



RESULT UPDATE

ASHOK LEYLAND

Inventory, cost control absorb bumps

India Equity Research | Automobiles



The 72% YoY plunge in Ashok Leyland's Q2FY20 EBITDA missed our expectation. The key positives, though, are: i) a sharp reduction in inventory to about 13K units versus ~28K at end-Q1; ii) gross margin improvement QoQ and YoY despite higher discounts of INR525K per vehicle, up 24% QoQ and 31% YoY; and iii) greater control on costs, cash flow and channel inventory than the leader. Notwithstanding imminent concerns of a smooth transition to BSVI, we believe CVs are better placed than 2Ws and PVs to handle the step change (refer to [This time it's different](#)). All in all, we are tuning up AL's valuation EV/EBITDA to 10x (from 8x), reflecting its: a) bottom-cycle valuation—P/B below five-year average; b) high sensitivity to economy; and c) strong balance sheet, better working capital management and ability to generate FCF. We are raising the TP to INR93 (earlier INR79).

Cost focus to cushion margins

Revenue at INR38.6bn (down 48% YoY) came in 3% below expectation. Despite higher discounts of about INR525k per vehicle (+24% QoQ), gross margin improved about 100bps QoQ to 31% due to favourable raw material prices and a better mix. EBITDA tanked 72% YoY to INR2.2bn and is 5% below our estimate. However, margin at 5.8% was broadly in line with our estimate. In the near term, margin pressure is expected to persist given the weak demand environment and BSVI transition costs. Management's cost focus and benign commodity costs would alleviate the impact though.

Worst behind; economic revival awaited

Management's unwavering focus on profitable growth rather than on chasing market share is encouraging. The increasing share of LCV (whose margin profile is similar to overall business) will aid further profitability. Improvement in liquidity and the overall economic activity are key to business revival (refer to the aforementioned note).

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

Granular focus on expanding product offerings, deepening distribution and focus on profitable growth would keep AL's FCF strong in our view. We maintain 'BUY/SO' with an SoTP-based target price of INR93 (10x March2021E EV/EBITDA and INR8/share for the financing business). The stock is trading at FY20/21E PER of 19.9x/15.8x.

Financials

(INR mn)

Year to March	Q2FY20	Q2FY19	% Chg	Q1FY20	% Chg	FY19	FY20E	FY21E
Total operating Income	39,295	76,211	(48.4)	56,839	(30.9)	290,550	225,963	280,323
EBITDA	2,286	8,290	(72.4)	5,370	(57.4)	31,357	20,249	25,750
Adjusted Profit	1,228	5,414	(77.3)	2,431	(49.5)	20,407	11,365	14,359
Adjusted Diluted EPS	0.4	1.8	(77.3)	0.8	(49.5)	7.0	3.9	4.9
Diluted P/E (x)						11.1	19.9	15.8
EV/EBITDA (x)						6.9	11.1	9.0
ROAE (%)						26.2	13.6	17.1

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 77
Target Price	: INR 93
52-week range (INR)	: 123 / 57
Share in issue (mn)	: 2,935.5
M cap (INR bn/USD mn)	: 225 / 3,149
Avg. Daily Vol.BSE/NSE('000)	: 28,919.8

SHARE HOLDING PATTERN (%)

	Current	Q1FY20	Q4FY19
Promoters *	51.1	51.1	51.1
MF's, FI's & BK's	13.0	11.0	10.1
FII's	17.1	18.8	19.1
Others	18.8	19.1	19.7
* Promoters pledged shares (% of share in issue)			17.8

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Auto Index
1 month	18.9	7.0	11.5
3 months	20.5	7.9	16.6
12 months	(37.2)	12.4	(11.4)

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Q2FY20 conference call: Key highlights

