INDIAN AUTO COMPONENTS INDUSTRY

Replacement market and exports hold up growth at above OEMs' levels; cost pressures, currency volatility and threat of imports remain a challenge

MARCH 2012

ICRA RATING FEATURE

Rise in exports and higher domestic replacement demand partially offset the impact of lower supplies to the domestic OEM segment

The ~Rs. 1,600 billion Indian auto components industry has been witnessing a moderation in its revenue growth since the beginning of this fiscal following the deceleration in sales volume growth across all automobile segments. As per industry estimates, out of the total turnover of the Indian auto components industry, around 60% is derived from sales to domestic OEMs, around 25% comes from sales to the domestic replacement market and around 15% is derived from exports. While lower YoY volume growth of domestic OEMs in 9m 2011-12, particularly those belonging to the passenger vehicle (PV) and Medium and Heavy Commercial Vehicle (M&HCV) segments, translated into muted revenue growth for the auto components industry during this period; the sluggishness was partly arrested on the back of rise in component exports and higher domestic replacement market sales. While the long term prospects for the industry remain strong in line with the outlook for the OEM segment, the industry faces strong challenges in the form of threat of low cost imports, currency volatility and ability to invest on product development to be able to move up the value chain.

Apropos our sample of 35 listed auto component manufacturers, the revenue growth of these select entities has been in low single digits over the last three consecutive quarters on QoQ basis and in double digits on YoY basis. Within our sample universe, however, there was a wide variance in the performance of individual companies with revenue growth being relatively higher for companies dependent on the domestic two-wheeler (2W) and Light Commercial Vehicle (LCV) segments; and growth being lower/ negative for companies dependent on the Medium & Heavy Commercial Vehicle (M&HCV) and Passenger vehicle (PV) segments. This broadly mirrors the trend in sales volumes seen in the respective automobile segments in 9m, 2011-12 (Refer **Table 1**). Further, despite macro-economic challenges currently being faced by the automotive industry - PV and M&HCV segments in particular – due to inflation, high interest rates and rising fuel prices, many of the auto component manufacturers continued to reported strong double digit revenue growth in 9m, 2011-12 supported by (i) component exports to Europe for CV applications (further supported by a favourable exchange rate scenario, particularly in Q3, 2011-12); (ii) increased sales to the replacement market; and (iii) rising share of revenues from the non-automotive segment. Also, several entities in our sample have been displaying significantly higher revenue growth than average over the last several quarters by virtue of their success in improving market share, expanding product portfolio and changing product mix in favour of higher realization components. The above initiatives sailed such companies through in 9m, 2011-12, allowing them to report healthy topline growth, overall demand side pressures notwithstanding.

Table 1: Trend in Sales Volumes of Automobiles (Domestic + Export)

Sales Units (Nos.)	2007-08	2008-09	2009-10	2010-11	Q1, 2011-12	Q2, 2011-12	Q3, 2011-12	2011-12E	2011-16E (CAGR)
PV	**1,766,390**	**1,888,432**	**2,395,922**	**2,973,900**	**723,320**	**731,953**	**722,683**	**3%**	**~11%**
Growth (YoY)	12%	7%	27%	24%	9%	1%	0%		
M&HCV	**293,094**	**200,406**	**265,481**	**352,060**	**81,503**	**92,710**	**89,961**	**5%**	**9.5-11.5%**
Growth (YoY)	0%	-32%	32%	33%	6%	6%	11%		
LCV	**252,722**	**226,389**	**310,921**	**400,645**	**111,082**	**130,144**	**132,710**	**24%**	**11-13%**
Growth (YoY)	13%	-10%	37%	29%	25%	37%	27%		
2W	**8,068,447**	**8,441,793**	**10,511,415**	**13,329,895**	**3,692,658**	**3,922,111**	**3,879,588**	**15%**	**10-12%**
Growth (YoY)	-5%	5%	25%	27%	18%	19%	13%		

Source: SIAM, ICRA's Estimates

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Revenue Growth Drivers in Q3, 2011-12 and 9m, 2011-12

An analysis of historical revenue trends of auto component manufacturers suggests that component suppliers whose business has been concentrated on a few customers, geographies or automotive segments have been able to maintain a rather healthy financial profile, while the performance of their more diversified peers has experienced stress. This peculiarity is not unusual in the Indian context as a relatively small set of OEMs enjoy a significantly high market share in each of the automotive segments; plus, most Indian ancillaries lack adequate scale to enjoy the full benefits of geographical or product diversity as compared to their global counterparts. The same theme has been on show in 9m, 2011-12 as well when the revenue growth of auto component manufacturers dependent entirely on the 2W segment has remained healthy due to continued resilience shown by this segment; while the performance of companies dependent on the PV segment has been in stark contrast as volumes suffered due to both demand side as well as supply side concerns.

Table 2: Select auto component manufacturers whose revenue growth suffered in Q3, 2011-12

	9m FY12	Q3FY12			9m FY12	Q3FY12	
	YoY	YoY	QoQ		YoY	YoY	QoQ
Majority dependence on single customer Maruti Suzuki				**High dependence on PV segment**			
Bharat Seats	-7.5%	-31.4%	-24.5%	Asahi India Glass	9.2%	4.8%	3.4%
Jay Bharat Maruti	-2.1%	-11.6%	-0.6%	Rico Auto	8.7%	-1.7%	0.1%
				Sona Koyo	6.8%	-9.0%	-7.5%
				Subros	-5.0%	-7.2%	5.4%

Source: Company Results, Capitaline Database, ICRA's Research

Notwithstanding the above, adequacy of diversification - in terms of customer base, segment mix, product portfolio and geographical footprint – remains a desirable metric as it enhances a company's ability to overcome cash flow variability across business cycles and makes it better equipped to endure cyclical shocks. In our sample too, moderate to large sized entities which also score high on the diversification parameter, demonstrated steady revenue growth in 9m, 2011-12, despite the lackluster performance of the domestic PV and M&HCV segments during this period.

Table 3: Select auto component manufacturers that maintained steady revenue growth in Q3, 2011-12

	9mFY12	Q3FY12			9mFY12	Q3FY12	
GROWTH DRIVERS	YoY	YoY	QoQ	GROWTH DRIVERS	YoY	YoY	QoQ
Exports and/or Non-Automotive Segment Growth				**Traction in Replacement Market Demand**			
Bharat Forge	27.4%	19.6%	1.5%	MRF	29.9%	32.6%	9.8%
Amtek Auto	28.5%	26.6%	4.5%	Apollo Tyres	57.8%	45.9%	13.4%
Sundram Fasteners	19.7%	14.3%	-2.5%	JK Tyres	18.4%	20.7%	10.4%
Sundaram Clayton	32.2%	31.9%	6.2%	Ceat	29.7%	19.0%	-4.7%
Wheels India	22.9%	30.6%	6.6%	Exide Industries^	8.3%	16.3%	6.4%
Diversification Benefits (product/ customer/ geographic)				**Market Share Gains and Improved Realizations**			
Minda Industries	27.2%	33.1%	2.8%	Automotive Axles	55.9%	63.0%	4.1%
				Nelcast	39.0%	34.5%	11.6%

^Exide Industries had witnessed a sharp decline in revenues in Q2, 2011-12 due to lower replacement market sales, amongst other reasons. However, the company's replacement market sales grew strongly in Q3, 2011-12 following price cuts undertaken in end-August 2011

GROWTH DRIVERS	9mFY12 YoY	Q3FY12 YoY	Q3FY12 QoQ
Growth from Non-Automotive Segment			
Omax Autos (home furnishings)	13.1%	13.1%	8.6%
Wheels India (construction equipment)	22.9%	30.6%	6.6%
ZF Steering (tractors)	17.1%	11.6%	6.1%
Rane Madras (tractors)	15.3%	15.5%	5.2%

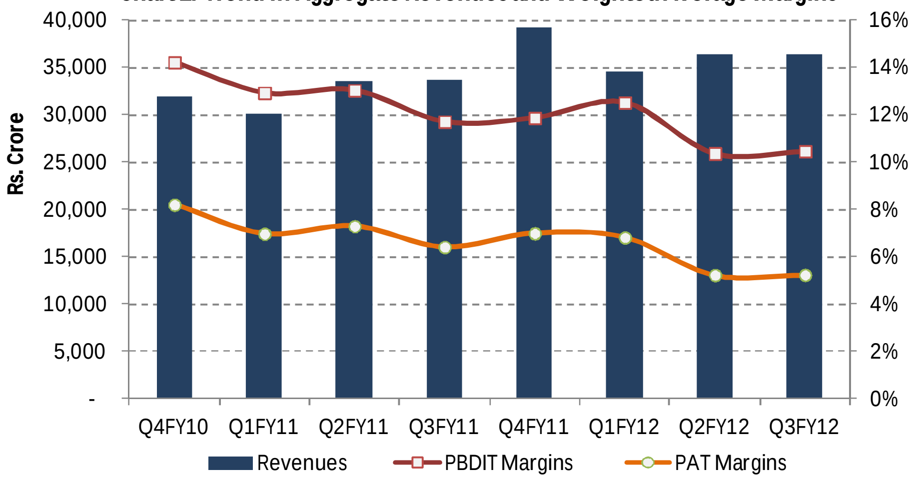
GROWTH DRIVERS	9mFY12 YoY	Q3FY12 YoY	Q3FY12 QoQ
Growth driven by 2W Segment			
Munjal Auto	36.3%	23.1%	5.2%
Munjal Showa	27.7%	20.1%	4.3%
Omax Autos	13.1%	13.1%	8.6%

Source: Company Results, Capitaline Database, ICRA's Research

Sharp depreciation of INR against USD weighed on auto component industry's margins in Q3, 2011-12

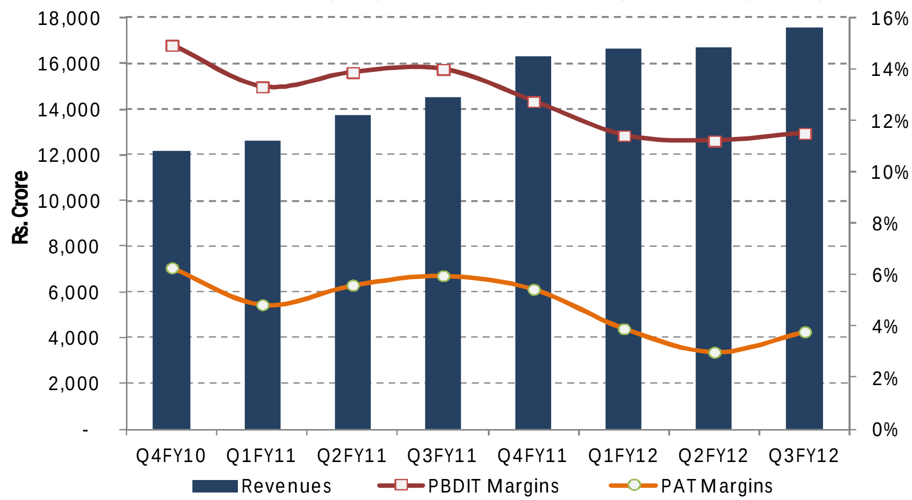
Since the beginning of this fiscal, the prices of key commodities have been softening, providing partial relief to the industry players that had grappled with commodity cost pressures throughout 2010-11. In Q1, 2011-12, the PBDIT margins of the publically-listed auto OEMs in our sample had improved sequentially by virtue of the combined benefit of price increases undertaken by them in the preceding quarter and partial correction in commodity prices. However, the same improvement did not manifest in the PBDIT margins of auto component manufacturers in our sample due to inflation in other costs such as employee costs, power costs and other overhead expenses, which are generally not pass-through to OEMs (unlike increase in raw material costs). The PBDIT margins of auto component manufacturers declined further in Q2, 2011-12 mainly due to lower sales volumes but fixed overhead charges, notwithstanding QoQ decline in average raw material prices of key raw materials. Although international prices of key raw materials declined further in Q3, 2011-12, the landed costs however stayed firm due to sharp depreciation of INR against USD. Thus, even as growth in exports and increase in domestic replacement market sales had a positive impact on PBDIT margins of the auto components industry in Q3, 2011-12, the industry's margin expansion was constrained due to (a) weaker INR against USD that negated the potential benefit arising from soft international commodity prices (b) weaker INR against JPY that increased the cost of imports for ancillaries that source component child parts and other inputs from Japan (c) combination of higher overhead costs and sluggish growth in supplies to domestic OEMs. In the context of current demand environment, we expect the margin pressures to continue over the next few quarters.

Auto Original Equipment Manufacturers (OEMs)
Chart 1: Trend in Aggregate Revenues and Weighted Average Margins



Source: ICRA's Estimates, Capitaline Database, Sample of publically-listed auto OEMs

Auto Component Manufacturers
Chart 2: Trend in Aggregate Revenues and Weighted Average Margins



Source: ICRA's Estimates, Capitaline Database, Sample of 35 select entities

Over and above operating cost pressures, the PAT margins of several auto component manufacturers over the last two quarters have also been weighed down by increase in depreciation and interest costs. This was consequent to the large capex incurred by these entities in the period prior to Q2, 2011-12 to meet the rising production schedules of OEMs and towards establishing production infrastructure to supply parts for new models launched by OEMs. With slowdown in sales, particularly in the PV segment, and relatively lower volume growth of some of the new models, the utilization of vendors' capacities remained sub-optimal. Since a part of the above capex was debt-funded, the rise in interest rates and decline in profits brought down the interest coverage ratio of several companies in 9m, 2011-12 (Refer **Table 4**). With interest rates likely to have peaked in the system, some relief on this front could be expected in the second half of 2012-13.

