

Bharat Forge (BHAFOR)

₹ 470

On broad-based growth trajectory...

- Bharat Forge (BFL) reported a healthy Q3FY19 performance. The real surprise was beat on EBITDA margins, which came in at 31.1%
- Revenues for the quarter came in at ₹ 1,693 crore, up 21.7% YoY. Domestic revenues came in at ₹ 674 crore (up 16.8% YoY) while export revenues were at ₹ 976 crore, up 25% YoY
- Revenue from the CV & PV segment (auto segment) grew 13% YoY to ₹ 691 crore & 2.2% YoY to ₹ 153 crore. Revenue from industrial segment grew 34% YoY to ₹ 732 crore
- Reported EBITDA margins came in at 31.1%, up 120 bps YoY
- Consequently, reported PAT came in at ₹ 310 crore (up 36% YoY)
- The management highlighted completion of two greenfield facilities in India that have the potential to achieve ₹ 1000 crore of sales in next three years. BFL continues to focus on new technology and is well equipped to adapt to changing industry dynamics (mainly lighter vehicles) due to stringent emission control norms, EV space, usage of aluminium in PV and upcoming defence & aerospace opportunity

Domestic & global CV space to witness growth in CY19E, BFL to benefit

The prime business at BFL is to manufacture forging components for the commercial vehicle (CV) space both domestically as well as globally. CV in total constitutes ~46% of its topline, which is spread between 21% as India CV, 15% as US CV (Class 8 trucks) & 10% as other CV. The CV industry is generally cyclical and is currently going through an uptick with robust prospects both domestically and globally in CY19E. Domestically, the cycle is expected to peak out in CY19E tracking pre-buying before introduction of BS-VI compliant vehicles. While globally, especially in the US, new class 8 truck orders have declined to the monthly run rate of ~20,000 units vs. ~45,000 units in the past. It, however, has a strong order backlog with class 8 trucks production expected at ~335,000 units in CY19E over ~325,000 units in CY18. This will ensure double digit topline growth will sustain, going forward. Over FY18-20E, we expect total sales to grow at a CAGR of 13.6% to ₹ 10,782 crore in FY20E.

Other businesses to de-risk business model, moving out of cyclicality

BFL is steadily evolving its business model and adapting to new age technologies to be a prominent player in the market. It derives ~16% of its sales from the oil & gas sector, which has already reached a run rate of ~US\$40 million/quarter, ~28% from industrial components (domestic + global) and balance ~10% from the PV segment. In the PV segment, it is working on aluminium products that are increasingly finding application due to stringent emission control norms thereby making the vehicle lighter. It is also working in the EV space, with a couple of seed capital investment in start-ups. It also supplies consumables to the defence sector while it is developing turbocharger for industrial purposes. We believe all these measure will help de-risk its business model from CV space and steadily move out up cyclicality, which is structurally positive, going forward. Share of CV is already down to 46% in FY18 (61% in FY08).

B/S strength to grow, robust return ratios, retain BUY

BFL is comfortably levered at 0.6x debt: equity. It generated healthy cash flows, with present cash flow yield in FY18-20E at >5%. It also has a capital efficient business model with RoE, ROCE profile >20%. Revising estimates, we now expect sales and PAT to grow at a CAGR of 13.6% & 30.5%, respectively, in FY18-20E. We build in a 190 bps improvement in EBITDA margins in the aforesaid period. We value BFL at ₹ 535 using SOTP valuation methodology with a **BUY** rating on the stock.

Rating matrix	
Rating	: Buy
Target	: ₹ 535
Target Period	: 12 months
Potential Upside	: 14%

What's Changed?	
Target	Changed from ₹ 700 to ₹ 535
EPS FY19E	Changed from ₹ 23.3 to ₹ 23.5
EPS FY20E	Changed from ₹ 28.0 to ₹ 27.6
Rating	Unchanged

Quarterly Performance					
(₹ Crore)	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Total Income	1,692.5	1,390.6	21.7	1,679.2	0.8
EBITDA	525.8	416.3	26.3	434.4	21.0
EBITDA (%)	31.1	29.9	-350 bps	25.9	-310 bps
Reported PAT	309.8	228.2	35.8	227.5	36.2