Key highlights

- The extent of volume contraction in Q2FY20 was completely unexpected.
- Volume decline/market share fall in the quarter attributable to the company's focus on inventory correction.
- For AL, inventory (company + dealerships) stood as follows: June: 27.5k units; September: 18.2k; and October: 13k units. Dealer stock at the end of the October stood was about 3.5k units (~8.5k in June).
- Retail sales in Q2FY20 were relatively better than wholesales. Retail sales have improved sequentially over the past few months. However, on a YoY basis, retail sales have seen a contraction.
- At an industry level, inventory levels have bottomed; so realization is expected to improve. October already marks an improvement in realisation.
- Despite weakness, freight rates have predominantly held up.
- Market share for AL in Q2FY20 was 30% versus about 35% in Q2FY19.
- Market share for AL in H1FY20 was 32.6% (about the same as last year).
- **CEO appointment** – New CEO would be in place before the end of FY20.
- **Tax regime:** Useful when you don't have DTA or a MAT carry forward. Since AL has a MAT carry-forward, the company will stick to the old tax regime.
- **BSVI**
 1. Does not expect any major change in mix post-BSVI rollout.
 2. There are still some signs there would be a small pre-buy pick-up (last six–eight weeks). However, difficult to say whether it would fructify.
 3. Production of fully built vehicles will continue till the end of the year. Chassis sales would go on till mid-February.
- Overall discount per vehicle in Q2FY20 was INR525k versus 420k in Q2FY19.
- In Q2FY20, revenue mix was: domestic trucks: 45%; buses: 13%; LCV: 13%; and exports: 12%.
- Details on the Phoenix range of products will be made available only once the products are launched by the end of FY20.
- **Network expansion:** Pace of expansion has slowed due to the current slowdown. However, working to augment dealer revenue.

Gross/EBITDA margin

- Factors that impacted margins in Q2FY20:
 - Positive impact: 1) dip in commodity costs (steel prices); 2) better mix; and 3) middle-line management (cost control).
 - Negative impact: 1) negative operating leverage; and 2) higher discounting (increasing for the past two quarters).

Capex

- FY20: Reduced from expected spend of INR23bn to INR18bn (working towards lower this by further INR2–3bn)
- Spent only about INR5.5bn in H1FY20.

- The company will, however, ensure that key projects (Project Phoenix, Modular business, BSVI, etc) are not impacted.
- Currently, expect capex in FY21 to be lower than in FY20.

Modular platform architecture

- Every new product from 1 April, 2020, will be based on the modular platform.
- This will considerably increase customisation for consumers.
- Once implemented, the benefits of this programme will flow in the short to medium term (since it greatly reduces manufacturing complexity).

Exports

- Traditional markets (UAE, Bangladesh, Sri Lanka, etc) have been slow.
- However, seeing parts of Middle East (Saudi, Bangladesh) reviving.
- Expect these markets to revive in FY21.
- Additional volumes from entry in new African markets should start flowing in H2FY20.

Cost saving

- Expect cost savings to exceed INR5bn in FY20.
- Saved about INR2.2–2.3bn in H1FY20.
- The company has ensured that cost reductions achieved so far are sustainable.

Government initiatives to boost demand

- AL is bidding for the government tender for 5.5k electric buses.
- While AL started out slow (since products were undergoing tests), management is now more confident.
- AL is already operating buses in Ahmedabad (two product variants – battery swapped and fast charge).
- No developments regarding the government initiative to buy 25k ICE buses (to boost demand).

Segment-wise demand

- ICV/LCVs and buses are doing well (demand weakness in temporary).
- Axle load norms and GST have impacted long-haul CVs due to increased productivity and shorter turnaround.

New Directors

- Mr. Saugata Gupta and Mr. Vipin Sondhi have been appointed to AL's board.
- Both bring vast experience and should help mentor the team at AL.

Scrappage scheme

- Infrastructure still not in place.
- Should take 6–12 months for the scrappage programme to take off in a meaningful way.