Table 4: Interest coverage (PBIT/ Interest Charges) movement for select companies 9m, 2011-12 vis-à-vis 2010-11

Interest coverage declined in 9m, 2011-12				Interest coverage declined in 9m, 2011-12				Interest coverage improved in 9m, 2011-12			
(due to both lower PBIT as well as higher interest charges)				(due to higher interest charges)							
	FY11	9mFY12	Q3FY12		FY11	9mFY12	Q3FY12		FY11	9mFY12	Q3FY12
Amtek Auto	3.5	1.5	2.8	Amtek India	2.7	2.4	2.3	Banco Products	9.7	10.9	11.6
Asahi India Glass	1.2	0.5	0.0	Apollo Tyres	2.8	1.9	2.0	Bharat Forge	5.0	6.1	5.8
Bharat Seats	6.4	2.9	-0.1	JBM Auto	2.5	1.2	1.1	Mahindra Forgings	0.8	1.6	2.1
Ceat	1.5	0.6	1.1					Minda Industries	3.8	4.0	7.2
Hinduja Foundries	1.3	0.6	0.7					Munjal Showa	6.4	6.8	7.8
Jay Bharat Maruti	5.0	1.7	1.3					Omax Autos	2.0	2.1	2.4
JK Tyres	2.0	0.1	0.2					Wheels India	1.7	2.1	2.1
Lumax Industries	3.8	2.1	1.1								
Rico Auto	1.8	1.2	1.2								
Subros	2.8	1.7	1.3								

Source: Company Results, Capitaline Database, ICRA's Research

Also, the net profits of entities with foreign currency loans suffered in Q2, 2011-12 and Q3, 2011-12 due to MTM losses on restatement of foreign currency loans following sharp appreciation of USD against INR since the second fortnight of September 2011.

Table 5: Select companies that reported forex losses in Q2, 2011-12 and Q3, 2012-13 on restatement of foreign currency liabilities

	Rs. Crore			
Company	MTM Loss (Q2FY12)	PAT (Q2FY12)	MTM Loss (Q3FY12)	PAT (Q3FY12)
Motherson Sumi (standalone)	41.9	31.6	37.4	54.9
Asahi India Glass	15.2	-18.1	NA^	-25.1
Sona Koyo (consolidated)	9.0	1.8	NA^	21.0
JK Tyre & Industries	44.1	-55.0	38.2	-21.3
Sundram Fasteners	28.5	18.4	25.4	24.8
Sundaram Clayton	Nil	16.4	7.0	15.8
	Average Q2FY12	As on Sep 30, 2011	Average Q3FY12	As on Dec 31, 2011
USD-INR Rate	45.8	49.6	51.1	54.3

^In the reported results for Q3, 2011-12, Asahi India Glass and Sona Koyo capitalized the MTM loss in line with the notification issued by the Ministry of Corporate Affairs dated December 29, 2011.

Source: Company Results, www.oanda.com

GROWTH OUTLOOK

Auto component manufacturers dependent on the M&HCV and 2W segments likely to experience relatively lower growth over the short term; the expected recovery in PV segment volumes in 2012-13E to reflect in improved revenue growth of ancillaries supplying to this segment

Since a majority of revenues of the auto component industry are derived from supplies to the domestic OEMs, the growth prospects of the former are largely determined by performance of the user OEMs. Given below are ICRA's volume growth expectations pertaining to individual automobile segments:

PV segment: Amongst the various automobile segments (PV/ CV/ 2W) in India, the PV segment is the largest by value and accounts for nearly half the size of the ~Rs. 2,300 billion auto OEM segment, followed by the CV segment and the 2W segment that together account for the balance half in an almost equal proportion. Thus, given the large size of the PV segment, its pace of growth has a relatively higher influence on the growth prospects of the auto components industry as a whole. After recording a robust 20%+ volume growth in 2009-10 and 2010-11, the PV segment volumes (domestic + exports) grew by a meager 4.3% in 10m, 2011-12 marred both by circumspect consumer sentiment that impacted demand as well as supply constraints caused first by the tsunami in Japan (in March 2011), then by production disruption at the country's largest PV manufacturer Maruti Suzuki (intermittently over the June-October 2011 period) and then by floods in Thailand (disrupting production output of select OEMs during the November-January 2012 period). This apart, the supply chain of PV OEMs also suffered to an extent due to incidences of labour unrest at factories of auto component manufacturers such as Ceat (23 days in October 2011) and Mahindra Forgings (mainly in Q2, 2011-12). The adverse impact of most of these supply side shocks seems to have fully played out:

– The supplies of components that were being imported from Japan have either been restored now or sourcing from alternate geographies is being done by PV OEMs
– An amicable agreement between Maruti Suzuki and its Labour Union is understood to have been reached in end-October 2011
– Honda Siel (India) was sourcing several electronic and underbody parts for Brio, Jazz and City models from its Thailand plant. As per company's statements, the supply disruption due to Thailand floods that had started in the first week of November 2011 and had got aggravated in December 2011, has now been resolved as the company commenced normal production at its plant from February 17, 2012 onwards.

Assuming there are no additional supply shocks and as consumers adjust to the new normal characterized by relatively higher vehicle prices and high fuel costs; demand sentiment is likely to get some relief on the interest rate front during 2012-13. Over the medium term, ICRA expects the PV industry to record a volume CAGR of ~11% over 2011-16E (inclusive of 2011-12E, a year in which volume growth is likely to be low at around 3%).

CV segment: After registering a strong 30%+ volume growth over 2009-10 and 2010-11, the growth in the CV industry has somewhat slowed down during the current fiscal. In 10m, 2011-12, the CV industry posted a volume growth of 19.5% YoY supported by 28.7% growth in the LCV segment and a relatively muted 8.6% growth in the M&HCV segment. Steadily rising interest rates, contracting industrial output and a considerable increase in vehicle prices along with high base of previous years have been the main factors constraining growth. The sharp rise in overall cost of ownership combined with almost stagnant freight rates are exerting pressure on the profitability and cash flows of fleet operators. Our channel check suggests that several operators have postponed their expansion plans in view of the prevailing high interest rates and slower industrial output. Capacity utilization has gradually declined and freight rates continue to remain stagnant despite rise in operating expenditure for operators. On the financing front, some of the financiers have also tightened lending norms in addition to the rise in interest rates. Overall, the near term risks against M&HCV demand have increased significantly, though structurally, the demand drivers over a longer period remain intact.

Given the current environment where the growth in industrial activity remains low and the operating environment for fleet operators remains weak, ICRA expects the industry to defer capacity addition. As a result, the outlook over the near term appears subdued which may result in a slowdown in new vehicle sales. Among segments, M&HCV segment which tends to be influenced more by macro-economic indicators is likely to register a weaker performance over the near term as against the steadily growing LCV segment. The proliferation of the hub-and-spoke model, improving last mile connectivity and strong demand originating from rural segment is likely to drive demand in the LCV segment over the medium term. ICRA expects the M&HCV segment to grow by ~5% and the LCV segment to grow by ~24% in 2011-12E. Over the medium term, ICRA expects the M&HCV segment to grow at a volume CAGR of 9.5-11.5% and the LCV to grow at a volume CAGR of 11-13% over the next five years.

2W segment: The Indian 2W industry recorded a volume growth (domestic + exports) of 16.6% (YoY) in 10m, 2011-12; which although healthy, was significantly lower than the 25%+ volume growth rates seen in 2009-10 and 2010-11. Overall, ICRA expects the domestic 2W industry to report a volume growth of ~13% in 2011-12E as we expect growth to moderate further in Q4, 2011-12 due to base effect. In an environment where the northward movement of inflation, fuel prices and interest rates has been the nemesis of the Indian automobile industry at large, the 2W industry has been the most resilient so far. The growth has been supported by various structural positives associated with the domestic 2W industry including favourable demographic profile, moderate 2W penetration levels (in relation to several other emerging markets), under developed public transport system, growing urbanization and expected strong replacement demand, besides moderate share of financed purchases. ICRA expects these strengths, coupled with the OEMs' thrust on exports, to aid the 2W industry to report a volume CAGR of 10-12% over the medium term to reach a size of 21-23 million units (domestic + exports) by 2015-16E.

With this being the backdrop, the revenue growth of the auto components industry is likely to be a close reflection of the blended growth of individual automotive segments. That said, the performance of individual auto component manufacturers will continue to vary depending on their revenue mix (*OEMs/ Replacement Market*), segment leaning (*PV/CV/2W*) and geographical diversification (*domestic/ exports*). Overall, auto component manufacturers who have a growing presence in the replacement market and also have geographically dispersed customer base, are likely to be better equipped to offset the expected moderation in business volumes of select domestic automobile segments over the short term.

Other growth determinants for the auto components industry

Currently, the auto components industry in India is around two-thirds the size of the OEM segment. This proportion is around one to two times in mature markets of Europe, America and Japan. This indicates (a) higher proportion of imports of auto components in India by OEMs and (b) lower replacement market sales. Given the healthy growth prospects of the Indian automobile industry over the medium term, ICRA expects the size of the auto components industry to grow at a rate faster than the OEM segment, driven by OEMs' thrust on localization and steadily growing replacement market demand.

Also, the following components appear to have a larger scope for business growth over the medium term:

- Electronics (Engine-side and Body-side) – The localization proportion of electronic components in Indian cars remains low as of now. Given the growing need to offer driver information systems, engine management systems and emission control systems in cars to meet the advancing safety and emission regulations, the use of electronics in Indian cars is likely to see a proliferation in the times to come. This should translate into strong growth for auto ancillaries having capabilities in this segment.
- Plastics – Although this segment is already quite competition intensive, considering OEMs' focus on adopting light-weighting technologies and already several instances where material of components has been changed by OEMs from sheet metal to plastic; it augurs well for auto component manufacturers having strong capability in the plastics space. Sheet moulded composites, bulk moulded composites and long fibre thermoplastic are some of the new materials being used to replace metal and conventional plastics.
- Aluminium die-casting – In the boom period of 2009-10 and 2010-11, the auto Industry had experienced significant capacity constraints for aluminium die-cast components. The capacity shortage was more severe at tier-2 suppliers' end and this had prompted few tier-1 players to backward integrate not just for captive consumption but also for selling to other customers. Also, for select engine components, OEMs are likely to demand tighter product tolerances to meet the stringent emission control norms which in turn is likely to increase per unit realization for auto ancillaries manufacturing such components (although at the cost of higher capital investments).

While various positives characterize the Indian auto component manufacturers including proven manufacturing capabilities, improving design abilities and high production efficiency, the industry is exposed to several risk factors, including:

- ⇩ Localization of auto components is high on the agenda of Indian auto OEMs; yet, the Free Trade Agreements (FTAs) between India and other countries/ regions including ASEAN, Japan, South Korea, European Union etc is a significant risk that may encourage OEMs to go for global sourcing. In the process, this will eat into the potential business for ancillaries located in India.

- ⇩ A large number of components, mainly for CV, 2W and tractor applications, such as alloy wheels, tyres, wheel rims, bearings, engine valves, chassis components, power steering components are being imported by auto OEMs from China. In fact, import of Chinese auto components into India has multiplied briskly over the last five years by virtue of their cheaper cost. With stunted growth of Chinese automobiles in CY2011 and modest growth prospects over the short term, the surplus capacity of Chinese auto component manufacturers might find its way into other global markets including India.

Contraction in margins and net losses erode net worth

Asahi India Glass Limited - Fact Sheet	
Year of Incorporation	1984
Chairman	Mr. B M Labroo
Product Portfolio	Glass products – Automotive glass and Float glass
Manufacturing Facilities	India
Key Customers	All key OEMs
Revenues FY11	Rs. 1518.2 crore
PAT FY11 (Concern Share)	Rs. 15.1 crore
Net Worth FY11 (Rs. Crore)	Rs. 218.4 crore

Table: AIGL's Financial Indicators [Standalone]

Standalone	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**394.4**	**413.2**	**399.7**
YoY Growth (%)		4.8%	5.5%
OPBDIT	**68.0**	**36.6**	**62.5**
Less: Depreciation	29.5	30.6	30.7
Less: Interest Charges	30.9	37.6	37.1
Other Income	0.3	(5.0)	(21.6)
Exceptional Gain/Loss	-	-	-
PBT	7.8	(36.6)	(26.9)
Less: Tax	2.5	(11.5)	(8.7)
PAT	**5.3**	**(25.1)**	**(18.1)**
OPBDIT/OI (%)	**17.2%**	**8.9%**	**15.6%**
PAT/OI (%)	**1.3%**	**-6.1%**	**-4.5%**

Revenue Growth – Asahi India Glass Limited (AIGL) reported a 4.8% YoY growth in revenues (standalone) during third quarter of fiscal 2012, which followed a marginal revenue growth in the preceding quarter as well. The growth was aided by the float glass segment (adding 47% of total sales), which grew by 7% while the company's major segment, auto glass (adding 51% of total sales), reported a marginal 2% growth. For the nine month period ending December 2011, the YoY revenue growth was 10% with automotive glass and float glass segments growing by 8.4% and 16.1% respectively.

Profit Margins: AIGL's margins contracted sharply during the quarter to 8.9% as against 17.2% achieved during the corresponding previous quarter of last fiscal. Higher power cost and other operational costs dented the margins sharply, which coupled with notional losses arising from restatement of foreign currency loans eroded the company's net worth. AIGL reported net loss of Rs. 40.2 crore during the nine month period ended December 2011 as compared to net profit of Rs. 11.9 crore achieved in the corresponding period last fiscal. Going forward, the company's net margins are expected to remain under pressure with the effect of higher proportion of depreciation and interest costs arising from debt-funded capex incurred in recent periods.

Capex plans: To address the growing demand for glasses, the company has been adding capacities, although in phases. The next phase of capacity expansion is being implemented at a cost of Rs. 125.0 crore, and the ramp up of operations is expected in 2012-13.