Key Financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	6,396	8,358	9,787	10,782
EBITDA	1,251	1,723	2,120	2,424
Net Profit	698	754	1,096	1,284
EPS (₹)	15.0	16.2	23.5	27.6

Valuation summary				
	FY17	FY18	FY19E	FY20E
Core P/E (x)	36.3	26.9	20.0	17.0
Target P/E (x)	35.7	33.1	22.7	19.4
EV/EBITDA (x)	18.4	13.9	11.5	9.9
P/BV (x)	5.2	4.6	4.2	3.7
RoNW (%)	14.5	17.3	20.8	21.4
RoCE (%)	12.9	18.2	21.1	23.3

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 21882 Crore
Total Debt (FY18) (₹ Crore)	₹ 2711.1 Crore
Cash and Investments (FY18) (₹ Crore)	₹ 688 Crore
EV (₹ Crore)	₹ 22694.6 crore
52 week H/L (₹)	799 / 465
Equity capital (₹ crore)	₹ 46.6 Crore
Face value (₹)	₹ 2

Price performance (%)				
	1M	3M	6M	12M
Mahindra CIE Automotive Ltd	-6.8	-16.5	-10.8	3.4
Motherson Sumi Systems	-17.5	-20.1	-31.6	-45.3
Bharat Forge Ltd	-0.8	-19.0	-21.5	-38.4

Research Analyst	
Shashank Kanodia, CFA	shashank.kanodia@icicisecurities.com
Jaimin Desai	jaimin.desai@icicisecurities.com

Variance analysis (Standalone)

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
Total Operating Income	1,693	1,557	1,391	21.7	1,679	0.8	Sales were much ahead of our estimates tracking robust domestic as well as export sales. Industrial segment was the key outperformer
Raw Material Expenses	623	599	496	25.8	656	-5.0	
Employee Expenses	122	122	111	10.3	122	0.3	Operating leverage benefits were realised through lower employee as well as other expenses as a percentage of sales
Manufacturing expenses	421	401	368	14.5	280	50.4	
EBITDA	526	435	416	26.3	434	21.0	
EBITDA Margin (%)	31.1	28.0	29.9	-350 bps	25.9	-310 bps	Margins came in better than our estimates
Depreciation	90.7	83.2	80.7	12.3	91.4	-0.8	
Interest	13.6	31.4	14.3	-4.9	32.1	-57.6	Interest income came in lower
Other Income	48	33	22	118.2	34	41.6	
PBT	469.4	353.6	343.2	36.8	344.7	36.2	
Tax	159.6	120.2	115.1	38.7	117.2	36.2	
Reported PAT	309.8	233.4	228.2	35.8	227.5	36.2	Higher PAT was following higher sales as well as better margins
Key Metrics							
Domestic revenues	674	521	577	16.8	695	-3.0	Domestic revenues came in much ahead of our estimates primarily tracking healthy performance in the industrial segment given muted CV performance
Export revenues	976	1,000	781	24.9	943	3.4	Export revenues were robust, tracking overall healthy performance across verticals namely CV and industrial

Source: Company, ICICI Direct Research

Change in estimates (Standalone)

₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	Change	
Revenue	6,578	6,550	-0.4	7,476	7,221	-3.4	Broadly maintain our sales estimates for FY19E. Lower FY20E estimates primarily tracking peaking CV cycle in CY19E
EBITDA	1,861	1,867	0.3	2,189	2,130	-2.7	
EBITDA Margin (%)	28.3	28.5	21 bps	29.3	29.5	21 bps	Revise upward margin estimates for FY19E & FY20E primarily tracking robust performance in 9MFY19
PAT	972	1,032	6.2	1,161	1,193	2.7	
EPS (₹)	20.9	22.2	6.2	24.9	25.6	2.7	Upward revision in margin estimates leads to upward revision in EPS

Source: Company, ICICI Direct Research

Assumptions (Standalone)

₹ crore)	Current				Earlier		Comments
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Domestic Revenues	1,840	2,227	2,650	3,009	2,706.0	3,209.0	Broadly maintain FY19E estimates while we revise downward FY20E estimates anticipating peaking of CV cycle in CY19
Export revenues							
Americas (\$ mn)	161	296	363	384	369	409	Broadly maintain our estimates
Europe (Euro mn)	98	102	130	135	128	136	
Asia Pac (\$ mn)	18	21	21	31	17	22	Upward revise our estimates tracking robust performance in 9MFY19
USD/INR	67.8	68.0	70.4	71.0	70.0	70.1	
EUR/USD	1.1	1.2	1.1	1.1	1.1	1.2	Revise currency estimates taking into account prevailing rates