Chart 1: Volume mix trend

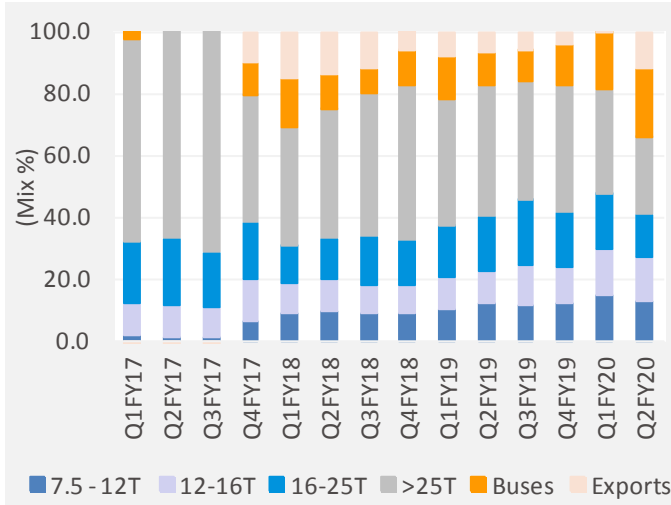


Chart 2: Discount trend

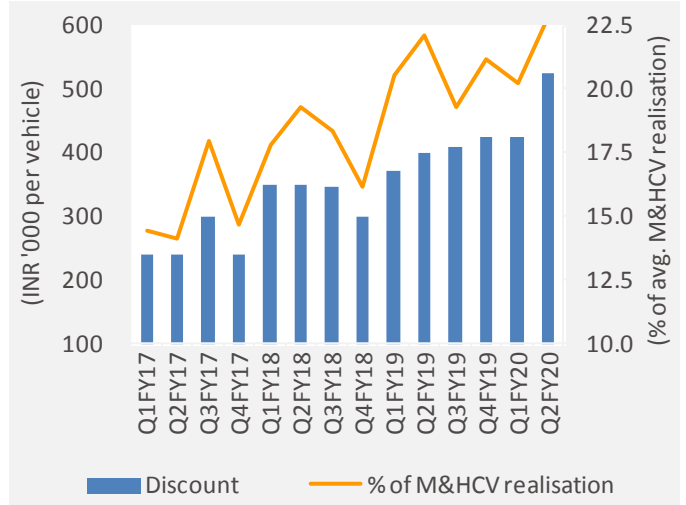


Chart 3: Gross and EBITDA margin trend

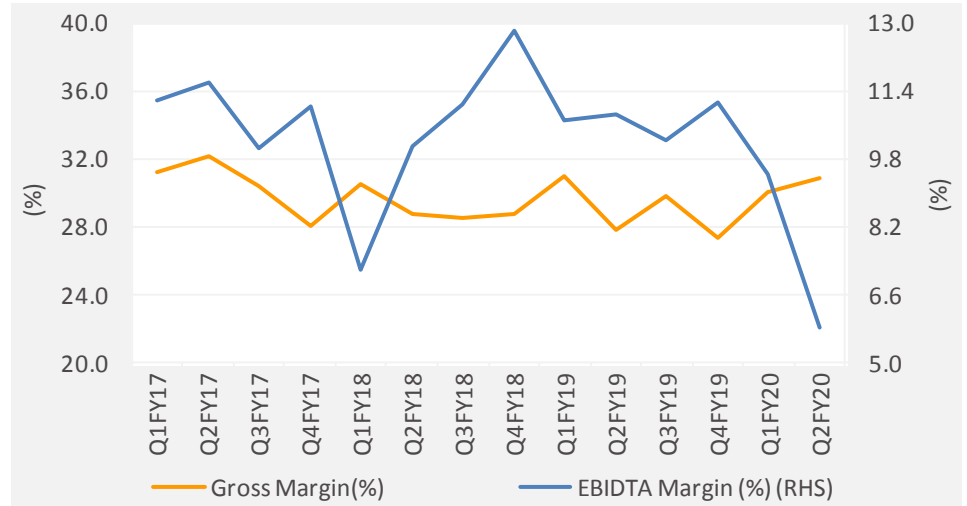
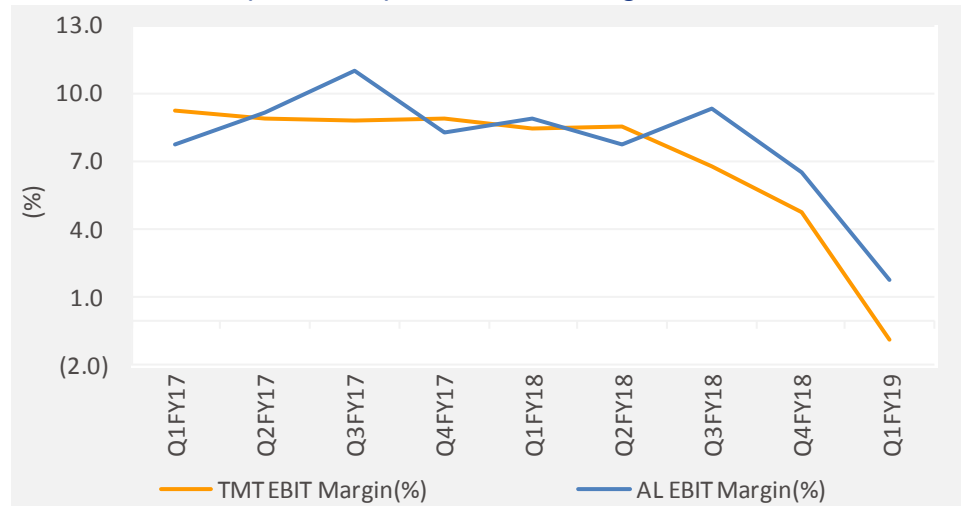