Standalone	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	333.1	326.9	378.8	328.7	429.0	392.2	399.7	413.2
Growth (%) - YoY		*7%*	*16%*	*-2%*	*29%*	*20%*	*6%*	*26%*
OPBDIT	63.83	62.00	63.74	63.08	72.96	67.85	62.50	36.6
PAT	8.3	1.6	5.0	1.7	3.3	3.1	(18.1)	(25.1)
OPBDIT/OI (%)	19.2%	19.0%	16.8%	19.2%	17.0%	17.3%	15.6%	8.9%
PAT/OI (%)	2.5%	0.5%	1.3%	0.5%	0.8%	0.8%	-4.5%	-6.1%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

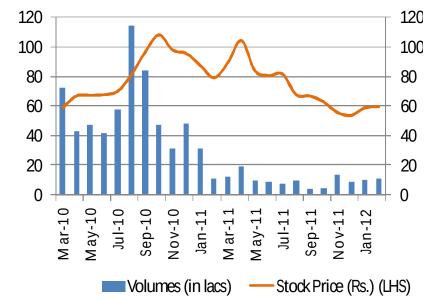
Shareholding Pattern (%)

Indian Promoters	55.1
FIIs	0.4
DIIs	0.1
Others	44.5

Price Performance (%)

	3M	12M
AIGL	5.7%	-29.8%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code AISG
Market Capitalization Rs. 960 Crore

Valuations

	FY12e	FY13e
Price/Earnings	-17.6	-40.0
Price/Sales	0.6	0.5

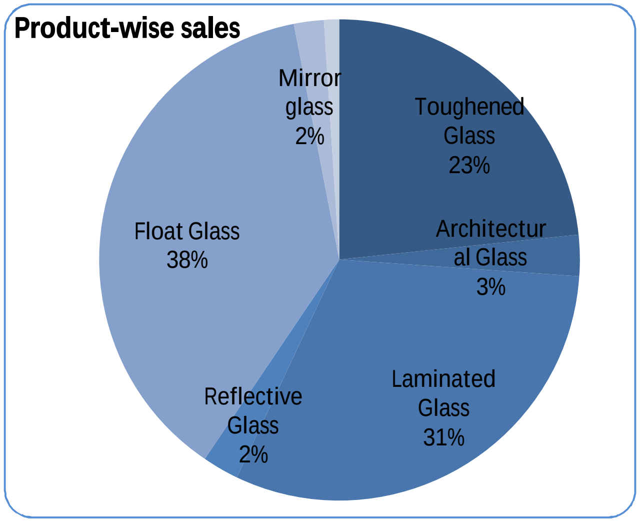
Source: Bloomberg Consensus Estimates

BUSINESS PROFILE

Company Profile: Asahi India Glass Limited ("AIGL", erstwhile Asahi India Safety Glass Ltd) was promoted jointly by Asahi Glass Company Limited and Maruti Suzuki India Limited. Incorporated in the year 1984, AIGL is the largest integrated glass Company in India offering end to end solutions across the entire glass value chain. AIGL's manufacturing plants (four plants and three sub-assembly units) are located across India with its integrated glass plant located at Roorkee (Uttarakhand) and produces wide range of automotive glass, float glass, architectural processed glass, glass products and windows apart from providing services like glass installation, design and retail, repair etc. in the automotive and architectural glass value chain.

Product Profile and segment mix: AIGL's products are sold under the brand, AIS. The company's product profile includes automotive safety glass, float glass, architectural processed glass, reflective glass, mirrors and other glass products and services; broadly falling under the company's three business units :AIS Auto Glass, AIS Float Glass, AIS Glass Solutions.

AIS Auto Glass segment is the key segment for the company adding ~52% of total standalone revenues of the company. The segment meets ~77% of the car industry's requirement for auto glass and 64% of MUV's demand for auto glass in the OEM space. The company also holds strong share in the after-sales and service market and is garnering steady share in the commercial vehicle segment. AIGL is a major supplier for all key OEMs like Maruti, Hyundai, Volkswagen, Tata Motors, Toyota, M&M, Honda, etc. Thus, the segment's performance is directly linked with the growth pattern of automobile industry.



To meet the growing demand for auto glass given the favourable outlook for the industry, the company has been adding capacities over years. In the last few years, AIGL faced pressure on margins arising from capacity constraints, locational demand-supply mismatch and consequent rise in freight costs. To avoid similar pressures, AIGL is undergoing stage-wise capacity expansion. As at end of 2010-11, the company's total laminated and laminated capacities stood at 4.45 million pieces and 7.76 million sqm respectively.

AIS Float Glass is another key segment adding more than 45% of company's total revenues and supplies products like clear glass, tinted glass, reflective glass, etc. The company commands 25% share in the float glass market with the products finding application in construction and automotive industries.

AIS Glass Solutions is a subsidiary of AIGL, providing innovative architectural glass solutions by supplying range of architectural processed glass comprising of toughened glass, laminated glass, insulated glass and other varied products. AIS Glass Solutions is the architectural glass processing SBU of AIS.

Input cost pressures affect standalone margins; strong performance of European subsidiary continues

Banco Products - Fact Sheet	
Year of Incorporation	1961
Chairman	Mr. Vimal K. Patel
Product Portfolio	Radiators and Gaskets
Manufacturing Facilities	India, Europe, Tanzania
Key Customers	Tata Motors, Maruti Suzuki, Ashok Leyland
Revenues FY11	Rs 849.9 crore
PAT FY11 (Concern Share)	Rs 65.7 crore
Net Worth FY11 (Rs. Crore)	Rs 351.1 crore

Standalone	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**103.4**	**129.5**	**142.1**
YoY Growth (%)	-3.5%	25.3%	19.1%
OPBDIT	**20.9**	**19.6**	**21.8**
Less: Depreciation	3.6	3.8	4.0
Less: Interest Charges	2.2	1.5	2.5
Other Income	0.1	0.8	1.0
Exceptional Gain/Loss	-	-	-
PBT	15.2	15.2	16.3
Less: Tax	1.9	2.1	5.2
PAT	**13.3**	**13.1**	**11.1**
OPBDIT/OI (%)	20.2%	15.2%	15.3%
PAT/OI (%)	12.8%	10.1%	7.8%

Source: Company Data, ICRA Estimates

Revenue Growth – In Q3, 2011-12, BPIL reported healthy revenue growth of 25.3% on YoY basis, wherein growth was largely driven by domestic market whereas exports slowed down as compared to last fiscal. Historically, third quarter of a fiscal is a weak quarter for BPIL due to extreme weather condition and holiday season in Europe, one of its key markets. In 9m, 2011-12, the growth for BPIL was driven primarily by the domestic market whereas export revenue growth remained sluggish.

Over the years, BPIL's sales mix has gradually skewed towards radiators and contribution of gaskets has been reducing. Also, within the radiator segment, there has been a shift towards aluminum radiators on account of relatively lower cost and weight as compared to conventional copper/ brass radiators.

On consolidated basis, BPIL reported 27.7% growth in revenues which was also supported by favorable exchange rate movement. NRF, the European subsidiary of BPIL continues to perform well on the back of strong recovery in European CV segment. Strong recovery in European automotive market, especially commercial vehicle segment augurs well for NRF which is expected to report healthy growth in near term. Over last one year, cost rationalization measures as well as entry into relatively niche segments has added to the overall profitability of the group. While domestic M&HCV market continues to be plagued by macroeconomic concerns like rising interest rates, falling industrial output and high inflation, the growth witnessed by the European CV industry is a positive for the company. BPIL continues to see strong traction in non-automotive segment, especially from industrial and railways which will continue to drive growth in near to medium term.

Standalone	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	120.5	113.4	119.4	103.4	129.5	144.1	142.1	129.5
Growth (%) - YoY	96.9%	30.0%	21.6%	-3.5%	7.5%	27.1%	19.1%	25.3%
OPBDIT	20.3	28.9	23.8	20.3	20.3	30.8	21.8	19.6
PAT	22.0	19.2	14.7	13.3	11.6	20.5	11.1	13.1
OPBDIT/OI (%)	16.9%	25.5%	20.0%	19.7%	15.7%	21.3%	15.3%	15.2%
PAT/OI (%)	18.3%	17.0%	12.3%	12.8%	9.0%	14.2%	7.8%	10.1%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	[ICRA] A+
Short Term	[ICRA] A1+
Outlook	Stable

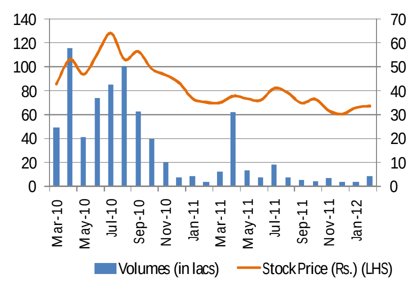
Shareholding Pattern (%)

Indian Promoters	64.6
Japan Metal Gasket	3.1
FIIs	4.6
DIIs	2.9
Others	24.8

Price Performance (%)

	3M	12M
BPIL	1.5%	-0.6%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code BNCO

Market Capitalization Rs. 469 Crore

Valuations

	FY12e	FY13e
Price/Earnings	5.7	4.6
Price/Sales	0.8	0.7

Source: Bloomberg Consensus Estimates

BANCO PRODUCTS (INDIA) LIMITED – Performance Overview (Pg 2 of 2)

Profitability – In Q3, 2011-12, BPIL's EBIDTA margins declined by 503 bps to 15.2% largely due to increase in raw material costs that increased by 388 bps to 56.0% over the corresponding period in the previous quarter. However, on sequential basis, the EBIDTA margins remained more or less flat. Traditionally, BPIL has been able to pass on raw material cost to its customers although with a lag.

BPIL's overseas subsidiary NRF also continued to perform well on the back of strong growth in European CV market. While proportion of raw material expenses increased by about 100bps to 53.7% on YoY basis, on account of improved operating leverage, the OPBIDTA margins, on a consolidated basis, remained more or less stable at 10.0%. Further, due to lower interest expense, net margins improved by 130 bps to 6.7% on YoY basis.

Capital expenditure plan: BPIL plans to invest Rs 35-40 crore in 2011-12 towards augmenting capacity of its gasket as well as radiator division. BPIL is in the process of setting up 0.5 mtpa capacity cement plant in Tanzania with an estimated project cost of Rs 300 crore. The project has achieved financial closure, and the unit is expected to become operational by 2013 end.

Key Development – In Q3, 2011-12, BPIL transferred shareholding in Kilimanjaro Biotech Limited (KBL) to Lake Minerals (Mauritius) Limited, Mauritius a wholly owned subsidiary. As a result, KBL will become a step down subsidiary of BPIL as compared to earlier direct 100% shareholding by BPIL.

BUSINESS PROFILE

Product Profile - BPIL is a leading manufacturer of radiators, intercoolers, oil-coolers and various types of engine gaskets, and the company supplies its products to both automotive as well as non-automotive industries. Within the automotive segment, the company supplies to commercial vehicle and passenger cars segment. The company also supplies radiators to certain non-automotive applications including agricultural and forestry equipment, locomotives, diesel engines for power generation, construction equipment and wind turbines. BPIL acquired Nederlandse Radiateuren Fabriek B.V. (NRF) which is engaged in a similar line of business as BPIL and manufactures radiators, marine coolers and other air cooling products at various manufacturing facilities across Europe. Acquisition of NRF has strengthened presence of BPIL in Europe, especially in radiator market wherein NRF supplies air-cooling products for automotive, industrial and marine applications. While BPIL largely supplies to after-market customer, NRF primarily caters the requirement of OEMs. Over last few years, the company has made investment towards setting up Extra Neutral Alcohol (ENA) and cement manufacturing plant in Tanzania (Africa).

Competition: BPIL is amongst leading player in domestic automotive radiator and gasket market, and the company is Tier I supplier to all major OEMs in the domestic market. In radiator business, BPIL is largely present in commercial vehicle and industrial applications business wherein it competes with Tata Toyo Radiators Limited (Tata Toyo), Modine Manufacturing Company, Alcraft Radiator and others. In gasket business, BPIL mainly competes with Talbros Automotive Components Limited (Talbros) and Victor Gaskets Limited (Victor). Tata Toyo is the largest player in domestic radiator market followed by BPIL, whereas in meal gasket business Talbros is the market leader followed by BPIL and Victor.

Kilimanjaro Biotech Limited (KBL): Extra Neutral Alcohol **(**ENA) supplied by KBL will act as import substitute, as Tanzania is net imported of ENA and exporter of Molasses which is the key raw material for ENA. The unit started its commercial operation in August 2011, and the operations are cash profitable from first month onwards. BPIL had invested about Rs 45 crore in KBL, which includes ~Rs 15 crore in the form of equity and ~Rs 30 crore in the form of loans and advances, and the management is hopeful of achieving IRR in excess of 30% from KBL. The company is estimating about USD 4 million of sales (~Rs 20 crore) and USD 1 million (~Rs 5 crore) of cash profit by end of current fiscal.

BHARAT FORGE LIMITED - Performance Overview (Pg 1 of 2)

Strong export growth and improved product mix drives margin expansion

Bharat Forge - Fact Sheet	
Year of Incorporation	1961
Chairman	Mr. B. N. Kalyani
Product Portfolio	Forged components for automotive and non automotive applications
Manufacturing Facilities	India, Germany, Sweden, China
Key Customers	Tata Motors, Ashok Leyland, Cummins, Detroit Diesel
Revenues FY11	Rs 5,087.4 crore
PAT FY11 (Concern Share)	Rs 289.9 crore
Net Worth FY11 (Rs. Crore)	Rs 1,911.8 crore

Standalone	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**777.0**	**941.2**	**910.0**
YoY Growth (%)	**53.0%**	**21.1%**	**26.6%**
OPBDIT	**188.6**	**239.1**	**215.4**
Less: Depreciation	49.6	55.8	53.9
Less: Interest Charges	30.1	32.2	31.0
Other Income	12.6	-3.7	20.7
Exceptional Gain/Loss	0.0	0.0	0.0
PBT	121.4	147.4	151.2
Less: Tax	38.8	44.2	44.8
PAT	**82.6**	**103.1**	**106.4**
OPBDIT/OI (%)	**24.3%**	**25.4%**	**23.7%**
PAT/OI (%)	**10.6%**	**11.0%**	**11.7%**

Source: Company Data, ICRA Estimates

Revenue Growth – In Q3, 2011-12, Bharat Forge Limited (BFL) registered 21.1% growth in operating income to Rs 941 crore driven mainly by strong export growth of 29.3% on YoY basis. On standalone basis, BFL's export revenue exceeded its domestic revenue for the first time ever.

European and North American CV market continued the healthy growth momentum witnessed in previous quarter due to strong recovery in respective automotive markets. BFL as a group supplies to all major OEMs in Europe and the share in order-book has been increasing over past few years. The European CV industry has witnessed strong recovery in CY11 though overall volumes are still ~35-40% below the peak of CY07. The European demand is primarily driven by revival in German, French and UK markets whereas CV market in Spain and Italy continues to shrink.

The North American market is witnessing strong replacement cycle with introduction of more fuel efficient models and replacement of old fleets. North American Class 8 truck volume continued their growth momentum and registered 58.1% growth on YoY basis during CY11. BFL's exports to US are likely to grow at healthy pace in near to medium term largely driven by strong replacement demand and low base effect in the underlying automotive markets.

Non-Auto business now contributes ~37% of standalone revenue and the segment continues to grow with strong traction across sectors. Non auto revenue in the quarter grew by 12.7% to Rs 318crore, facilitated by increasing contribution from new Baramati facility which grew by 55.5% on YoY basis to Rs 189 crore. However, non-automotive segment growth declined by 3.3% on sequential basis mainly due to slowdown in capital investments in India.