Source: Company, ICICI Direct Research

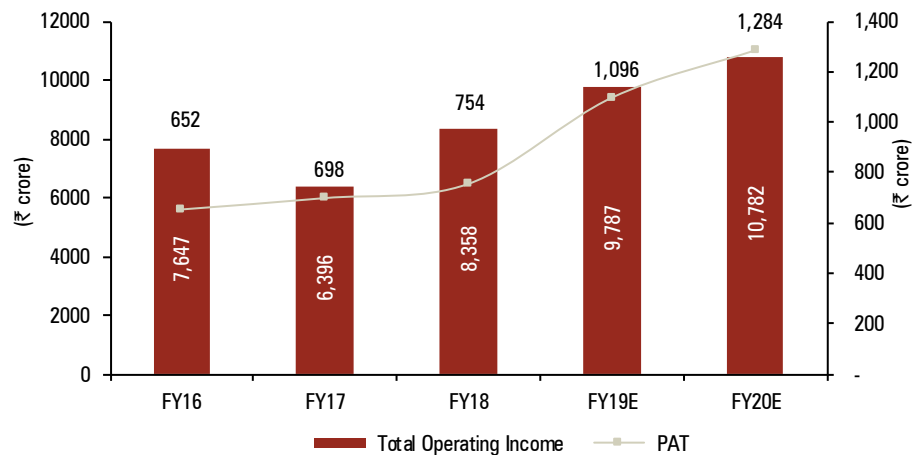
Company Analysis

Performance in sweet spot as all segments in upward trajectory...

Bharat Forge (BFL) is India's largest forging company with a global manufacturing footprint spread across India, Germany, Sweden, the US and France. The company has strong metallurgical knowledge, design and engineering capability and manufacturing prowess. It is one of the few listed Tier-1.5 manufacturers in India focusing on supplying high-end engineered forgings products. The company has a total capacity of 625,000 MT as of FY18. In terms of business segments, the CV segment remains a major revenue driver at ~45% while other segments are PV, oil & gas, power, railways, etc. In terms of non-auto share, share of the business has risen to ~43% much ahead of the targeted ~40%.

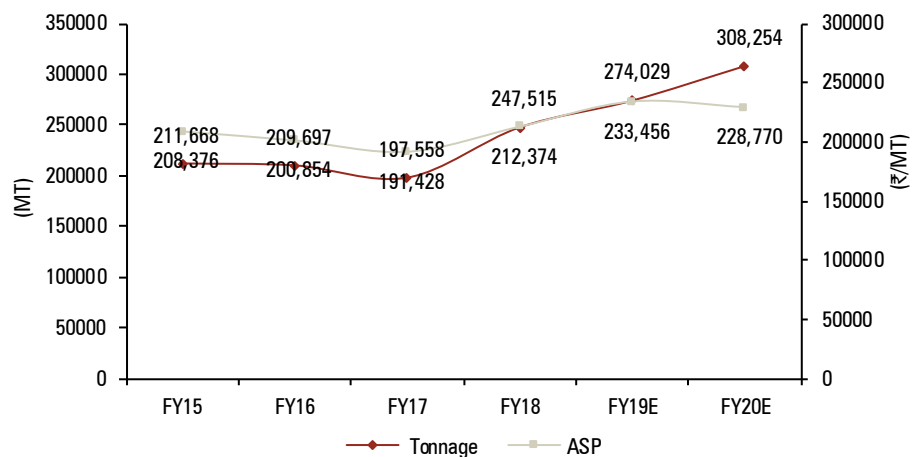
We expect standalone revenues to grow at ~17% CAGR in FY18-20E and reach ₹ 7,221 crore in FY20E. On a consolidated basis, revenues are expected to grow in the same period at ~14% CAGR to ₹ 10,782 crore. Going ahead, we expect standalone PAT to grow at 30% CAGR in FY18-20E to ₹ 1,193 crore. Consolidated PAT is also expected to rise at ~31% CAGR in FY18-20E to ₹ 1,284 crore.