Chart 4: Tata Motors (CV business) versus AL - EBIT Margin trend



Source: Company, Edelweiss research



Chart 5: Trend of PE versus PB

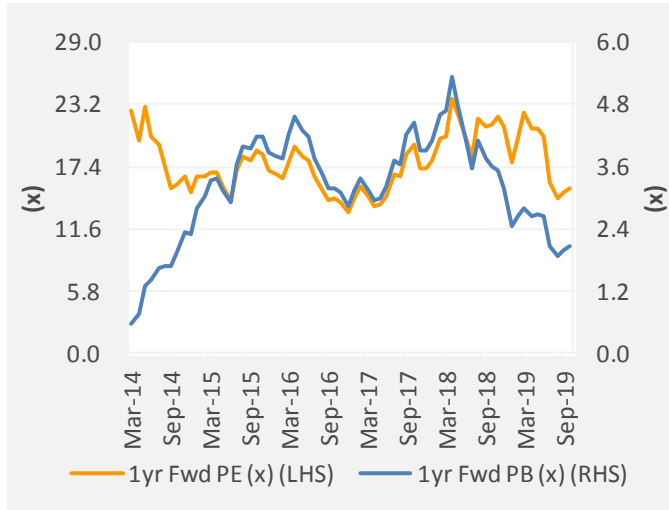
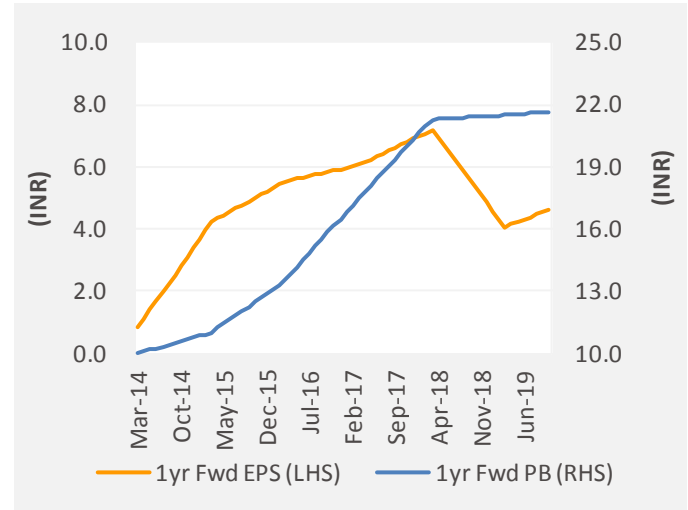


Chart 6: Trend in EPS and BVS



Source: Company, Bloomberg, Edelweiss research

Table 1: Valuation snapshot

(INR mn)	Mar2021E
EBITDA	25,750
EV/EBITDA	10.0
Enterprise value	2,57,496
Net debt	6,592
Equity value	2,50,904
No. of shares	2,936
Value of core business (INR)	85
Hinduja Finance - 61.9% stake valued at 2x FY19 BV (INR)	8
Target price (INR)	93

Source: Company, Edelweiss research



Financial snapshot

(INR mn)