Standalone	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	562.4	630.1	718.7	777.0	821.6	857.7	910.0	941.2
Growth (%) - YoY	92.9%	75.7%	68.1%	53.0%	46.1%	36.1%	26.6%	21.1%
OPBDIT	140.6	158.7	174.1	188.6	198.9	208.4	215.4	239.1
PAT	61.3	59.4	68.1	82.6	100.4	97.4	106.4	103.1
OPBDIT/OI (%)	25.0%	25.2%	24.2%	24.3%	24.2%	24.3%	23.7%	25.4%
PAT/OI (%)	10.9%	9.4%	9.5%	10.6%	12.2%	11.4%	11.7%	11.0%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	[ICRA]AA-
Short Term	[ICRA]A1+
Outlook	Stable

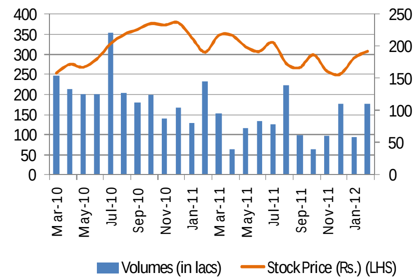
Shareholding Pattern (%)

Promoters	42.1
FIIs	8.2
DIIs	19.9
Others	29.9

Price Performance (%)

	3M	12M
BFL	28.5%	1.1%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code BHFC

Market Capitalization Rs. 7,438 Cr

Valuations

	FY12e	FY13e
Price/Earnings	18.0	14.6
Price/Sales	1.2	1.1

Source: Bloomberg Consensus Estimates

Profitability – BFL's EBIDTA margin improved by 113bps (YoY) to 25.4% on account of improved operating leverage and better product mix with relatively better content of machined goods. The improvement in product mix is evident from the fact that while realization grew by 1.3% on sequential basis, EBIDTA/MT increased by 7.7% to Rs. 43,153. In Q3, 2011-12, BFL reported exchange loss of Rs 16.2 million which were largely Mark To Market losses, that resulted in 70bps decline in net margin to 11.0% on QoQ basis despite considerable improvement in operating profitability. BFL's operating margins, which have remained stable at around 23%-25% for the last eight quarters, are expected to improve going forward due to combination of several factors like improving capacity utilization/operating leverage and relatively higher content of machined components in overall sales.

BFL's wholly owned subsidiaries performed well in CY11; however, the growth rates have started inching downwards with Q3, 2011-12 witnessing a much lower (15.6% growth) compared to a growth of 40.0% in H1, 2011-12. The impact of slowing automotive demand in European markets has started impacting company's European subsidiaries performance given their sizeable contribution to overall overseas business. On the operating profitability, the company however continues to maintain its margins at around 5-6% level benefitting from lower break-even levels as a result of manpower rationalization initiatives pursued by the company during the previous year. In China, the impact of slowdown especially in the CV segment is clearly visible. On QoQ basis, revenues from the Chinese JV have started trending downwards with deterioration in profitability being sharper. While on 9m, 2011-12 basis, the performance appears to be better than the previous year, the slowdown is evident from BFL's performance over last two quarters.

Capex – BFL is facing capacity constraints in its machining facility, and the company is planning to invest ~Rs 550 crore over next two years, majority of which will be towards machining facility. BFL has also entered into JV with Alstom for manufacturing Turbine and Generator (TG) set of super critical range and with NTPC for manufacturing balance of part equipments. The Alstom JV will have manufacturing capacity of 5,000 MW of TGs and the plant is likely to be operational from CY13 onwards. BHFC is expected to invest ~Rs 350 crore in the Alstom JV and its equity contribution in the NTPC JV would be around Rs 50 crore over the next two years.

BUSINESS PROFILE

Product Profile - BFL operated in two major product segment, Automotive and Non-Automotive business. In automotive business segment, company manufactures a range of engineered critical and safety components for chassis and engine component business wherein it is Tier I and Tier II supplier to all major automotive OEMs globally. The non-auto segment is driven by five verticals – energy, oil & gas, aerospace, transportation (including railways and marine applications) and the mining sector. In non-automotive business segment, BFL Supplies products such as windmill shafts, gas engine components for energy; structural and rotating components for aerospace; valve bodies, bonnets, choke bodies and composite blocks for oil and gas; engine components for construction and mining; engine components and turnouts for railways, and engine components for marine applications. BFL has strong presence in European automotive market via direct export and also through its wholly owned subsidiaries CDP Bharat Forge (CDP-BF) and BF Aluminiumtechnik (BF-AT) in Germany, and BF Kilsta (BFK) in Sweden.

Competition -BFL is amongst the world largest forging company with major presence in India, Europe, United States and China. BFL operates in highly technology oriented safety and engineered value added products like crankshaft, steering columns for automotive application where competitive intensity is low. The company has also forayed into non-automotive applications like marine, oil & gas. BFL is the largest forging company in India with strong market share in automotive chassis and engine component business, especially for M&HCV segment. Mahindra Forgings Limited (MFL) and Amtek Auto Limited (Amtek) are its key competitor in domestic market, whereas MFL also competed with BFL in European market. Amtek has strong presence in domestic passenger car market; however, over past few years, there is increasing shift towards higher tonnage vehicle which have more axles and hence more forged components which augurs well for BFL having dominant share in domestic chassis and engine component business. While non automotive business constitutes ~40% of standalone revenue, the company still has marginal presence in globally for non automotive segment. The non automotive segment is likely to be the key growth driver for the company over medium to long term.

Q3, 2011-12 margins improve sequentially due to better 'Replacement-OEM' sales ratio

Exide Industries - Fact Sheet	
Year of Incorporation	1947
Chairman	Mr. R.G. Kapadia
Group	Rajan Raheja Group
Product Portfolio	Lead-acid storage batteries for automotive and industrial applications
Product Mix	Automotive ~65% Industrial ~35%
Revenue Mix (Automotive Segment)	Replacement Market ~60% Domestic OEMs ~39% Exports ~1%
Manufacturing Facilities	Shamnagar, Haldia, Chinchwad, Taloja, Ahmednagar, Hosur, Bawal

(Standalone)	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**1,050.2**	**1,250.2**	**1,176.1**
Growth (%) - YoY	*15.0%*	*19.0%*	*2.1%*
OPBDIT	**160.1**	**165.5**	**90.3**
Less: Depreciation	21.2	25.0	24.7
Less: Interest Charges	1.9	4.4	1.6
Other Income	33.1	10.0	7.9
Exceptional Gain/(Loss)	0.0	0.0	0.0
PBT	170.2	146.1	71.9
Less: Tax	45.8	41.8	20.8
PAT	**124.4**	**104.3**	**51.1**
OPBDIT/OI (%)	**15.2%**	**13.2%**	**7.7%**
PAT/OI (%)	**11.8%**	**8.3%**	**4.3%**

Revenue Growth - In Q3, 2011-12, Exide Industries Limited (EIL) reported revenues of Rs. 1,250.2 Crore, a growth of 19.0% (YoY). This strong recovery in EIL's revenue growth, that had dropped to sub-5% level in Q2, 2011-12, was driven by volume growth of 19% in the 2W battery segment and 13% in the industrial battery segment, even as volumes in the SLI (starting, lighting, ignition - automotive) segment declined by 6% YoY. This apart, the company's revenue growth in Q3, 2011-12 was also supported by higher average realizations from OEMs following 15% YoY increase in lead prices. On QoQ basis, EIL's revenues, that had witnessed 5.5% decline in Q2, 2011-12, partly due to lower replacement demand, recorded a sequential growth of 6.3% in Q3, 2011-12 as replacement volumes recovered consequent to price reductions implemented by the company in August 2011.

EIL's revenues are expected to grow further in Q4, 2011-12 (although at a much lower rate than in Q3, 2011-12 due to base effect) as both OEM as well as replacement volumes gain greater traction. The factors in favour of EIL that should enable it to return to a healthy growth trajectory over the medium term include its ongoing capacity expansion (mainly in 2W batteries), its focus on further expanding distribution network and its strong brand strength in the replacement market. However, EIL faces strong challenge from intensifying competition in both OEM as well as replacement market – which is reflected in loss in market share in the OEM segment following the award of business by certain OEMs to other players in view of capacity constraints faced by EIL in the past; price cuts undertaken by EIL in August 2011 suggesting erosion in pricing power in the replacement market. While some market share loss to organized players may be inevitable, EIL's ability to offset this loss by taking market share away from the unorganized segment may be crucial from the standpoint of revenue growth and capacity utilization.

(Standalone)	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	1,030.3	1,152.1	1,127.2	1,050.2	1,248.1	1,244.4	1,176.1	1,250.2
Growth (%) - YoY	*28.9%*	*27.5%*	*18.6%*	*15.0%*	*21.1%*	*8.0%*	*4.3%*	*19.0%*
OPBDIT	217.5	263.2	245.5	160.1	233.9	222.3	90.3	165.5
PAT	134.5	165.3	212.9	124.4	163.7	163.2	51.1	104.3
OPBDIT/OI (%)	21.1%	22.8%	21.8%	15.2%	18.7%	17.9%	7.7%	13.2%
PAT/OI (%)	13.1%	14.4%	18.9%	11.8%	13.1%	13.1%	4.3%	8.3%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	[ICRA]AAA
Short Term	[ICRA]A1+
Outlook	Stable

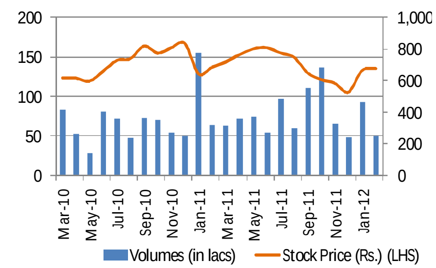
Shareholding Pattern (%)

Promoters	46.0
FIIs	18.8
DIIs	13.5
Others	21.7

Price Performance (%)

	3M	12M
EIL	25.5%	8.9%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code EXID

Market Capitalization Rs. 12,304 Cr

Valuations

	FY12e	FY13e
Price/Earnings	24.0	17.4
Price/Sales	2.4	2.0

Source: Bloomberg Consensus Estimates

Profitability – EIL's (standalone) OPBDIT margins at 13.2% in Q3, 2011-12 were lower by 200 basis points YoY, although much improved vis-a-vis Q2, 2011-12. The company's OPBDIT margins have been under pressure over the last two quarters in the wake of higher overhead charges on lower sales volumes, price cuts in automotive replacement and inverter battery segments, increase in marketing expenditures and INR depreciation against the USD which increased the cost of imported lead. But the biggest reason for the sharp YoY margin contraction during the last two quarters has been clearance of high cost inventory that was being carried over by the company from Q1, 2011-12. Typically, the company holds an inventory of 10-12 weeks. Since Q3, 2010-11, EIL had been investing towards capacity expansion and accelerating production to meet the burgeoning OEM demand. As lead prices partially corrected in Q2, 2011-12 and demand waned, the company had to bear a significant inventory loss whose impact got magnified with the company having been forced to announce price cuts on its products to protect its falling market share. With this, EIL's raw material cost (including inventory impact) as a proportion of revenues increased from 64% in Q3, 2010-11 to 72% in Q2, 2011-12, although declined somewhat to 67% in Q3, 2011-12. EIL's Q3, 2011-12 OPBDIT margins improved sequentially consequent to a better 'Replacement-OEM' sales mix and price increases taken from OEMs. EIL imports around 25% of its total raw material requirements and following INR depreciation against USD, EIL also had to bear a forex loss of Rs. 14.9 Crore in Q2, 2011-12 and Rs. 10.7 Crore in Q3, 2011-12, impacting net profits.

EIL's OPBDIT margins are likely to improve from Q4, 2011-12 onwards, as its high cost inventory has got exhausted and replacement market sales have started gaining traction (that entail superior margins than OEM segment). Further, the company's ongoing efforts towards reducing its import dependence (for lead) should also mitigate EIL's exposure to forex risk and lend stability to margins. However, the improvement in OPBDIT margins may be limited as the recent price cuts indicate that EIL may find it difficult to sustain the historical OPBDIT margins of 20% plus due to rising competitive pressures.

BUSINESS PROFILE

Product Portfolio - EIL's operations are divided into two strategic business divisions (SBUs) - Automotive (~65% of revenues) and Industrial batteries (~35% of revenues). The automotive segment comprises of both OEMs as well as the replacement market; and the industrial segment comprises of Fast Moving Industrial Batteries (FMIB, which include inverters and UPS), traction batteries (used in forklifts, golf carts) and batteries for infrastructure applications (used in railways, power and telecom). EIL is amongst the few organized players in the domestic market that has a presence in both the automotive and industrial segments, providing it diversification and scale benefits. The design and internal construction differs between automotive batteries and industrial batteries. While the former is designed for starting, lighting and ignition (SLI) needs of an automobile, the latter is designed to operate for deep cycle applications[1]. EIL has a technical collaboration with Furukawa Battery Company Limited (Japan) for SLI batteries and with Shin-Kobe Electric Machinery Company Limited (Japan) for both automotive and industrial batteries. In 2009-10, EIL had renewed its agreement with Shin-Kobe for all varieties of lead-acid batteries and components used for automobile batteries and also for Valve Regulated Lead Acid (VRLA) Batteries for industrial applications with effect from April 1, 2010 for a period of five years. In January 2012, EIL also entered into technical collaboration and assistance agreement with East Penn Manufacturing Co. Inc, USA for the manufacture of automotive, motive power, standby, telecom, UPS, solar and traction batteries, besides seeking technical support for the two captive smelters of EIL.

Competition – EIL has displayed a strong business growth over the last several years by virtue of its strong brand franchise (*Exide* and *Standard Furukawa*); presence across multiple price points and applications; and existence of a wide distribution network. In the automotive battery segment, EIL faces competition primarily from Amara Raja, Tudor India, AMCO Batteries and Tata AutoComp GY; in the industrial battery segment, EIL faces competition primarily from Amara Raja, HBL Power Systems and imported batteries from China and Vietnam. Around 45-50% of EIL's total lead requirements are met by the company's subsidiaries viz., Leadage Alloys India Limited and Chloride Metals Limited, which are engaged in smelting operations. This is a source of competitive advantage for EIL since having captive smelting units provides benefits in terms of an assured lead supply as well as cost advantage due to relatively lower dependence on pure lead.