Exhibit 1: Topline, bottomline trends



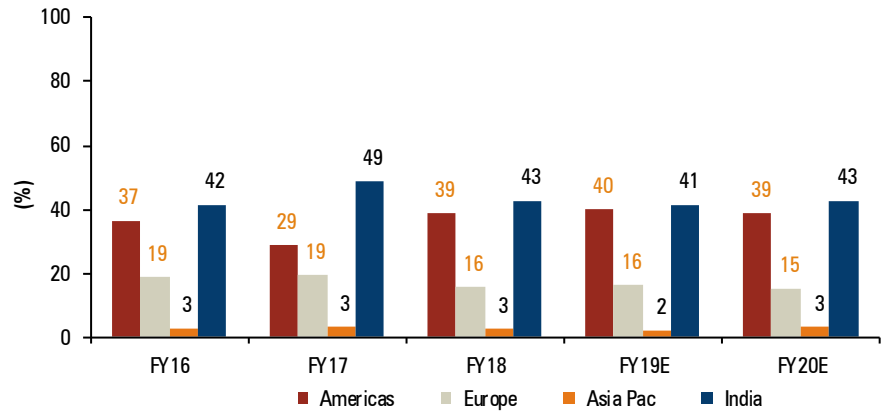
Source: Company press release, ICICI Direct Research

Exhibit 2: Standalone tonnage, ASP trends



Source: Company, ICICI Direct Research

Exhibit 3: Trends of regional share of business

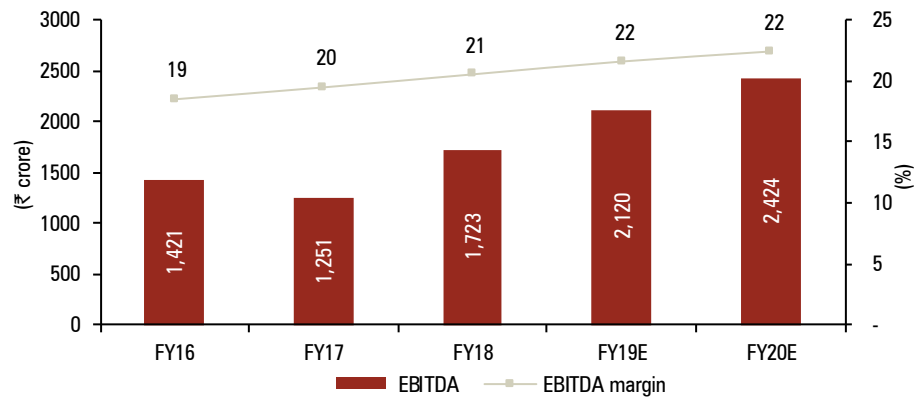


Source: Company, ICICI Direct Research

Margins to remain strong with value addition

BFL is one of the best in terms of operating efficiency and value addition in the whole Indian forgings space. The content enrichment as well business mix change accounting for exports have led to a sharp EBIDTA margin increase reflected in ASP jump from ~₹ 1.7 lakh/t in FY12 to ~₹ 2.1 lakh/t in FY18. Going ahead, as demand increases and utilisation levels improve, we build in standalone EBITDA margins of 29.5% for FY20E. Consolidated EBITDA margins are expected at 22.5% in FY20E.

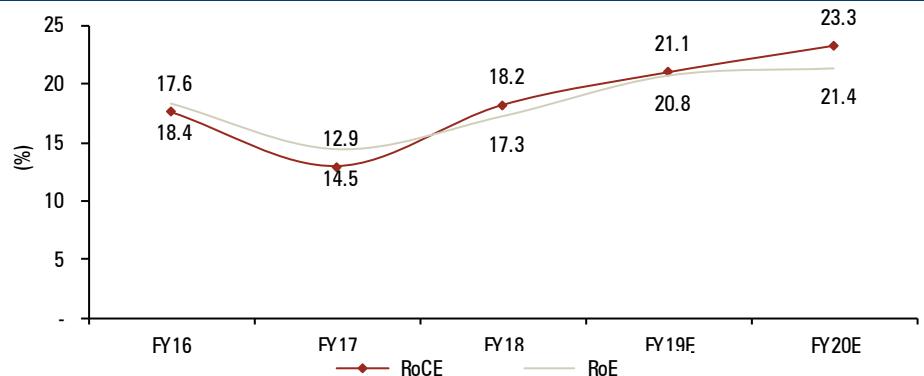
Exhibit 4: Consolidated EBIDTA margin trends