Year to March	Q2FY20	Q2FY19	% change	Q1FY20	% change	YTD20	FY20E	FY21E
Total operating Income	39,295	76,211	(48.4)	56,839	(30.9)	96,134	225,963	280,323
Raw material costs	27,133	54,976	(50.6)	39,737	(31.7)	66,870	157,044	201,832
Staff costs	4,321	5,251	(17.7)	5,004	(13.7)	9,326	20,988	22,877
Other expenses	5,555	7,693	(27.8)	6,728	(17.4)	12,283	27,682	29,864
Total expenditure	37,009	67,920	(45.5)	51,469	(28.1)	88,478	205,714	254,573
EBITDA	2,286	8,290	(72.4)	5,370	(57.4)	7,656	20,249	25,750
Depreciation	1,600	1,481	8.1	1,646	(2.8)	3,247	6,529	7,312
EBIT	685	6,809	(89.9)	3,723	(81.6)	4,409	13,720	18,438
Interest	301	204	47.6	126	140.0	427	772	987
Other income	455	276	64.9	211	115.9	666	1,439	1,198
Add: Exceptional items	(648)	(173)	NA	(201)	NA	(849)		
Profit before tax	191	6,708	(97.2)	3,607	(94.7)	3,799	14,386	18,648
Provision for taxes	(198)	1,431	NA	1,305	NA	1,108	3,021	4,289
Reported net profit	389	5,277	(92.6)	2,302	(83.1)	2,691	11,365	14,359
Adjusted Profit	1,228	5,414	(77.3)	2,431	(49.5)	3,658	11,365	14,359
Diluted shares (mn)	2,936	2,936		2,936		2,936	2,936	2,936
Adjusted Diluted EPS	0.4	1.8	(77.3)	0.8	(49.5)	0.9	3.9	4.9
Diluted P/E (x)	-	-		-		-	19.9	15.8
EV/EBITDA (x)	-	-		-		-	11.1	9.0
ROAE (%)	-	-		-		-	13.6	17.1
Raw material	69.0	72.1		69.9		69.6	69.5	72.0
Employee cost	11.0	6.9		8.8		9.7	9.3	8.2
Other expenses	14.1	10.1		11.8		12.8	12.3	10.7
EBITDA	5.8	10.9		9.4		8.0	9.0	9.2
Adjusted net profit	3.1	7.1		4.3		2.8	5.0	5.1
Tax rate	(103.4)	21.3		36.2		29.2	21.0	23.0



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

Broad based recovery in M&HCV still not visible

While industry growth has recovered sharply in FY15, <12t segment/tipper growth has remained muted. Pick up remains important for strong industry growth to continue.

Rising competitive intensity in M&HCV space

Duopoly in the M&HCV space is under threat from key competitors like Eicher and BharatBenz. South has been a traditional strong hold for AL and higher competition in other regions can impact volumes

Subdued performance in LCVs

Despite a reasonable presence in LCVs (since FY12 with Nissan), volumes have continued to decline for past 2 years. Company has already taken an impairment for one of the product lines. Continued weak show can further strain cash flows



Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	7.2	6.8	6.8	7.1
Inflation (Avg)	3.6	3.4	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.3	5.0
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	(15.0)	7.0
Avg realisation (INR)	1,514,689	1,460,584	1,493,706	1,612,453
Avg realisation (% YoY)	9.2	(3.6)	2.3	7.9
RM cost/vehicle	1,059,831	1,039,556	1,068,000	1,160,966
Employee cost/vehicle	105,780	105,505	119,512	121,537
Average salary	1,552,835	1,873,233	2,060,556	2,266,612
Promotion cost (% revenue)	3.7	3.4	4.0	3.4
EBITDA/vehicle	169,264	157,633	142,826	154,102
Avg. Interest rate (%)	13.4	9.5	9.5	9.0
Depreciation rate (%)	8.5	8.7	7.9	8.1
Tax rate (%)	28.0	20.6	32.0	32.0
Dividend payout (%)	44.8	53.7	88.2	88.2
Capex (INR mn)	14,260	9,016	11,000	9,500
Net borrowings (INR mn)	-	(7,008)	7,008	3,000
Debtor days	13	22	30	23
Inventory days	41	38	46	38
Payable days	119	139	158	141
Cash conversion cycle	(65)	(79)	(82)	(80)

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Total volume (nos)	173,736	198,927	155,947	178,045
% Growth in volume	20.4	14.5	(21.6)	14.2
Income from operations	263,156	290,550	225,963	280,323
Materials costs	184,131	206,796	157,044	201,832
Manufacturing expenses	3,519	3,838	2,942	3,475
Employee costs	18,378	20,988	20,988	22,877
Total SG&A expenses	27,721	27,571	24,740	26,389
Total operating expenses	233,749	259,192	205,714	254,573
EBITDA	29,407	31,357	20,249	25,750
Depreciation	5,985	6,210	6,529	7,312
EBIT	23,423	25,147	13,720	18,438
Less: Interest Expense	1,473	704	772	987
Add: Other income	1,965.8	1,099.4	1,438.73	1,197.89
Profit Before Tax	23,858	24,968	14,386	18,648
Less: Provision for Tax	6,681	5,136	3,021	4,289
Add: Exceptional items	(57)	(575)	-	-
Reported Profit	17,177	19,832	11,365	14,359
Exceptional Items	(57)	(575)	-	-
Adjusted Profit	17,235	20,407	11,365	14,359
Shares o /s (mn)	2,927	2,936	2,936	2,936
Adjusted Basic EPS	5.9	7.0	3.9	4.9
Diluted shares o/s (mn)	2,927	2,936	2,936	2,936
Adjusted Diluted EPS	5.9	7.0	3.9	4.9
Adjusted Cash EPS	7.9	8.9	6.1	7.4
Dividend per share (DPS)	2.2	3.1	3.1	3.9
Dividend Payout Ratio(%)	44.8	53.7	96.4	96.4