[1] *Deep cycle batteries are designed to be discharged down to as much as 80% and have relatively thicker plates*

GABRIEL INDIA LIMITED – Performance Overview (Pg 1 of 2)

Increasing pricing pressure from OEMs take toll on operating margins

Gabriel India - Fact Sheet	
Year of Incorporation	1961
Chairman	Mr. Deepak Chopra
Product Portfolio	Ride control products for PV, CV and 2W
Manufacturing Facilities	India,
Key Customers	TVS Motors, Maruti Suzuki
Revenues FY11	Rs 971.3 crore
PAT FY11 (Concern Share)	Rs 47.1 crore
Net Worth FY11 (Rs. Crore)	Rs 186.5 crore

	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**246.8**	**279.9**	**281.9**
YoY Growth (%)	34.3%	13.4%	19.3%
OPBDIT	**15.5**	**20.8**	**22.0**
Less: Depreciation	5.7	6.6	6.8
Less: Interest Charges	3.3	3.8	3.9
Other Income	0.3	0.7	1.0
Exceptional Gain/Loss	-	-	7.2
PBT	6.9	11.1	19.4
Less: Tax	1.4	2.3	3.4
PAT	**5.4**	**8.9**	**16.0**
OPBDIT/OI (%)	**6.3%**	**7.4%**	**7.8%**
PAT/OI (%)	**2.2%**	**3.2%**	**5.7%**

Source: Company Data, ICRA Estimates

Revenue Growth – In Q3, 2011-12, the revenues of Gabriel India Limited (GIL) at Rs. 279.9 Crore recorded a healthy growth of 13.4% YoY with growth largely driven by strong growth in two-wheeler and commercial vehicle segments. After witnessing strong double digit growth over past several quarters, growth slowed down considerably in Q3, 2011-12. On sequential basis, revenue declined marginally due to disruption in supplies to Maruti Suzuki which is one of its key customers. GIL is witnessing strong traction in new generation SUVs which is likely to drive its growth in the near to medium term.

Profitability – GIL's OPBIDTA margins improved by 113 bps to 7.4% on account of improved operating leverage and lower raw material expense. However, on sequential basis, OPBIDTA margin declined by 40 bps to 7.4% largely attributed to higher raw material expense. There is steady but gradual decline in operating margin indicating increasing pricing pressure from OEMs amidst rising input prices and challenging macroeconomic environment.

While incremental revenue growth is largely driven by new generation vehicle products which are relatively more complex as compared to conventional models, they are relatively less profitable for GIL as of now.

Developments – In Q3, 2011-12, GIL received orders from Honda Motorcycles & Scooters India Limited HMSI for supplying shock absorbers to its proposed facility in Narsapuram near Bangalore. The supply to the new HMSI facility will start from 2013 onwards.

ICRA Ratings

Long Term	[ICRA] A
Short Term	[ICRA] A1
Outlook	Stable

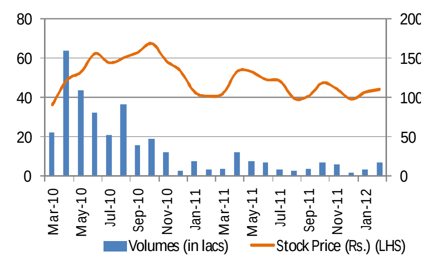
Shareholding Pattern (%)

Promoters	54.6
FIIs	0.0
DIIs	0.5
Others	44.9

Price Performance (%)

	3M	12M
GIL	8.2%	7.3%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code GABR

Market Capitalization Rs. 324 Crore

	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	192.4	212.7	236.4	246.8	280.3	270.0	281.9	279.9
Growth (%) - YoY	*36.5%*	*38.0%*	*35.4%*	*34.3%*	*45.7%*	*27.0%*	*19.3%*	*13.4%*
OPBDIT	16.0	19.7	20.5	15.5	37.8	24.4	22.0	20.8
PAT	6.4	8.6	8.5	5.4	24.6	11.1	16.0	8.9
OPBDIT/OI (%)	8.3%	9.3%	8.7%	6.3%	13.5%	9.0%	7.8%	7.4%
PAT/OI (%)	3.3%	4.0%	3.6%	2.2%	8.8%	4.1%	5.7%	3.2%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Valuations

	FY12e	FY13e
Price/Earnings	6.1	4.8
Price/Sales	0.3	0.2

Source: Bloomberg Consensus Estimates

GABRIEL INDIA LIMITED – Performance Overview (Pg 2 of 2)

Capital expenditure plans: In 2011-12, GIL has indicated Rs 40 crore of capital expenditure majority (~60%) of which will be towards capacity addition, adding balancing equipments and debottlenecking existing capacities. GIL will also invest ~Rs 5 crore towards R&D activity and new product development.

BUSINESS PROFILE

Product Profile - Gabriel India Limited (GIL) is one of the leading auto component manufacturers in India offering a wide range of ride control products ranging from shock absorbers, struts and front forks, with presence in all segments of the automotive industry - passenger cars (PVs), utility vehicles (UVs), commercial vehicles (CVs), two wheelers (2W) and three-wheelers (3W) segments. GIL is diversified in terms of client and segmental mix, and the company caters to the ride control product requirements of all segments - Original Equipment Manufacturers (OEMs), Replacement Market and Exports for applications in two, three and four-wheelers as well as for Defense and the Indian Railways. GIL has eight plants spread across seven locations, with a total manufacturing capacity of over 21 million shock absorbers and struts, and 2.7 million front forks.

Competition – In two wheeler market, GIL supplies ride control products to all major OEMs barring Hero MotoCorp Limited (HMCL) which is the market leader with 45.1% market share (7m, 2011-12). Munjal Showa Limited (MSL) is the largest player in domestic 2W market, followed by Endurance Technologies Limited (ETL) and GIL. MSL being a Hero Group companies enjoys sole supplier status for HMCL products whereas ETL has dominant share in supplies to Bajaj Auto Limited (BAL), the second largest two wheeler manufacturer in the country. GIL enjoys strong market share with TVS Motor Company Limited and India Yamaha Motors Private Limited. In two wheeler segment, GIL reported strong growth of ~25% during H1, 2011-12 and it has succeeded in increasing its market share to 21%. In term of units, domestic two wheeler market is much larger than PV and CV segment as a result despite 21% market share; two wheeler segment constitutes 45% of GIL's revenue during H1, 2011-12.

In PV segment, GIL caters to the requirement all major OEMs and it has strong share (~45%) in the order-book of MSIL. Recently, GIL has also started supplying ride control products for Volkswagen's Polo and Vento models as well as for Skoda's Fabia. In PV segment, GIL mainly competes with Tenneco RC India Private Limited, Mando India Limited, Munjal Showa Limited and Endurance Magneti Marelli India Private Limited. Labor disruption at MSIL's unit and slowdown in PV segment has affected performance during H1, 2011-12, though the company was successful in maintaining its market share at ~35%.

GIL enjoys dominant position in ride control products for CV segment, with market share in excess of 80%. Apart from shock absorbers, the company also supplies seat dampers and cabin dampers to CV OEMs. With increasing focus on drivers' comfort, the sale of these dampers is also likely to improve in the near to medium term. During H1 FY12, GIL reported 30% growth from CV segment which currently constitutes ~14% of overall revenue.

In domestic aftermarket, GIL currently services the requirement of nearly all models of major auto OEMs in the country. In order to have sustainable strong presence in the 'after market' GIL has broad based its product portfolio by developing new part numbers over past few years. In 2010-11, GIL introduced radiator coolant under the brand name of Gab Cool, which is likely to grow into Rs. 20 crore businesses over next 2-3 years. In terms of profitability, the operating margins are superior in aftermarket products as compared to other segment and the sales are relatively immune to cyclicality in automotive sector. GIL commands ~43% share in domestic organized aftermarket for ride control products and aftermarket segment constitutes ~10% of GIL's revenue. Export revenue has also grown steadily over the years, and export now constitutes ~4% of overall sales. GIL primarily caters to the aftermarket requirement in international market.

Revenue growth decelerates; higher interest costs result in net losses

Hinduja Foundries Limited - Fact Sheet	
Year of Incorporation	1959
Chairman	Mr. R Seshasayee
Product Portfolio	Die-castings for CV, tractors and Cars
Manufacturing Facilities	India (Chennai, Hyderabad)
Key Customers	Ashok Leyland, M&M , Tata Motors, TAFE
Revenues FY11	Rs. 551.2 crore
PAT FY11 (Concern Share)	Rs. 4.4 crore
Net Worth FY11 (Rs. Crore)	Rs 195.0 crore

Table: HFL's Financial Indicators

	Q3 FY11	Q3 FY12	Q3 FY12
Operating Income	**156.3**	**190.0**	**197.9**
YoY Growth (%)		22%	50%
OPBDIT	**19.7**	**21.1**	**28.3**
Less: Depreciation	6.6	8.4	8.1
Less: Interest Charges	10.4	17.8	17.6
Other Income	1.0	0.3	0.3
Exceptional Gain/(Loss)	-	(0.9)	(4.2)
PBT	3.7	(5.6)	(1.3)
Less: Tax	0.6	(1.7)	(0.2)
PAT	**3.2**	**(3.9)**	**(1.1)**
OPBDIT/OI (%)	**12.6%**	**11.1%**	**14.3%**
PAT/OI (%)	**2.0%**	**-2.1%**	**-0.5%**

Revenue Growth – HFL reported a revenue growth of 22% YoY during the third quarter of fiscal 2012 supported by increase in realizations. While on a sequential basis, there was a marginal de-growth in operating income, HFL's overall growth during the nine month period ending December 2011 was healthy at ~44% over the corresponding previous. Revenue growth during 9m, 2011-12 was largely supported by strong growth in first and second quarter of 2011-12 at 67% and 50% YoY respectively.

Margin performance - HFL's operating margins contracted to 11.1% in Q3, 2011-12 compared to 12.6% reported in Q3, 2010-11. High power costs and employee expenses continue to impact margins although improved realizations supported the margins partially. For 9m, 2011-12, HFL's operating margin stood at 12.4% as against 10.7% achieved during corresponding previous. HFL's net margins remained negative in Q3, 2011-12 (like the preceding quarter) following rise in interest costs. During the 9m, 2011-12, HFL expended an amount of Rs. 20.4 crore (till Dec 2011) towards compensation for voluntary retirement opted by the employees at one of its plant. Excluding VRS payout, HFL's losses during 9m, 2011-12 was Rs 0.9 crore as against profit before taxes of Rs. 3.9 crore for 9m, 2010-11.

Capex plans: To meet the expected growth in demand and mitigate its productivity concerns at Sriperumbudur facility, HFL is adding additional capacity of 40,000 MT at Toopran (Andhra Pradesh). The capacities are expected to be added in phases. Once operational, this should support scale benefits and pricing flexibility. The company has filed a draft letter of offer in November 2011 for a rights issue of Rs. 125.0 crore, to partially support its capex programme.

	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	113.7	111.0	131.8	156.3	152.1	185.6	197.9	190.0
Growth (%) - YoY		*65%*	*28%*	*40%*	*34%*	*67%*	*50%*	*22%*
OPBDIT	20.8	7.6	15.4	19.7	17.3	21.6	28.3	21.1
PAT	6.8	1.4	0.8	3.2	2.1	(9.6)	(1.1)	(3.9)
OPBDIT/OI (%)	18.3%	6.9%	11.7%	12.6%	11.4%	11.6%	14.3%	11.1%
PAT/OI (%)	6.0%	1.3%	0.6%	2.0%	1.4%	-5.2%	-0.5%	-2.1%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	[ICRA] BB+
Short Term	[ICRA] A4+
Outlook	Stable

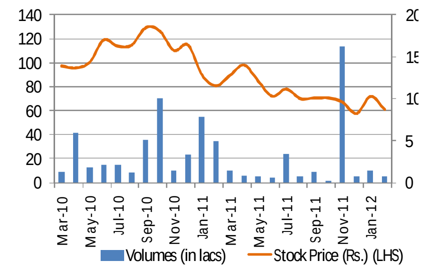
Shareholding Pattern (%)

Promoters	70.4
FIIs	10.0
DIIs	0.5
Others	19.1

Price Performance (%)

	3M	12M
HFL	2.5%	-31.1%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code ENOR
Market Capitalization Rs. 176 Crore

Valuations

	FY12e	FY13e
Price/Earnings	NA	NA
Price/Sales	NA	NA

Source: Bloomberg Consensus Estimates

BUSINESS PROFILE

Hinduja Foundries Limited ("HFL", erstwhile Ennore Foundries Limited) is part of the Hinduja Group of companies, a conglomerate with interests in Transport, Energy, Information Technology, agriculture, and financial services. The group's flagship entity, Ashok Leyland Limited is the country's second largest player in the M&HCV industry. HFL is engaged in the business of manufacturing grey iron and aluminium gravity die castings for automobiles, compressors, industrial engines, power generators and tractors. With manufacturing facilities located in Tamil Nadu and Andhra Pradesh, HFL's total capacity is 1,22,000 MT of Grey Iron Casting and 3,000 MT of aluminum gravity die-casting.

Product Profile and segment mix: Commencing its operations way back in 1961, HFL gradually expanded the capacities over years and established relationships with major OEMs and Tier-1 suppliers in the automotive and engineering segments. The company was operating as a captive foundry for Ashok Leyland Limited (ALL) for many years, but with gradual addition of capacities and new customer acquisitions, HFL expanded its customer portfolio. HFL currently caters to more than 25 customers and has emerged as one of the largest automotive jobbing foundries in the country. HFL largely addresses the casting requirements of the domestic market with marginal exports.