Source: Company press release, ICICI Direct Research *Estimates

Return ratio profile to rise as margins/profitability improves

Exhibit 5: Standalone return ratio profile



Source: Company press release, ICICI Direct Research

The forgings business can be a capital intensive one if the growth strategy is not managed in a specific manner. Achieving higher machining mix quickly would always require much higher capex compared to a refurbished pure forgings machine. A prudent strategy of managing capital allocation and working capital has led BFL to maintain and improve its return ratios. Going ahead, we believe the performance will improve from current levels and expect standalone RoE, RoCE to trend upwards and reach 21.4%, 23.3%, respectively, in FY20E

Outlook and valuation

BFL is steadily evolving its business model and adapting to new age technologies to be a prominent player in the market. It derives ~16% of its sales from the oil & gas sector, which has already reached a run rate of ~US\$40 million/quarter, ~28% from industrial components (domestic + global) and balance ~10% from the PV segment. In the PV segment, it is working on aluminium products that are increasingly finding application due to stringent emission control norms thereby making the vehicle lighter. It is also working in the EV space, with a couple of seed capital investment in start-ups. It also supplies consumables to the defence sector while it is developing turbocharger for industrial purposes. We believe all these measure will help de-risk its business model from CV space and steadily move out up cyclicity which is structurally positive going forward. Share of CV already down to 46% in FY18 (61% in FY08).

BFL is comfortably levered at 0.6x debt: equity. It generated healthy cash flows, with present cash flow yield over FY18-20E at >5%. It also has a capital efficient business model with RoE, ROCE profile >20%. Revising the estimates, we now expect sales & PAT to grow at a CAGR of 13.6% & 30.5%, respectively, in FY18-20E. We build in a 190 bps improvement in EBITDA margins in the aforesaid period. Thus, we value BFL on an SOTP basis with standalone business at 20x FY20E EPS of ₹ 25.6 and other subsidiaries at ₹ 22/share to arrive at a target price of ₹ 535. We have a **BUY** recommendation on the stock.

Exhibit 6: Valuation

SOTP Valuation	
Standalone	
FY20 EPS	25.6
P/E multiple	20
Per share value (₹)	512
Subsidiaries	
EBITDA (₹ crore) FY20E	294
EV/EBITDA multiple	6
Enterprise Value	1,764
Net debt (FY20E)	731
Target subsidiaries market cap (₹ crore)	1,033
Per share value	22
Total per share value (₹)	535

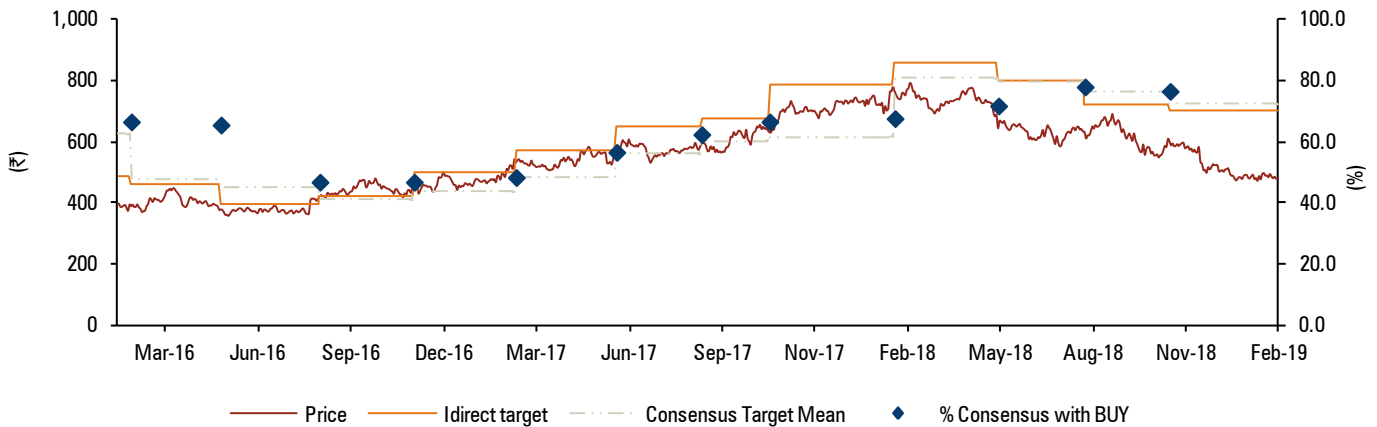
Source: Company, ICICI Direct Research

Exhibit 7: Key metrics (Consolidated)

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	6,396	-16.4	15.0	6.9	31.4	18.4	14.5	12.9
FY18	8,358	30.7	16.2	8.1	29.0	13.9	17.3	18.2
FY19E	9,787	17.1	23.5	45.3	20.0	11.5	20.8	21.1
FY20E	10,782	10.2	27.6	17.2	17.0	9.9	21.4	23.3

Source: Company, ICICI Direct Research

Recommended history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Mar-10	Ramp up of locomotive crankshaft, marine and oil & gas facility
Jul-10	Inaugurates its ring rolling facility in Baramati
Jul-11	Domestic M&HCV business continues to grow to new highs in terms of volumes
Apr-12	Bharat Forge Alstom bags orders for two 660 MW super critical turbine generators
Oct-12	David Brown Bharat Forge JV opens its facility in India in Hosur
Feb-13	Bharat Forge Alstom bags orders for three supercritical from NTPC, Forms JV with Elbit systems for artillery systems
Jan-14	Bharat Forge divest stake in China JV
Mar-14	Bharat Forge Aluminitechnik receives €250 mn contract
Oct-14	Bharat Forge posts a stellar set of Q2 results on the back of strong growth in export markets
Jan-15	BFL German subsidiary Bharat Forge GmbH, acquired 100% stake of Mecanique Generale Langroise (MGL) which would focus on Oil & Gas space
Feb-15	BFL to supply titanium forgings to Boeing which would be used in the wings of next-generation 737 and 737 MAX
Jul-15	BFL aims to double standalone revenue to ₹7000 crore in four years

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Kalyani Group	31-Dec-18	17.0	78.9	0.00
2	Sundaram Trading & Investment Pvt. Ltd.	31-Dec-18	11.9	55.2	0.00
3	KSL Holding Pvt. Ltd.	31-Dec-18	9.9	46.3	0.00
4	Ajinkya Investment & Trading Co., Pvt. Ltd.	31-Dec-18	4.2	19.6	0.00
5	Life Insurance Corporation of India	31-Dec-18	3.5	16.4	1.83
6	Reliance Nippon Life Asset Management Limited	31-Dec-18	3.0	14.1	-0.04
7	Amansa Capital Pte Ltd.	31-Dec-18	1.9	8.8	2.53
8	Hermes Investment Management Ltd.	30-Nov-18	1.7	8.0	-0.08
9	The Vanguard Group, Inc.	31-Dec-18	1.5	6.8	-0.14
10	BlackRock Institutional Trust Company, N.A.	31-Jan-19	1.4	6.3	0.16

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	45.8	45.8	45.8	45.8	45.8
FII	21.4	21.9	20.8	20.8	20.1
DII	18.7	17.8	18.9	19.1	19.6
Others	14.2	14.6	14.7	14.3	14.5

Recent Activity

Buys			Sells		
Investor name	Value (\$mn)	Shares (mn)	Investor name	Value (\$mn)	Shares (mn)
Amansa Capital Pte Ltd.	+18.50M	+2.53M	Canara Robeco Asset Management Company Ltd.	-6.76M	-0.92M
Life Insurance Corporation of India	+13.37M	+1.83M	Tata Asset Management Limited	-8.61M	-0.90M
SBI Funds Management Pvt. Ltd.	+1.41M	+0.19M	Carnegie Fonder AB	-5.58M	-0.76M
Aditya Birla Sun Life AMC Limited	+1.26M	+0.17M	Westwood International Advisors, Inc.	-2.73M	-0.37M
BlackRock Institutional Trust Company, N.A.	+1.10M	+0.16M	Excel Funds Management Inc.	-3.40M	-0.36M

Source: Reuters, ICICI Direct Research

Financial summary (Consolidated)

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Total operating Income	6396	8358	9787	10782	
Growth (%)	-16.4	30.7	17.1	10.2	
Raw Material Expenses	2,438	3,281	4,346	4,744	
Employee Expenses	931	1,089	1,223	1,294	
Other expenses	1,776	2,264	2,098	2,320	
Total Operating Expenditure	5,145	6,635	7,668	8,359	
EBITDA	1251.1	1723.0	2120.0	2423.9	
Growth (%)	-12.0	37.7	23.0	14.3	
Depreciation	452	467	489	539	
Interest	100	107	118	102	
Other Income	119	142	156	172	
PBT	818	1,292	1,668	1,954	
Others	0	0	0	0	
Total Tax	249	442	572	670	
PAT	698	754	1096	1284	
Growth (%)	6.9	8.1	45.3	17.2	
EPS (₹)	15.0	16.2	23.5	27.6	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Profit after Tax	698	754	1,096	1,284	
Add: Depreciation	452	467	489	539	
(Inc)/dec in Current Assets	178	-832	-961	-789	
Inc/(dec) in CL and Provisions	-607	225	288	250	
CF from operating activities	820	720	1,031	1,386	
(Inc)/dec in Investments	-101	439	200	0	
(Inc)/dec in Fixed Assets	-119	-580	-750	-250	
Others	-345	-680	-74	-52	
CF from investing activities	-566	-821	-624	-302	
Issue/(Buy back) of Equity	0	0	0	0	
Inc/(dec) in loan funds	-1,002	67	250	-400	
Dividend paid & dividend tax	-420	-504	-532	-560	
Inc/(dec) in Sec. premium	0	0	0	0	
Others	1,029	506	-118	-102	
CF from financing activities	-394	68	-401	-1,063	
Net Cash flow	-139	-32	6	22	
Opening Cash	475	336	304	310	
Closing Cash	336	304	310	332	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Liabilities					
Equity Capital	46.6	93.1	93.1	93.1	
Reserve and Surplus	4,122	4,615	5,178	5,902	
Total Shareholders funds	4,169	4,708	5,271	5,995	
Total Debt	2,321	2,711	2,961	2,561	
Deferred Tax Liability	303	254	254	254	
Minority Interest / Others	188	201	201	201	
Total Liabilities	6981	7874	8688	9011	
Assets					
Gross Block	7,233	8,026	8,626	9,126	
Less: Acc Depreciation	3,956	4,527	5,016	5,555	
Net Block	3,277	3,499	3,610	3,571	
Capital WIP	453	344	494	244	
Total Fixed Assets	3,730	3,843	4,104	3,815	
Investments	1,234	1,528	1,328	1,328	
Inventory	1,075	1,360	1,743	2,068	
Debtors	1,341	1,937	2,413	2,806	
Loans and Advances	39	43	50	55	
Other Current Assets	605	553	648	714	
Cash	336	304	310	332	
Total Current Assets	3,397	4,197	5,164	5,974	
Creditors	846	1,327	1,475	1,625	
Provisions	54	63	70	77	
Other Current Liabilities	1,044	779	912	1,005	
Total Current Liabilities	1,944	2,169	2,457	2,707	
Net Current Assets	1,453	2,028	2,706	3,267	
Other non-current assets	565	475	549	601	
Application of Funds	6981	7874	8688	9011	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY17	FY18	FY19E	FY20E	
Per share data (₹)					
EPS	15.0	16.2	23.5	27.6	
Cash EPS	24.7	26.2	34.0	39.2	
BV	89.5	101.1	113.2	128.8	
DPS	9.0	10.8	11.4	12.0	
Cash Per Share	7.2	6.5	6.7	7.1	
Operating Ratios					
EBITDA Margin (%)	19.6	20.6	21.7	22.5	
PBT / Net sales (%)	12.5	15.0	16.7	17.5	
PAT Margin (%)	10.9	9.0	11.2	11.9	
Inventory days	61.4	59.4	65.0	70.0	
Debtor days	76.5	84.6	90.0	95.0	
Creditor days	48.3	57.9	55.0	55.0	
Return Ratios (%)					
RoE	12.9	18.2	21.1	23.3	
RoCE	14.5	17.3	20.8	21.4	
RoIC	16.8	19.9	22.9	24.8	
Valuation Ratios (x)					
P/E	36.3	26.9	20.0	17.0	
EV / EBITDA	18.4	13.9	11.5	9.9	
EV / Net Sales	3.6	2.9	2.5	2.2	
Market Cap / Sales	3.4	2.6	2.2	2.0	
Price to Book Value	5.2	4.6	4.2	3.7	
Solvency Ratios					
Debt/EBITDA	1.9	1.6	1.4	1.1	
Debt / Equity	0.6	0.6	0.6	0.4	
Current Ratio	1.6	1.8	2.0	2.1	
Quick Ratio	1.0	1.2	1.3	1.3	

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Amara Raja (AMARAJ)	740	700	Hold	12647	27.6	30.2	39.8	26.8	24.5	18.6	14.8	13.1	10.2	23.3	22.0	24.7	16.0	15.2	17.1
Apollo Tyre (APOTYR)	200	225	Buy	11647	12.7	14.2	22.5	16.1	14.3	9.1	6.7	6.7	5.7	7.8	9.1	11.0	7.4	9.1	11.1
Ashok Leyland (ASHLEY)	82	137	Hold	23278	5.3	7.7	11.1	15.4	10.7	7.4	10.2	7.7	5.0	28.1	34.1	40.3	21.9	26.6	30.3
Bajaj Auto (BAAUTO)	2822	2380	Hold	81660	140.6	149.7	167.2	17.8	16.7	14.9	11.9	11.3	9.3	22.9	21.1	21.7	21.5	20.3	20.2
Balkrishna Ind. (BALIND)	805	820	Hold	15604	38.2	42.5	49.8	21.1	19.0	16.2	14.2	11.6	9.5	22.4	21.0	22.4	18.1	21.0	22.4
Bharat Forge (BHAFOR)	470	535	Buy	21882	16.2	23.5	27.6	29.0	20.0	17.0	13.9	11.5	9.9	18.2	21.1	23.3	17.3	20.8	21.4
Bosch (MICO)	18140	17565	Hold	56960	449.1	545.6	622.9	40.4	33.2	29.1	25.1	22.4	18.9	14.4	14.9	15.2	21.4	22.2	22.6
Eicher Motors (EICMOT)	21000	21250	Hold	57246	718.9	848.4	1112.9	29.2	24.8	18.9	19.0	16.7	12.3	39.1	34.6	35.3	29.9	26.0	26.4
Escorts (ESCORT)	635	700	Hold	7786	28.1	40.7	44.1	23.8	16.5	15.2	14.2	10.6	9.3	18.8	20.9	20.8	13.5	16.5	15.3
Exide Industries (EXIIND)	212	235	Hold	18054	8.2	8.4	9.8	25.8	25.4	21.7	15.2	14.1	12.0	19.1	17.6	19.1	13.0	12.2	13.1
Hero Moto (HERHON)	2849	3000	Buy	56889	185.1	174.5	199.9	15.4	16.3	14.3	8.7	9.0	7.7	42.4	38.0	39.0	31.4	26.9	27.4
JK Tyre & Ind (JKIND)	89	100	Hold	2013	2.9	12.9	21.9	30.5	6.9	4.1	9.8	6.0	4.6	7.7	12.6	15.4	3.6	15.0	18.6
Mahindra CIE (MAHAUT)	226	280	Buy	8559	9.5	14.5	17.7	23.9	15.6	12.8	13.7	9.9	8.2	9.8	12.9	13.7	11.2	15.0	17.1
Maruti Suzuki (MARUTI)	7203	6000	Hold	216663	255.6	250.3	284.4	25.5	26.0	22.9	13.5	13.8	11.8	21.1	17.8	18.8	18.5	16.3	16.6
Motherson (MOTSUM)	130	125	Hold	41179	5.1	5.3	7.0	25.8	24.6	18.6	9.3	8.5	6.8	16.3	15.2	18.0	17.4	15.7	18.0
Tata Motors (TELCO)	152	145	Hold	45571	26.8	-83.4	16.6	5.6	NA	9.1	2.4	3.3	2.6	9.1	5.1	9.9	10.3	5.9	12.6
Wabco India (WABTVS)	6160	6800	Hold	11704	143.8	172.2	212.3	42.8	35.8	29.0	28.0	24.1	19.1	17.9	17.8	18.2	25.1	25.7	26.0

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;
Buy: > 10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

We /I Shashank Kanodia, CFA MBA (Capital Markets), and Jaimin Desai, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.