

4QFY19 Results Preview

Sector: Auto & Auto ancillaries /Mid & Small-Cap | Event

Event Update

22 April 2019

Indian Auto & Auto ancillary Mid/Small cap companies

For 4QFY19, we expect the top-line growth of OEMs to be under pressure on account of the tepid volume growth being witnessed since the beginning of 2HFY19. Auto ancillaries would also be impacted on account of the slowdown in demand and production cuts across OEMs. Easing prices of key raw materials such as plastic, rubber (average 8% decline YoY), aluminum (14% decline YoY) are expected to provide some solace on the margins front. However, the benefits would be limited on account of negative operating leverage and higher selling expenses. Our top pick is Minda Industries.

Amara Raja	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	16,993	16,947	15,807	7.5%	0.3%	We expect Amara Raja's revenues to grow by 7.5% YoY led by growth in replacement demand. EBITDA margins are expected to expand 110 bps on account of deferred effect of softer RM prices (down by ~4% QoQ) in 3QFY19.
EBITDA (INR mn)	2,450	2,528	2,107	16.2%	-3.1%	
PAT (INR mn)	1,298	1,309	1,098	18.2%	-0.8%	
PATM (%)	7.6	7.7	6.9	69bps	-9bps	
EPS	7.6	7.7	6.4			

Balkrishna	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	13,091	12,056	12,318	6.3%	8.6%	We expect a top-line growth of 6.3% YoY with volumes remaining flat YoY ~54k. EBITDA margins would expand 100bps QoQ on account of easing input costs and operating efficiency.
EBITDA (INR mn)	3,404	3,009	2,956	15.2%	13.1%	
PAT (INR mn)	2,103	1,447	1,936	8.6%	45.3%	
PATM (%)	16.1	12.0	15.7	34bps	406bps	
EPS	10.9	7.5	10.0			

Ceat	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	17,778	17,139	16,739	6.2%	3.7%	We expect the top-line to grow by 6.2% YoY. EBITDA margins would contract by ~180 bps YoY as the benefit of softer RM costs would be set off by the price rollbacks and higher other expenses.
EBITDA (INR mn)	1,778	1,426	1,976	-10.0%	24.7%	
PAT (INR mn)	787	522	771	2.1%	50.6%	
PATM (%)	4.4	3.0	4.6	-18bps	138bps	
EPS	16.3	12.9	19.1			

Escorts	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	16,659	16,551	14,361	16.0%	0.7%	We expect Escorts to post revenue growth of 16% YoY led by 6.7% YoY volume growth in tractors and pick up seen in the construction and railway segments. EBITDA margins are expected to remain flat YoY at 12.1%
EBITDA (INR mn)	2,018	2,005	1,738	16.1%	0.7%	
PAT (INR mn)	1,385	1,401	1,181	17.3%	-1.2%	
PATM (%)	8.3	8.5	8.2	9bps	-15bps	
EPS	10.4	11.4	9.6			

Rane Holdings	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	6,500	6,075	6,191	5.0%	7.0%	We expect revenues to grow by modest 5% YoY on account of dismal PV and CV sales during 4QFY19. EBITDA margins are expected to remain flat YoY at 9%.
EBITDA (INR mn)	581	591	553	4.9%	-1.8%	
PAT (INR mn)	248	199	287	-13.7%	24.2%	
PATM (%)	3.8	3.3	4.6	-83bps	53bps	
EPS	25.5	14.0	20.1			

Greaves Cotton	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	5,153	5,065	4,862	6.0%	1.7%	We expect a revenue growth of 6% YoY on account of muted volume growth in the auto segment and EBITDA margins are expected to come in at ~14.01%. PAT is expected to show a muted growth YoY on account of a high base in 4QFY18.
EBITDA (INR mn)	722	706	745	-3.1%	2.3%	
PAT (INR mn)	515	427	518	-0.5%	20.6%	
PATM (%)	10.0	8.4	10.6	-65bps	156bps	
EPS	2.1	1.7	1.7			

TVS	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	42,120	46,640	39,928	5.5%	-9.7%	We expect a top line growth of 5.5% YoY to INR 42.1bn with 2%YoY growth in volumes to 907,328 units. Motorcycle volumes increased 8.2% Yoy while scooter volumes declined 3.3% YoY. We forecast margins to expand by ~60bps YoY
EBITDA (INR mn)	3,201	3,757	2,807	14.1%	-14.8%	
PAT (INR mn)	1,441	1,784	1,656	-13.0%	-19.2%	
PATM (%)	3.4	3.8	4.1	-73bps	-40bps	
EPS	3.0	3.8	3.5			

Gabriel	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	5,365	5,100	4,968	8.0%	5.2%	We expect a top-line growth of 8% YoY on account of muted two-wheeler sales. EBITDA margins would be maintained at ~9% for 4QFY19
EBITDA (INR mn)	483	431	465	3.8%	12.2%	
PAT (INR mn)	263	221	257	2.5%	19.4%	
PATM (%)	4.9	4.3	5.2	-26bps	58bps	
EPS	1.8	1.5	1.8			

Lumax Industries	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	6,107	4,308	5,590	9.2%	41.8%	We expect the revenues to grow by 9.2% YoY on account of muted domestic PV and 2W sales. Margins to improve to 8.6% as a result of localization efforts undertaken by the company.
EBITDA (INR mn)	522	414	465	12.4%	26.2%	
PAT (INR mn)	241	200	175	37.7%	20.7%	
PATM (%)	4.0	4.6	3.1	82bps	-69bps	
EPS	25.8	21.4	18.8			

Minda Industries	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	15,011	14,701	13,709	10%	2.1%	We expect the top-line to grow at ~10% YoY driven by a strong order book. EBITDA margins would remain flat YoY at 12.3%. PAT is expected to decline on account of a high base in 4QFY18.
EBITDA (INR mn)	1,842	1,804	1,695	8.7%	2.1%	
PAT (INR mn)	747	694	972.0	-23.2%	7.6%	
PATM (%)	5.0	4.7	7.1	-212bps	25bps	
EPS	3.3	3.1	5.4			

Motherson Sumi	4QFY19E	3QFY19	4QFY18	YoY	QoQ	Comments
Revenue (INR mn)	161,985	162,337	152,816	6.0%	-0.2%	We expect a top-line growth of 6% YoY. Weak OEM sentiments would continue to dampen volume growth for MSSL. We expect EBITDA margins to remain flat at 8.5% QoQ.
EBITDA (INR mn)	13,702	13,934	14,189	-3.4%	-1.7%	
PAT (INR mn)	4,452	3,891	5,184	-14.1%	14.4%	
PATM (%)	2.7	2.4	2.5	29bps	35bps	
EPS	2.1	1.8	2.5			

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