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Materials costs	70.0	71.2	69.5	72.0
Staff costs	7.0	7.2	9.3	8.2
S G & A expenses	10.5	9.5	10.9	9.4
Operating expenses	88.8	89.2	91.0	90.8
Depreciation	2.3	2.1	2.9	2.6
Interest Expense	0.6	0.2	0.3	0.4
EBITDA margins	11.2	10.8	9.0	9.2
Net Profit margins	6.5	7.0	5.0	5.1

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	31.5	10.4	(22.2)	24.1
EBITDA	33.5	6.6	(35.4)	27.2
PBT	79.4	4.7	(42.4)	29.6
Adjusted Profit	40.4	15.5	(42.7)	26.3
EPS	40.4	18.1	(44.3)	26.3



Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	2,927	2,935	2,935	2,935	
Reserves & Surplus	69,528	80,389	80,801	81,323	
Shareholders' funds	72,456	83,325	83,737	84,259	
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	1,950	1,950	
Sources of funds	86,432	89,805	96,679	100,201	
Gross Block	70,335	71,437	82,437	90,437	
Net Block	55,480	56,145	60,616	61,304	
Capital work in progress	4,562	6,576	6,576	8,076	
Total Fixed Assets	60,042	62,721	67,192	69,381	
Non current investments	25,515	26,365	28,775	33,275	
Cash and Equivalents	40,866	13,650	11,536	7,400	
Inventories	17,583	26,847	18,413	25,895	
Sundry Debtors	9,448	25,055	17,185	24,371	
Loans & Advances	241	542	424	1,112	
Other Current Assets	19,669	27,064	27,064	28,564	
Current Assets (ex cash)	46,941	79,508	63,087	79,942	
Trade payable	72,206	85,176	67,633	79,511	
Other Current Liab	14,726	7,263	6,278	10,286	
Total Current Liab	86,932	92,439	73,911	89,797	
Net Curr Assets-ex cash	(39,991)	(12,932)	(10,824)	(9,855)	
Uses of funds	86,432	89,805	96,679	100,201	
BVPS (INR)	24.8	28.4	28.5	28.7	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	17,177	19,832	11,365	14,359	
Add: Depreciation	5,985	6,210	6,529	7,312	
Interest (Net of Tax)	1,060	559	610	760	
Others	66,940	(57,284)	(6,037)	(2,909)	
Less: Changes in WC	34,728	(27,059)	(2,107)	(969)	
Operating cash flow	56,434	(3,624)	14,575	20,491	
Less: Capex	14,260	9,016	11,000	9,500	
Free Cash Flow	42,174	(12,639)	3,575	10,991	

Cash flow metrics		FY18	FY19	FY20E	FY21E
Year to March					
Operating cash flow		56,434	(3,624)	14,575	20,491
Financing cash flow		(20,909)	(16,162)	(4,717)	(11,825)
Investing cash flow		(34,292)	23,115	(15,971)	(16,802)
Net cash Flow		1,232	3,330	(6,114)	(8,136)
Capex		(14,260)	(9,016)	(11,000)	(9,500)
Dividend paid		7,718	10,953	10,953	13,838

Profitability and efficiency ratios		FY18	FY19	FY20E	FY21E
Year to March					
ROAE (%)		25.8	26.2	13.6	17.1
ROACE (%)		30.6	30.7	16.7	20.4
Inventory Days		41	38	52	39
Debtors Days		13	22	34	27
Payable Days		119	139	178	133
Cash Conversion Cycle		(65)	(79)	(92)	(67)
Current Ratio		1.0	1.0	1.0	1.0
Gross Debt/EBITDA		0.4	0.1	0.5	0.5
Gross Debt/Equity		0.2	-	0.1	0.2
Adjusted Debt/Equity		0.2	-	0.1	0.2
Net Debt/Equity		(0.4)	(0.1)	-	0.1
Interest Coverage Ratio		15.9	35.7	17.8	18.7

Operating ratios		FY18	FY19	FY20E	FY21E
Year to March					
Total Asset Turnover		3.1	3.3	2.4	2.8
Fixed Asset Turnover		5.0	5.2	3.9	4.6
Equity Turnover		3.9	3.7	2.7	3.3

Valuation parameters		FY18	FY19	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)		5.9	7.0	3.9	4.9
Y-o-Y growth (%)		40.4	18.1	(44.3)	26.3
Adjusted Cash EPS (INR)		7.9	8.9	6.1	7.4
Diluted P/E (x)		13.0	11.0	19.8	15.6
P/B (x)		3.1	2.7	2.7	2.7
EV / Sales (x)		0.7	0.7	1.0	0.8
EV / EBITDA (x)		6.6	6.9	11.1	9.0
Dividend Yield (%)		2.9	4.0	4.0	5.1

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	3,149	19.8	15.6	11.1	9.0	2.7	2.7
Mahindra & Mahindra Ltd	10,109	15.2	16.3	9.2	9.3	1.8	1.6
Maruti Suzuki India Ltd	30,496	34.6	25.7	20.0	14.3	4.4	4.0
Tata Motors Ltd	7,392	22.4	10.3	4.8	3.8	0.9	0.9
Median	-	21.1	16.0	10.1	9.1	2.2	2.1
AVERAGE	-	23.0	17.0	11.3	9.1	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	Gopal Mahadevan	Whole-time Director
Mr. Saugata Gupta	Non-Executive Independent Director	Mr. Vipin Sondhi	Additional Director

Auditors - Price Waterhouse & Co

Holding – Top10

	Perc. Holding		Perc. Holding
Hinduja automotive l	34.73	Hinduja bank switzer	4.94
Jpmorgan chase & co	4.3	Reliance capital tru	3.99
Icici prudential lif	1.72	State of kuwait	1.7
Norges bank	1.63	Vanguard group	1.48
Government pension f	1.47	Blackrock	1.38

**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	BUY	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	HOLD	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
08-Nov-19	Mahindra & Mahindra	Strong core; subsidiaries disappoint; <i>Result Update</i>	581	Buy
08-Nov-19	Eicher Motors	In-line quarter; product upgrade cycle key; <i>Result Update</i>	21,690	Buy
07-Nov-19	Minda Corporation	Strong show; cost control in focus; <i>Result Update</i>	98	Buy

Distribution of Ratings / Market Cap

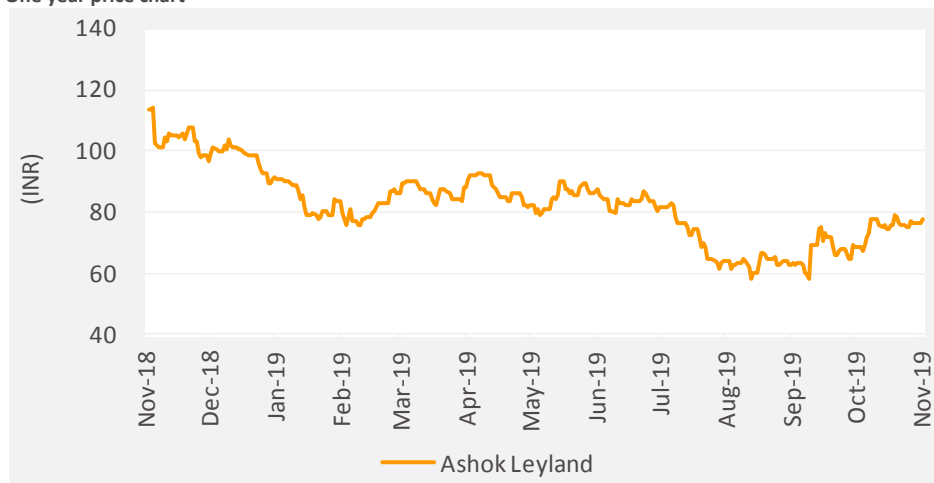
Edelweiss Research Coverage Universe

	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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