Exhibit: HFL - Segment wise volumes

Segments	2009-10	2010-11	9m, FY12
Commercial Vehicles	53.7%	44.3%	36.6%
Tractors	38.8%	49.0%	49.6%
Cars	7.4%	6.5%	13.0%
Others	0.1%	0.2%	0.9%

Source: Company

The company's key customers (other than ALL) include Mahindra & Mahindra (M&M), Tata Motors, Escorts, TAFE, New Holland Fiat to name a few. HFL's product range includes Cylinder Blocks, Cylinder Heads, Flywheels, Flywheel Housings, Transmission Casings, Clutch Plates, Brake Drums, Intake Manifolds and Clutch Housings finding application in CV, tractors, construction equipments and passenger car segments. HFL's largest customer, ALL contributed ~43% of HFL's sales during 2010-11, followed by Simpsons, M&M, and New Holland. All's share however dropped to 31% during the nine month period ending December 2011 with off-take from new customers like Cummins and increased orders from JCB India Limited. In terms of volume mix, ~93% of HFL's total sales volume during 2009-10 and 2010-11 was generated from the CV and tractor segments respectively, exposing HFL's performance to any demand downturn in the respective industries. During the period of economic slowdown in 2008-09, HFL's sales volume from CV segment dropped by ~40%. However, post the revival of the industry and rebound in HFL's CV segment translated to a growth of ~35% and ~5% during 2009-10 and 2010-11 respectively. In the current fiscal, with lower off-take from ALL, the company's sole customer in the CV segment, the share of revenue from M&HCV segment dropped to ~37% during 9m-FY12. While the volumes are exposed to downside risk from volatility in order flows from OEMs and pricing pressure owing to competitive nature of foundry operations; nevertheless, the company's strong relationship with ALL has entailed healthy growth in volumes over the last many years and is expected to support HFL's revenue growth in future.

Volumes in the company's other key segment, Tractors (and construction equipments) witnessed a strong 60% growth during 2010-11 backed by 24% growth in industry volumes. Simpsons, M&M, New Holland Fiat and Escorts are the key customers in this segment, adding ~43% and 47% of HFL's revenues in 2010-11 9m-FY12 respectively. Portion of HFL's revenues is also derived from the passenger car (PCR) segment. Although the PCR share declined sharply in the last two years due to gradual shift grey iron castings to aluminium castings by car manufacturers, the company's sales from this segment improved sharply during current year. With HFL's limited capacity (3,000 MTPA) to manufacture aluminium castings, the segment's contribution to the overall sales is likely to be moderate.

Net profits down in Q3, 2011-12 due to higher fixed overheads in a quarter wherein revenue growth was sluggish

Lumax Industries - Fact Sheet	
Year of Incorporation	1984
Chairman	Mr. D.K. Jain
Product Portfolio	Automotive Lamps (head lamps, tail lamps, sundry and auxiliary lamps) for 2W, 3W, PV, CV, tractor, off-highway applications
Manufacturing Facilities	Gurgaon, Dharuhera, Gautam Budh Nagar, Chinchwad, Chakan, Sanand
Key Customers	Maruti Suzuki, Tata Motors, Honda Siel, M&M, Ford, Hero MotoCorp, Honda Motorcyles & Scooters, Bajaj Auto

	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**216.6**	**228.6**	**228.4**
Growth (%) - YoY	*40.6%*	*5.5%*	*7.9%*
OPBDIT	**17.1**	**7.9**	**9.2**
Less: Depreciation	7.0	5.7	5.7
Less: Interest Charges	2.8	2.7	2.6
Other Income	0.6	0.8	0.6
Exceptional Gain/(Loss)	0.0	0.0	0.0
PBT	8.0	0.2	1.5
Less: Tax	2.0	-1.4	-0.1
PAT	**6.0**	**1.6**	**1.6**
OPBDIT/OI (%)	**7.9%**	**3.4%**	**4.0%**
PAT/OI (%)	**2.8%**	**0.7%**	**0.7%**

Revenue Growth - In Q3, 2011-12, Lumax Industries Limited (LIL) reported revenues of Rs. 228.6 Crore, a growth of 5.5% (YoY) and flat QoQ. Since Q2, 2010-11, LIL's revenues had been growing consistently at 30%+ rate led by strong surge in sales of its key customers in the PV and CV segments and commencement in supplies for several new product programmes. However, as the labour strike at Maruti Suzuki (its largest customer that accounts for 37% of its revenues) disrupted LIL's supplies to the OEM and as Honda Siel sharply cut down its production due to unavailability of select parts from Thailand; LIL's revenue growth came down to single digits (YoY) in Q2, 2011-12 and growth continued to remain tepid in Q3, 2011-12.

Although LIL has a well-diversified customer portfolio and is a supplier of automotive lamps to most automotive segments, its dependence on the PV segment still remains high. Accordingly, LIL's short term revenue growth may remain sluggish given the macro-economic challenges currently being faced by the domestic PV industry. However, even as competitive pressures in the lighting space have risen over the last few years following the entry of several new players, LIL has been able to maintain a healthy market share of over 50% on the strength of its technical collaboration with Stanley Electric (Japan) and strong relationships with all major domestic OEMs. These strengths are expected to enable LIL sustain its business position in automotive lighting space going forward. This, coupled with LIL's ongoing capacity expansion initiatives, should enable it to leverage the business growth opportunities associated with the PV industry over the medium to long term.

ICRA Ratings

Long Term	[ICRA]A-
Short Term	[ICRA]A1
Outlook	Stable

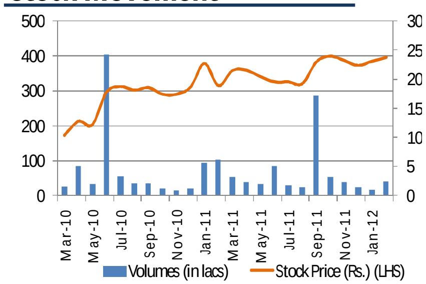
Shareholding Pattern (%)

Indian Promoters	36.2
Stanley Electric	37.5
FIIs	0.1
DIIs	0.3
Others	26.0

Price Performance (%)

	3M	12M
LIL	0.3%	21.4%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code LUMX

Market Capitalization Rs. 357 Crore

	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Operating Income	177.5	175.1	211.6	216.6	261.5	232.9	228.4	228.6
Growth (%) - YoY	*33.5%*	*13.6%*	*36.9%*	*40.6%*	*47.4%*	*33.0%*	*7.9%*	*5.5%*
OPBDIT	14.9	14.1	15.4	17.1	6.9	13.3	9.2	7.9
PAT	(1.5)	4.8	4.5	6.0	2.6	4.8	1.6	1.6
OPBDIT/OI (%)	8.4%	8.0%	7.3%	7.9%	2.6%	5.7%	4.0%	3.4%
PAT/OI (%)	-0.8%	2.7%	2.1%	2.8%	1.0%	2.1%	0.7%	0.7%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Valuations

	FY12e	FY13e
Price/Earnings	NA	NA
Price/Sales	NA	NA

Source: Bloomberg Consensus Estimates

Profitability – Over the years, LIL's OPBDIT margins have remained sub-10%, quite unrepresentative of a market leader. This may be attributable possibly to greater bargaining power of OEMs against LIL and the company's higher cost structure given the relatively higher design change frequency of automotive lamps (at the time of model refurbishment) compared to other automotive products. LIL's OPBDIT margins at 3.4% in Q3, 2011-12 declined sharply by 446 basis points YoY and 58 basis points QoQ on account of increase in employee expenses and higher fixed overheads in a quarter wherein sales growth was lower than budgeted.

Although end-customer demand has been contracting, LIL remains in an investment phase with new manufacturing units being set-up in 2011-12 at Sanand (Gujarat), Bawal (Haryana) and Bidadi (Karnataka) requiring large capex cumulatively. The expected higher start-up production costs at these new plants and fixed cost pressures being faced in general due to lower sales volumes are likely to suppress LIL's OPBDIT growth over the short term. The combination of lower profit growth and large capex being incurred in 2011-12 is therefore expected to exert pressure on the company's RoCE over the short term. Further, the company remains exposed to currency risk for foreign currency long term loans on its books and payables related to imported raw materials.

BUSINESS PROFILE

Product Portfolio - LIL is engaged in the manufacture of automotive lighting systems which include head lamps, tail lamps, sundry and auxiliary lamps. The company manufactures and supplies these products to a large number of customers in the PV, CV, 2W, 3W, tractor and off-highway segments. Amongst the top five customers which accounted for 70% of LIL's revenues in 2010-11, Maruti Suzuki was the largest contributing 37% to its revenues. Over the years, LIL has made regular investments (greenfield and brownfield) to expand capacity and set-up new units in close proximity to key customers. Currently, LIL has seven plants located at Gurgaon (Haryana), Dharuhera (Haryana), Noida (Uttar Pradesh), Chinchwad (Maharashtra), Chakan Plant-I and Plant-II (Maharashtra), and Pantnagar (Uttarakhand); and is in the process of establishing three new ones at Sanand (Gujarat), Bawal (Haryana) and Bidadi (Karnataka). LIL has a two-decade old technical and equity collaboration with Stanley Electric Co., Japan that holds 37.5% equity stake in the company. The above collaboration has helped LIL garner business from almost all Japanese OEMs in India, besides various other domestic OEMs.

Competition – In its addressable product range, LIL enjoys an estimated market share of 50% in the domestic market which has been under pressure due to rising competition from several players including India Japan Lighting (IJL), Minda Industries, Fiem Auto Industries, Valeo Lighting and AV Light Automotive. IJL, a 50-50 JV between Lucas TVS (Chennai) and Koito Manufacturing Company (Japan) is the closest competitor of LIL in the automotive lighting space. From the halogen-based reflector-type design of automotive lamps currently prevalent in most small cars in India, the PV industry (particularly in the premium segment) is fast transitioning to Xenon/ LED based projector-type designs. The ability of domestic lighting system suppliers to meet the evolving customer specifications will be critical for gaining market share going forward.

Higher realizations drive growth

Mahindra Forgings - Fact Sheet	
Year of Incorporation	1961
Chairman	Mr. Hemant Luthra
Product Portfolio	Forged components for automotive industry
Manufacturing Facilities	India, Germany and UK
Key Customers	Daimler AG, MAN AG, M&M
Revenues FY11	Rs 1,925.8 crore
PAT FY11 (Concern Share)	Rs 3.7 crore
Net Worth FY11 (Rs. Crore)	Rs 1,050.4 crore

Standalone	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**91.2**	**109.9**	**112.3**
YoY Growth (%)	24.5%	20.4%	23.5%
OPBDIT	**9.7**	**11.6**	**12.4**
Less: Depreciation	5.9	5.4	5.9
Less: Interest Charges	4.2	2.0	3.1
Other Income	0.0	0.6	0.7
Exceptional Gain/Loss	-	(1.9)	-
PBT	0.2	4.0	4.1
Less: Tax	-	-	-
PAT	**0.2**	**2.2**	**4.1**
OPBDIT/OI (%)	**11.1%**	**10.7%**	**11.1%**
PAT/OI (%)	**3.7%**	**0.2%**	**3.7%**

Revenue Growth – In Q3, 2011-2, the standalone revenues of Mahindra Forgings Limited (MFL) at Rs. 109.9 Crore grew by 20% on YoY basis. On a sequential basis, the company's standalone revenues remained more or less flat.

At consolidated level, on YoY basis, MFL recorded 22% growth in sales to Rs 599 crore, supported by favorable exchange rate movement as Euro appreciated against INR. After adjusting for the impact of currency translation, the consolidated revenue growth was at 12%. The German automotive market, which constitutes ~75% of MFL's consolidated revenues continued to grow at a brisk pace supported by recovery in German automotive market as well as growth in exports from Germany.

In 9m, 2011-12, MFL's consolidated revenue grew by 34% which includes currency translation gain of Rs 149 crore. Negating the effect of forex movement, consolidated revenues grew by 24% on YoY basis.

Key Developments – In March 2010, MFL had allotted 7,299,270 warrants on preferential basis to M&M, convertible at an option of the promoters (M&M) within 18 months into equal number of equity shares at a price of Rs 137/share. Subsequently, M&M converted 3,000,000 warrants into equity shares in FY10 itself whereas remaining 4,299,270 warrants were converted into equity shares in Q2 FY12. The Promoters had made an upfront payment of 25% (towards allotted warrants) in 2009-10, while remaining 75% (~Rs 44 crore) was paid in September 2011 while exercising their option to convert warrants into equity shares.

Standalone	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Operating Income	84.1	78.5	91.0	91.2	96.6	95.2	112.3	109.9
Growth (%) - YoY	*40.4%*	*12.7%*	*22.5%*	*24.5%*	*14.9%*	*21.3%*	*23.5%*	*20.4%*
OPBDIT	12.9	8.2	6.6	9.7	7.2	8.7	12.4	11.6
PAT	0.4	0.0	(2.2)	0.2	(1.2)	(0.7)	4.1	2.2
OPBDIT/OI (%)	15.3%	10.5%	7.2%	10.7%	7.4%	9.2%	11.1%	10.7%
PAT/OI (%)	0.4%	0.1%	-2.4%	0.2%	-1.2%	-0.7%	3.7%	0.2%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

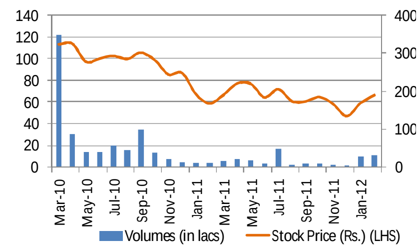
Shareholding Pattern (%)

Indian Promoters	53.0
FIIs	0.9
DIIs	9.8
Others	36.3

Price Performance (%)

	3M	12M
MFL	26.7%	13.5%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code MFOL

Market Capitalization Rs. 617 Crore

Valuations

	FY12e	FY13e
Price/Earnings	11.7	7.0
Price/Sales	0.3	0.2

Source: Bloomberg Consensus Estimates

MAHINDRA FORGINGS LIMITED – Performance Overview (Pg 2 of 2)

Profitability – Standalone EBIDTA margin declined by 43 bps to 10.7% due to relatively higher other expenses. Raw material expenses declined by 217bps to 54.1% as the company was able to pass on raw material cost to its customers. On QoQ basis, operating margin declined by 54bps largely on account of higher other expenses.

Consolidated	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	493	599	616
Growth (%) - YoY	*51.2%*	*21.5%*	*33.6%*
OPBDIT	36	57	66
PAT	(4)	16	20
OPBDIT/OI (%)	7.3%	9.5%	10.7%
PAT/OI (%)	-0.8%	2.7%	3.2%

On consolidated basis, MFL's EBIDTA margins in Q3, 2011-12 stood at 9.5% considering currency translation gain of Rs 14 crore as compared to forex loss of Rs 6 crore in Q3, 2010-11. Excluding currency translation gain/loss, EBIDTA margins were stable at 8.5% in Q3, 2011-12, similar to that in Q3, 2010-11.

BUSINESS PROFILE

Mahindra Forgings Limited (MFL) is amongst leading forging company with plants in Germany, UK and India. Over past few years, the Company has grown by a combination of organic and inorganic growth designed to achieve scale, technology and customer reach. Between all its plants, the Company is capable of producing most of the forging components in a car or a truck. The Indian operations focus on design, development & machining of crankshafts whereas the German operations are a full range provider of forging parts while being one of the top axle beam manufacturers in the world. The German operations are the largest and account for more than two thirds of the Company's revenue

Product Profile - MFL is the largest manufacturer of crankshaft and stub axle for cars/MUVs and tractors in the domestic market. Being a Mahindra Group Company, M&M is the biggest customer for MFL's product in the domestic market. In Europe, a significant portion of the product portfolio consists of value added products like complex and machined forgings. Majority of MFL's revenue in Europe comes from OEMs in commercial vehicle segment. The Company is sufficiently de-risked through a diversified customer base with the top 5 customers accounting for less than 50% of the business. Daimler AG is the largest customer for MFL is Europe, and the company is successful in increasing its order-book share in Daimler AG over past few quarters.

Competition - Forging industry is a capital intensive and technology intensive industry which acts as an entry barrier for new player. In domestic market, MFL competes with Bharat Forge Limited (BFL) and Amtek Auto Limited (Amtek) whereas in European market, MFL competes with BFL along with international majors like ThyssenKrupp, Sumitomo and Hirschvogel.

MTM losses on foreign currency loans and Peguform acquisition bring down profits in Q3, 2011-12

Motherson Sumi - Fact Sheet	
Year of Incorporation	1986
Chairman	Mr. Mohinder Singh Gujral (MSSL) Mr. V.C. Sehgal (Samvardhana Motherson Group)
Product Portfolio	Polymer Parts, Automotive Mirrors, Wiring Harnesses, Rubber Processing & Metal Machining
Manufacturing Facilities	~40 facilities across India Over 30 facilities across Europe, USA, South America, Asia and Australia
Key Customers	Volkswagen Group, Hyundai, Maruti Suzuki, Others

(Consolidated)	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**2,152.6**	**3,840.8**	**2,340.2**
Growth (%) - YoY	*18.6%*	*78.4%*	*19.5%*
OPBDIT	**246.6**	**256.0**	**203.6**
Less: Depreciation	60.1	104.6	70.0
Less: Interest Charges	17.1	41.4	23.4
Forex gain/ (loss)	3.1	-80.4	-74.3
Exceptional Gain/(Loss)	0.0	-83.4	0.0
PBT	175.3	-50.2	39.1
Less: Tax	43.0	51.8	36.7
PAT	132.3	-102.04	2.4
PAT (Concern Share)	**106.4**	**-24.72**	**24.3**
OPBDIT/OI (%)	**11.5%**	**6.7%**	**8.7%**
PAT/OI (%)	**6.1%**	**-2.7%**	**0.1%**

Revenue Growth - In Q3, 2011-12, Motherson Sumi Systems Limited (MSSL) reported revenues of Rs. 837.3 Crore on a standalone basis, a growth of 8.7% (YoY); and Rs. 3,840.8 Crore on a consolidated basis, a growth of 78.4% (YoY). The company's standalone revenue growth in Q3, 2011-12 was at its lowest pace in the last 10 quarters, in line with the sluggish volume growth recorded by the overall automotive industry during the last quarter. MSSL's (consolidated) revenue growth however was much stronger, supported both by acquisition of Peguform (Germany) w.e.f. November 23, 2011 (that contributed Rs. 1,151.1 Crore to consolidated revenues) as well as robust revenue growth of 35.8% YoY recorded by Samvardhana Motherson Reflectec Group Holdings Limited (SMR, 51% subsidiary of MSSL), on the back of strong ramp-up in its business volumes.

MSSL's steady market position and participation in several new product development programmes with several OEMs and focus on increasing content per vehicle are expected to enable the company, on a standalone basis, to grow faster than the industry. MSSL's exports prospects however continue to remain uncertain in view of muted automotive volume recovery in developed markets. Following the acquisition of Peguform (in JV with Samvardhana Motherson Finance Limited, SMFL, Group Company), MSSL's (consolidated) revenues are expected to double by 2012-13 considering that the magnitude of the target company's revenues is similar to that of MSSL (consolidated, pre-acquisition). Inorganic expansion apart, MSSL's increased geographical footprint and expanded customer base makes it better positioned to benefit from greater diversification going forward.

ICRA Ratings

Long Term	[ICRA]AA-
Short Term	[ICRA]A1+
Outlook	Stable

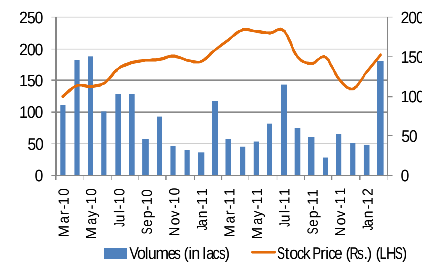
Shareholding Pattern (%)

Indian Promoters	40.2
Sumitomo Wiring, Japan	25.0
FIIs	11.0
DIIs	10.1
Others	13.8

Price Performance (%)

	3M	12M
MSSL	21.7%	-5.4%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



(Standalone)	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	551.9	559.9	668.5	770.6	856.0	751.5	784.9	837.3
Growth (%) - YoY	*69.9%*	*58.5%*	*67.2%*	*70.1%*	*55.1%*	*34.2%*	*17.4%*	*8.7%*
OPBDIT	107.2	80.4	97.4	127.9	156.1	95.6	120.8	134.5
PAT	57.9	29.3	65.9	77.6	114.7	65.5	31.6	54.9
OPBDIT/OI (%)	19.4%	14.4%	14.6%	16.6%	18.2%	12.7%	15.4%	16.1%
PAT/OI (%)	10.5%	5.2%	9.9%	10.1%	13.4%	8.7%	4.0%	6.6%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Bloomberg Code MSS

Market Capitalization Rs. 7,052 Cr

Valuations

	FY12e	FY13e
Price/Earnings	21.7	13.4
Price/Sales	0.6	0.4

Source: Bloomberg Consensus Estimates

Profitability – While MSSL's (standalone) OPBDIT margins (excluding forex loss) remained steady at 16.1% in Q3, 2011-12 and were broadly in line with its historical margins, the company's PBT at Rs. 73.4 Crore was adversely impacted (vis-a-vis Q3, 2010-11) due to large MTM loss of Rs. 44.8 Crore related to restatement of USD denominated term loans[2]. This is the second consecutive quarter where the company's PBT has been impacted by adverse forex movements and resultant MTM losses on restatement of foreign currency loans. In Q2, 2011-12 also, the company's PBT had declined sharply to Rs. 44.8 Crore on account of MTM loss of Rs. 47.1 Crore. Excluding the MTM loss, MSSL's (standalone) PBT margins in Q2, 2011-12 and Q3, 2011-12 were in line with the margins reported during the corresponding previous two quarters.

MSSL's (consolidated) OPBDIT margins at 6.7% in Q3, 2011-12 were 479 basis points lower YoY and 203 basis points lower QoQ. The sharp YoY decline in the company's (consolidated) OPBDIT margins in Q3, 2011-12 was attributable to the following two reasons: (a) acquisition of Peguform during the quarter (accounted for 30% of MSSL's (consolidated) revenues in Q3, 2011-12) that reported low OPBDIT margins of 0.4% in the last quarter; (b) higher start-up costs related to operations of SMR's new plants at Hungary and Brazil where production is in the ramp-up phase as of now, a factor which had also weighed on MSSL's (consolidated) OPBDIT margins in Q2, 2011-12. The pressure on MSSL's (consolidated) margins and RoCE is expected to sustain at least over the next few quarters considering the relatively low OPBDIT margin profile of Peguform and also given that the new manufacturing facilities of SMR may take a while before capacity utilization gets optimized.

Capex and Investments – MSSL's (consolidated) has plans to incur capex of around Rs. 750-800 Crore per year over the medium term towards establishment of greenfield facilities and regular capacity expansion in each of its business segments. In addition, the company may also be necessitated to make additional investments in its subsidiaries and joint ventures, as it has done in the past, to support their business growth and capital investment requirements. The company's recent acquisition of 80% stake in Peguform (jointly with SMFL) is by far its largest investment in its operating history with transaction size of Euro 141.5 million, surpassing the Euro 30 million investment that the Samvardhana Motherson Group had made to acquire Visiocorp Plc in March 2009. While these large sized acquisitions will pose obvious challenges for MSSL related to integration of the acquiree's operations with its own and extracting the potential synergy benefits, the execution capabilities of MSSL's management team and its strong track record of managing multiple JVs across the globe are strong positives.

BUSINESS PROFILE

Product Portfolio - MSSL has a diversified automotive products portfolio which includes automotive vision systems, wiring harnesses, polymer parts, tooling, metal machining, and elastomers processing. Accounting for around 60% of revenues, the wiring harness segment used to be the largest contributor to MSSL's (consolidated) revenues till 2008-09. However, following the acquisition of SMR by the Samvardhana Motherson Group in March 2009, the Automotive Mirrors segment emerged as the largest business segment of MSSL (consolidated) which accounted for 56% of its revenues in 2010-11. Now with the acquisition of Peguform (Germany) by the Samvardhana Motherson Group, the polymer business has become the largest segment and estimated to account for 50-55% of MSSL's (consolidated) revenues by 2012-13E.

Competition – Peguform is amongst the leading manufacturers of bumpers, cockpit assemblies and door trims in Europe and competes with Faurecia, Johnson Controls and Magna in interior plastics segment and Plastic Omnium and Faurecia in exterior plastics segment. For polymer components business, MSSL competes with a large number of domestic players such as Mutual Industries, TACO Group, Visteon, Krishna Maruti, Machino Plastics, Hanil Automotive, Varroc, Toyoda Gosei and Mobis etc. For automotive mirrors business, SMR enjoys a global market share of ~25% and competes with Magna Donnelly, Ficosa and Gentex etc. For wiring harness business, MSSL together with its JV Kyungshin Industrial enjoys an estimated market share of 69% in the domestic PV industry and 40% market share in the domestic CV industry and competes with Tata Yazaki, Delphi, Tyco and Minda Furukawa.

[2] *Only a small proportion of these foreign currency term loans are due for repayment in 2011-12*

Healthy growth in revenues on the back of Hero MotoCorp's steady volume growth

Munjal Showa - Fact Sheet	
Year of Incorporation	1985
Chairman	Mr. B L Munjal
Product Portfolio	Ride control products for PV and 2W
Manufacturing Facilities	Gurgaon, Manesar and Haridwar
Key Customers	Hero Moto Corp, Maruti Suzuki
Revenues FY11	Rs 1,289.4 crore
PAT FY11 (Concern Share)	Rs 34.0 crore
Net Worth FY11 (Rs. Crore)	Rs 202.1 crore

	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**330.9**	**398.5**	**382.0**
YoY Growth (%)	39.1%	20.4%	22.5%
OPBDIT	**18.8**	**24.9**	**29.4**
Less: Depreciation	6.8	6.8	6.9
Less: Interest Charges	2.2	2.4	4.9
Other Income	1.3	0.3	0.3
Exceptional Gain/Loss	-	-	-
PBT	11.1	16.0	17.9
Less: Tax	3.2	2.8	3.8
PAT (Concern Share)	**7.9**	**13.2**	**14.1**
OPBDIT/OI (%)	**5.7%**	**6.3%**	**7.7%**
PAT/OI (%)	**2.4%**	**3.3%**	**3.7%**

Source: Company Data, ICRA Estimates

Revenue Growth – Munjal Showa Limited (MSL) continued to register strong growth in Q3, 2011-12 on the back of robust performance of its largest customer Hero Motocorp Limited (HMCL). MSL is the sole supplier for ride control products to HMCL, the largest two wheeler (2W) manufacturer in the country. During the quarter, MSL reported revenue growth of 20% on YoY basis and 4% on sequential basis.

Production disruption at Maruti Suzuki's plant affected the revenue to some extent during Q3, 2011-12; nevertheless, a majority of MSL's revenues are derived from supplies to HMCL which continues to perform well. Supplies to passenger car segment is likely to improve going forward considering the end of labor disruption at MSIL unit as well as gradual ramp-up at Honda which was affected by floods in Thailand.

In term of units, the domestic two-wheeler market accounts for roughly 75% of domestic automotive market, and the 2W segment continues to grow at healthy pace despite challenging macroeconomic environment like rising interest rate, fuel prices and high inflation. In Q3, 2011-12, HMCL's volume grew by 11% which was in-line with industry growth. While HMCL's export volumes remain low, HMCL is likely to become more aggressive towards export market as and when its fourth manufacturing unit becomes operational which is likely to benefit MSL over the medium to long term.

	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Operating Income	286.2	290.1	311.8	330.9	358.0	372.8	382.0	398.5
Growth (%) - YoY	*28.6%*	*24.5%*	*16.5%*	*39.1%*	*25.1%*	*28.5%*	*22.5%*	*20.4%*
OPBDIT	28.5	20.2	15.7	18.8	26.6	28.2	29.4	24.9
PAT	11.3	8.2	4.9	7.9	13.0	15.8	14.1	13.2
OPBDIT/OI (%)	9.9%	7.0%	5.0%	5.7%	7.4%	7.6%	7.7%	6.3%
PAT/OI (%)	4.0%	2.8%	1.6%	2.4%	3.6%	4.2%	3.7%	3.3%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

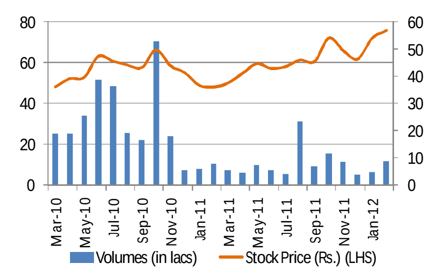
Shareholding Pattern (%)

Indian Promoters	39.0
Showa Corporation	26.0
FIIs	0.1
DIIs	1.7
Others	33.1

Price Performance (%)

	3M	12M
MSL	7.6%	50.1%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code MJS

Market Capitalization Rs. 291 Crore

Valuations

	FY12e	FY13e
Price/Earnings	5.0	4.7
Price/Sales	0.2	0.2

Source: Bloomberg Consensus Estimates

MUNJAL SHOWA LIMITED – Performance Overview (Pg 1 of 2)

Profitability – In Q3, 2011-12, MSL's operating margins improved by 57 bps on YoY basis to 6.3% though there was 144bps decline on sequential basis. MSL has input volatility clause with its key customers, though benefits are usually realized with lag effect of one quarter. On sequential basis, raw material expenses grew by 271 bps to 76.1% which directly affected the profitability though economies of scale mitigate the impact to some extent.

The net profitability improved considerably on YoY basis, on account of tax exemption on profit from Haridwar unit. The effective tax rate for Q3, 2011-12 stood at 17.9% as against 21.3% and 29.1% for Q2, 2011-12 and Q3, 2010-11, respectively.

BUSINESS PROFILE

Product Profile - The company designs and manufacturers shock absorbers and struts for two-wheelers (2W) and passenger vehicles (PV) segment. MSL supplies front forks and shock absorbers for two wheelers, and struts for passenger vehicles. MSL currently has manufacturing units in Gurgaon, Manesar and Haridwar with an installed capacity of 30.5 million shock absorbers and 2.4 million struts.

MSL being a Hero group company is almost the single source of shock absorbers for HHML and it also supplies shock absorbers to HMSI for their scooters and motorcycle models. In passenger car segment, MSL supplies to MSIL and Honda SIEL India Limited, both of which are located in Gurgaon/Manesar belt. About 90% of MSL's revenue comes from two-wheeler segment and passenger vehicle accounts for remaining share. MSL has negligible presence in domestic CV segment, aftermarket and export market and the fortunes of MSL are closely linked to the performance of HHML, its main customer.

Competition: MSL primarily competes with Gabriel India Limited (GIL), Endurance Technology Limited (ETL) and Tenneco RC India Limited (Tenneco). GIL is the most diversified player in industry with presence across all segments and major OEMs; however, MSL and ETL drives majority of their revenue from HHML and BAL respectively. By virtue of its relationship with HHML, MSL is the largest player in domestic ride control market. In passenger car segment, MSL supplies to Maruti Suzuki and Honda Siel wherein it competes with GIL and Tenneco. GIL's strong position in domestic CV segment and its presence in relatively more profitable aftermarket results in better operating margin as compared to that of MSL.

Due to inherent technical complex nature, all major players in domestic ride control market has technical collaboration with international majors. While MSL has technical collaboration with Showa Corporation, GIL has technical tie-up with KYB Corporation Japan and ETL has technical arrangement with WP Suspensions and Magneti Marelli SpA. Showa Corporation holds 26% stake in MSL, and it also earn royalty for the designs/technology support provided to the company. In FY11, MSL paid royalty of Rs 33.9 crore to Showa Corporation amounting to 2.7% of net sales.

Capitalization of forex loss on ECB loans softens impact on PBT

Sona Koyo - Fact Sheet	
Year of Incorporation	1984
Chairman	Dr. Surinder Kapur
Product Portfolio	Steering Systems and Driveline Products
Manufacturing Facilities	Gurgaon, Dharuhera, Chennai, Sanand
Key Customers	Maruti Suzuki, Hyundai, M&M, Others
Revenues FY11	Rs. 1,209.4 Crore
PAT FY11 (Concern Share)	Rs. 44.6 Crore
Net Worth FY11 (Rs. Crore)	Rs. 205.6 Crore

(Consolidated)	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**336.0**	**317.1**	**337.1**
Growth (%) - YoY	*NA*	*-5.6%*	*19.6%*
OPBDIT	**47.2**	**34.7**	**32.7**
Less: Depreciation	9.6	12.1	10.8
Less: Interest Charges	11.3	8.7	19.7
Other Income	0.8	10.3	1.1
Exceptional Gain/(Loss)	6.5		
PBT	33.7	24.2	3.4
Less: Tax	8.9	3.2	1.6
PAT	24.8	21.0	1.8
PAT (Concern Share)	**20.5**	**13.7**	**3.9**
OPBDIT/OI (%)	**14.0%**	**10.9%**	**9.7%**
PAT/OI (%)	**7.4%**	**6.6%**	**0.5%**

Revenue Growth - In Q3, 2011-12, Sona Koyo Steering Systems Limited (SKSSL) reported revenues of Rs. 251.8 Crore on a standalone basis, a decline of 8.0% (YoY); and Rs. 317.1 Crore on a consolidated basis, a decline of 5.6% (YoY). The key reason for the decline in the company's revenues in Q3, 2011-12 was the production disruption at the facilities of its largest customer Maruti Suzuki India Limited (MSIL) - which accounts for ~45% of its revenues – that continued into the month of October 2011 after having played spoilsport even in Q2, 2011-12. While MSIL's sales volumes had declined by 28% YoY in Q3, 2011-12, the decline in SKSSL's revenues was relatively less severe in view of SKSSL's lack of presence in Swift (pre-change version) and Swift DZire models whose production had suffered the most during the period of strike at MSIL. Also, the decline in SKSSL's (consolidated) business with MSIL was partially neutralized by increase in its sales to other customers, including Mahindra & Mahindra Limited (M&M) and Toyota Kirloskar Motors Limited (TKML).

While we expect SKSSL's revenue growth to remain tepid in 2011-12, the company's strong new business pipeline with OEMs including MSIL, TKML and Nissan is likely to support its revenue growth over the medium term, notwithstanding the challenging economic environment and rising competitive pressures. Further, SKSSL's plans of establishing aluminium die-casting facilities not only for in-house consumption but also for sale to external customers may also augment its revenue growth going forward depending on the company's ability to acquire new customers and scale up its operations in this new business segment.

ICRA Ratings

Long Term	[ICRA]A
Short Term	[ICRA]A1
Outlook	Stable

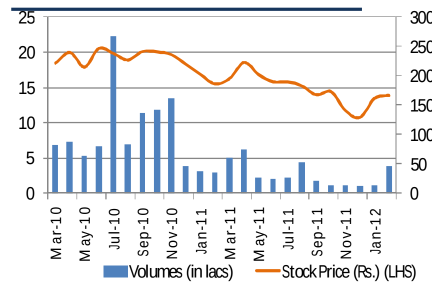
Shareholding Pattern (%)

Indian Promoters	25.6
JTEKT, Japan	20.1
Maruti Suzuki	6.9
FIIs	0.1
DIIs	1.1
Others	46.1

Price Performance (%)

	3M	12M
SKSSL	10.0%	-15.1%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code SONA

Market Capitalization Rs. 262 Crore

Valuations

	FY12e	FY13e
Price/Earnings	7.3	4.7
Price/Sales	0.2	0.2

Source: Bloomberg Consensus Estimates

(Standalone)	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3FY12
Operating Income	240.8	217.2	251.3	273.7	292.4	269.8	272.4	251.8
Growth (%) - YoY	*23.8%*	*15.3%*	*25.1%*	*23.4%*	*21.4%*	*24.2%*	*8.4%*	*-8.0%*
OPBDIT	27.7	22.4	26.9	28.5	27.9	28.4	26.2	24.5
PAT	10.2	5.6	7.5	12.6	11.8	9.2	6.8	7.0
OPBDIT/OI (%)	11.5%	10.3%	10.7%	10.4%	9.5%	10.5%	9.6%	9.7%
PAT/OI (%)	4.2%	2.6%	3.0%	4.6%	4.0%	3.4%	2.5%	2.8%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Profitability – In Q3, 2011-12, SKSSL reported OPBDIT of Rs. 24.5 Crore on a standalone basis, a decline of 14.1% (YoY). Although SKSSL's (standalone) raw material costs as a proportion of revenues were relatively lower in Q3, 2011-12 as compared to the corresponding previous quarter, the company's OPBDIT margins at 9.7% declined by 69 basis points YoY due to increase in employee expenses. The company's OPBDIT margins in Q3, 2011-12 were also impacted by the labour strike at MSIL, giving rise to a higher proportion of fixed overheads. SKSSL's (consolidated) OPBDIT at Rs. 34.7 Crore also declined by 26.6% YoY, partly due to the dip in OPBDIT margins of SKSSL (standalone) and partly due to higher operating costs of JSAI where production was in a ramp-up stage for several new product programmes.

SKSSL's (standalone) PBT at Rs. 10.5 Crore in Q3, 2011-12 declined by 39.1% YoY due to the impact of lower OPBDIT for reasons explained above and absence of any one-time gain during the quarter, unlike the gain reported in the corresponding previous quarter related to profit of Rs. 3.9 Crore on sale of long-term investments. Excluding this exceptional gain reported in Q3, 2010-11, SKSSL's (standalone) PBT in Q3, 2011-12 was 21.5% lower YoY, attributable fully to the decline in OPBDIT. The company's consolidated PBT at Rs. 24.2 Crore in Q3, 2011-12 declined by 28.2% YoY. During the quarter, the company capitalized the forex loss related to restatement of its Yen (JPY) denominated loans in accordance with the notification issued by the Ministry of Corporate Affairs dated December 2011[3]. A bulk of this forex loss relates to the JPY 841 million term loans on the books of JTEKT Sona Automotive India Limited (JSAI, SKSSL's 49% subsidiary). In Q2 2011-12 also, JSAI had reported a forex loss of around Rs. 9 Crore related to restatement of its foreign currency loans. This, coupled with the additional forex loss in Q3 2011-12, was capitalized by the company in its reported results for 9m 2011-12. In other words, the forex loss of Rs. ~9 Crore that had adversely impacted SKSSL's (consolidated) PBT in Q2, 2011-12 was written-back in Q3, 2011-12, reflected in sharp increase in 'other income' from Rs. 1.1 Crore in Q2, 2011-12 to Rs. 10.3 Crore in Q3, 2011-12, allowing the company to soften the impact of forex loss on its PBT in 9m, 2011-12.

Capex – SKSSL (standalone) has plans to incur capex of around Rs. 250 Crore over the next three years towards localization programmes and setting-up of aluminium die-casting facilities. Of the above, a capex of Rs. 70-80 Crore is proposed to be incurred in 2011-12. The quantum of capex planned in subsidiaries, however, remains nominal. Given the likely pressure on SKSSL's (consolidated) earnings in 2011-12 due to supply disruptions at the manufacturing facilities of the company's primary customer coupled with sluggish volume growth of the PV industry due to inflation, rising interest rates and rising fuel prices; the company's RoCE may come under pressure over the short term. However, the expected strong growth prospects of the PV industry over the medium term and SKSSL's strong market share in steering systems (along with JSAI) should enable the company to improve its profitability metrics going forward.

BUSINESS PROFILE

Product Portfolio - SKSSL's product portfolio comprises of two key segments - steering systems which include manual and power steering systems and driveline products which include case differentials, axle components, rear axle assemblies and propeller shafts. The company supplies products mainly for the PV segment with its exposure to the commercial vehicle (CV) and tractor segments being negligible. Between the two product families, the bulk of SKSSL's business is derived from the steering segment which accounted for 80% of its revenues in 2010-11. SKSSL's portfolio in the steering segment comprises of four products viz., manual steering columns, manual steering gears, column-based electric power steering (C-EPS) systems and hydraulic power steering (HPS) systems. SKSSL's driveline products comprise of case differentials supplied to various models of Maruti Suzuki, Tata Motors and Fiat; and axle assemblies and propeller shafts supplied to multi-purpose vehicles (MPVs) of Maruti Suzuki.

Competition - Steering system business is capital intensive and technology intensive in nature, which acts as an entry barrier to new players. The domestic market is currently dotted by only a few players with Sona Group (Sona Koyo and JSAI) and Rane Group (Rane Madras + Rane NSK + Rane TRW) dominating in the PV segment and ZF Steering catering to the CV segment. Due to the technology intensive nature of the product, all the major players in the industry have technical tie-ups with international majors. While Sona Koyo has technical collaboration with JTEKT (Japan) and Mando Corporation (Korea); the Rane group has tie-ups with NSK (Japan) for EPS and TRW (USA) for HPS systems.

[3] *Since repayments of this loan start from March 2013 onwards, the JPY appreciation has not caused any increase in principal repayment burden for JSAI on cash basis.*

SUNDARAM CLAYTON LIMITED – Performance Overview (Pg 1 of 2)

Healthy revenue growth aided by strong export volumes; dividend income supports bottom-line

Sundaram Clayton Limited - Fact Sheet	
Year of Incorporation	1962
Chairman	Mr. Venu Srinivasan
Product Portfolio	Aluminium Die-castings for CV, passenger cars and 2-wheelers
Manufacturing Facilities	India (Chennai, Hyderabad)
Key Customers	Cummins, Volvo, TVS Motors, Hyundai, Ford
Revenues CY10	Rs. 807.7 crore
PAT CY10 (Concern Share)	Rs. 37.3 crore
Net Worth CY10 (Rs. Crore)	Rs. 259.6 crore

	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**210.7**	**261.5**	**250.6**
YoY Growth (%)		*24%*	*28%*
OPBDIT	**28.0**	**22.6**	**28.4**
Less: Depreciation	10.8	12.6	12.7
Less: Interest Charges	6.7	9.5	8.9
Other Income	1.5	(0.4)	12.6
Exceptional Gain/Loss	-	18.3	-
PBT	12.1	18.4	19.4
Less: Tax	2.3	2.5	3.0
PAT	**9.8**	**15.8**	**16.4**
			-
OPBDIT/OI (%)	**13.3%**	**8.6%**	**11.3%**
PAT/OI (%)	**4.6%**	**6.1%**	**6.5%**

Revenue Growth - Supported by a healthy ~38% growth in exports, SCL reported a strong 24% YoY growth in revenues in Q3, 2011-12. The growth follows a 28% YoY revenue growth during Q2, 2011-12. The volumes were strong in the current fiscal, especially in high tonnage segment from its key customers, which also supported realization growth. For 9m, 2011-12, SCL's revenues grew by 32% on a YoY basis with consistent growth across all quarters. Going forward, the company's established relationship with large OEMs and tier-1 suppliers is likely to lend stability to its volumes and revenue growth.

Margin performance - During the quarter, apart from pressure of increase in aluminium prices, margin pressure on SCL further emanated from rising power costs (in Tamil Nadu) and other operational costs. However, net margins remain strong in relation to peers, despite high depreciation and interest costs. SCL's net profit during Q3, 2010-11 were also supported by Rs. 25.3 crore profits booked on sale of investments. During Q3, 2011-12, the company reported a Rs. 7.0 crore loss towards restatement on foreign currency loans. Net margins for the 9m, 2011-12 period was 5.1% as compared to 3.7% achieved in the corresponding previous.

Capex plans: SCL is setting up a plant at Oragadam, