.

Key Risks

Success of new technology: AL has adopted the EGR technology to comply with BSIV norms. While globally EGR is being used for vehicles up to 180HP (and beyond that SCR), AL has decided to use the technology for its entire range (up to > 400HP trucks). Given that the technology is one of its kinds, it is a double edge sword for AL. If successful, it will enable the company to gain significant market share or else, there will be sharp pressure on cash flows and profitability.

Exports/Defence: We believe success in these areas will be critical for sustained valuation re-rating of the stock. While we are not factoring in a sharp increase in either of them, development on these fronts will be keenly tracked by markets.



Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
Sector				
Aluminium prices (USD/t)	1,675	1,759	1,847	1,939
Company				
MHCV - domestic vol (% YoY)	13.9	15.3	7.0	8.0
Avg realisation (INR)	1,514,689	1,460,588	1,554,365	1,679,044
Avg realisation (% YoY)	9.2	(3.6)	6.4	8.0
RM cost/vehicle	1,059,831	1,039,556	1,116,034	1,208,912
Employee cost/vehicle	105,780	105,505	108,806	119,212
Average salary	1,552,835	1,739,175	1,913,092	2,104,402
Promotion cost (% revenue)	3.6	3.7	4.0	3.5
EBITDA/vehicle	169,264	157,637	156,991	161,188
Avg. Interest rate (%)	13.4	9.5	9.5	9.0
Depreciation rate (%)	8.5	8.0	7.6	7.6
Tax rate (%)	28.0	20.6	29.0	30.0
Dividend payout (%)	44.8	53.5	56.8	56.8
Capex (INR mn)	14,260	8,890	13,000	11,500
Net borrowings (INR mn)	-	(7,008)	7,008	3,000
Debtor days	13	22	21	13
Inventory days	41	38	41	38
Payable days	119	139	127	113
Cash conversion cycle	(65)	(79)	(66)	(61)

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Total volume (nos)	173,736	198,927	212,629	229,297
% Growth in volume	20.4	14.5	6.9	7.8
Income from operations	263,156	290,550	330,502	385,000
Materials costs	184,131	206,796	237,301	277,200
Manufacturing expenses	3,457	3,862	4,286	4,775
Employee costs	18,378	20,988	23,135	27,335
Total SG&A expenses	27,783	27,547	32,400	38,730
Total operating expenses	233,749	259,192	297,122	348,040
EBITDA	29,407	31,358	33,381	36,960
Depreciation	5,985	6,210	6,856	7,616
EBIT	23,423	25,148	26,525	29,344
Less: Interest Expense	1,473	704	772	987
Add: Other income	1,965.8	1,099.4	1,323.5	1,507.5
Profit Before Tax	23,858	24,969	27,076	29,864
Less: Provision for Tax	6,681	5,136	7,852	8,959
Add: Exceptional items	(57)	(575)	-	-
Reported Profit	17,177	19,833	19,224	20,905
Exceptional Items	(57)	(575)	-	-
Adjusted Profit	17,235	20,408	19,224	20,905
Shares o /s (mn)	2,927	2,936	2,927	2,927
Adjusted Basic EPS	5.9	7.0	6.6	7.1
Diluted shares o/s (mn)	2,927	2,936	2,927	2,927
Adjusted Diluted EPS	5.9	7.0	6.6	7.1
Adjusted Cash EPS	7.9	8.9	8.9	9.7
Dividend per share (DPS)	2.2	3.1	3.1	3.4
Dividend Payout Ratio(%)	44.8	53.5	56.8	56.8

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Materials costs	70.0	71.2	71.8	72.0
Staff costs	7.0	7.2	7.0	7.1
S G & A expenses	10.6	9.5	9.8	10.1
Operating expenses	88.8	89.2	89.9	90.4
Depreciation	2.3	2.1	2.1	2.0
Interest Expense	0.6	0.2	0.2	0.3
EBITDA margins	11.2	10.8	10.1	9.6
Net Profit margins	6.5	7.0	5.8	5.4

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	31.5	10.4	13.8	16.5
EBITDA	33.5	6.6	6.4	10.7
PBT	79.4	4.7	8.4	10.3
Adjusted Profit	40.4	15.5	(3.1)	8.7
EPS	40.4	18.1	(5.5)	8.7



Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	2,927	2,935	2,927	2,927	
Reserves & Surplus	69,528	80,389	88,691	97,720	
Shareholders' funds	72,456	83,325	91,619	100,647	
Long term borrowings	1,000	1,000	1,000	1,000	
Short term borrowings	9,992	2,984	9,992	12,992	
Total Borrowings	10,992	3,984	10,992	13,992	
Def. Tax Liability (net)	2,985	2,496	2,496	2,496	
Sources of funds	86,432	89,805	105,107	117,135	
Gross Block	70,335	77,211	90,211	100,211	
Net Block	55,480	56,145	62,289	64,673	
Capital work in progress	4,562	6,576	6,576	8,076	
Total Fixed Assets	60,042	62,721	68,865	72,749	
Non current investments	25,515	(4,187)	29,475	31,475	
Cash and Equivalents	40,866	44,201	29,067	41,258	
Inventories	17,583	26,847	26,863	32,348	
Sundry Debtors	9,448	25,055	12,088	15,652	
Loans & Advances	241	542	619	721	
Other Current Assets	19,669	27,064	27,064	28,564	
Current Assets (ex cash)	46,941	79,508	66,634	77,286	
Trade payable	72,206	85,176	79,776	91,540	
Other Current Liab	14,726	7,263	9,159	14,092	
Total Current Liab	86,932	92,439	88,935	105,633	
Net Curr Assets-ex cash	(39,991)	(12,932)	(22,300)	(28,347)	
Uses of funds	86,432	89,805	105,107	117,135	
BVPS (INR)	24.8	28.4	31.3	34.4	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	17,177	19,833	19,224	20,905	
Add: Depreciation	5,985	6,210	6,856	7,616	
Interest (Net of Tax)	1,060	559	548	691	
Others	64,689	(55,073)	17,638	10,881	
Less: Changes in WC	34,728	(27,059)	9,369	6,046	
Operating cash flow	54,184	(1,412)	34,898	34,047	
Less: Capex	14,260	8,890	13,000	11,500	
Free Cash Flow	39,924	(10,302)	21,898	22,547	

Cash flow metrics		FY18	FY19	FY20E	FY21E
Year to March					
Operating cash flow		54,184	(1,412)	34,898	34,047
Financing cash flow		(19,613)	(18,625)	(4,694)	(9,864)
Investing cash flow		(33,321)	21,911	(43,558)	(15,993)
Net cash Flow		1,249	1,874	(13,355)	8,191
Capex		(14,260)	(8,890)	(13,000)	(11,500)
Dividend paid		7,718	10,921	10,921	11,876

Profitability and efficiency ratios		FY18	FY19	FY20E	FY21E
Year to March					
ROAE (%)		25.8	26.2	22.0	21.7
ROACE (%)		30.6	30.7	29.3	28.4
Inventory Days		41	38	41	38
Debtors Days		13	22	21	13
Payable Days		119	139	127	113
Cash Conversion Cycle		(65)	(79)	(66)	(61)
Current Ratio		1.0	1.3	1.1	1.1
Gross Debt/EBITDA		0.4	0.1	0.3	0.4
Gross Debt/Equity		0.2	-	0.1	0.1
Adjusted Debt/Equity		0.2	-	0.1	0.1
Net Debt/Equity		(0.4)	(0.5)	(0.2)	(0.3)
Interest Coverage Ratio		15.9	35.7	34.3	29.7

Operating ratios		FY18	FY19	FY20E	FY21E
Year to March					
Total Asset Turnover		3.1	3.3	3.4	3.5
Fixed Asset Turnover		5.0	5.2	5.6	6.1
Equity Turnover		3.9	3.7	3.8	4.0

Valuation parameters		FY18	FY19	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)		5.9	7.0	6.6	7.1
Y-o-Y growth (%)		40.4	18.1	(5.5)	8.7
Adjusted Cash EPS (INR)		7.9	8.9	8.9	9.7
Diluted P/E (x)		15.9	13.5	14.3	13.1
P/B (x)		3.8	3.3	3.0	2.7
EV / Sales (x)		0.9	0.8	0.8	0.6
EV / EBITDA (x)		8.3	7.5	7.7	6.7
Dividend Yield (%)		2.3	3.3	3.3	3.6

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		P/B (X)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Ashok Leyland	3,959	14.3	13.1	7.7	6.7	3.0	2.7
Mahindra & Mahindra Ltd	11,895	14.2	13.2	8.0	6.9	2.0	1.7
Maruti Suzuki India Ltd	30,809	26.2	23.9	13.1	11.5	4.2	3.8
Tata Motors Ltd	8,203	12.2	7.5	4.5	3.4	1.0	0.9
Median	10,048	14.2	13.1	7.9	6.8	2.5	2.2
AVERAGE	21,390	16.7	14.4	8.3	7.1	2.5	2.3

Source: Edelweiss research



Additional Data

Directors Data

Dheeraj G. Hinduja	Non Executive Chairman	Andreas H. Biagosch	Non-Executive Independent Director
Andrew Palmer	Non-Executive Independent Director	Jean Brunol	Non-Executive Independent Director
Jose Maria Alapont	Non-Executive Independent Director	Sanjay K. Asher	Non-Executive Independent Director
Manisha Girotra	Non-Executive Independent Director	Mr. Gopal Mahadevan	Whole-time Director

Auditors - Price Waterhouse & Co

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Hinduja automotive l	34.73	Hinduja bank switzer	4.94
Jpmorgan chase & co	4.4	Kuwait investment au	1.72
Norges bank	1.63	Government pension f	1.63
Icici prudential lif	1.5	Vanguard group	1.46
Blackrock	1.46	Life insurance corp	1.36

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
18 Mar 2019	Gopal Mahadevan	Sell	80000.00
20 Feb 2019	Vinod Kumar Dasari	Sell	3196175.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Amara Raja Batteries	HOLD	None	None	Ashok Leyland	BUY	SO	H
Bajaj Auto	HOLD	SU	L	Ceat Ltd	HOLD	SP	None
Eicher Motors	BUY	SO	M	Exide Industries	BUY	None	None
Hero MotoCorp	HOLD	SU	H	Mahindra & Mahindra Ltd	BUY	SO	M
Maruti Suzuki India Ltd	REDUCE	SU	H	Minda Corporation	BUY	SO	M
Motherson Sumi Systems	BUY	SO	H	Suprajit Engineering	BUY	None	H
Tata Motors Ltd	HOLD	SP	H				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return





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Aditya Narain

Head of Research

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Coverage group(s) of stocks by primary analyst(s): Automobiles

Ashok Leyland, Amara Raja Batteries, Bajaj Auto, Ceat Ltd, Eicher Motors, Exide Industries, Hero MotoCorp, Minda Corporation, Mahindra & Mahindra Ltd, Maruti Suzuki India Ltd, Motherson Sumi Systems, Suprajit Engineering, Tata Motors Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
21-May-19	Automobiles (Speed & Bumps)	New product cycle— The fuel cars need to rev up; <i>Sector Update</i>		
21-May-19	Tata Motors	Volume recovery critical to spur margin; <i>Result Update</i>	190	Hold
20-May-19	Eicher Motors	Patent infringement claim against Royal Enfield; <i>EdelFlash</i>	20,937	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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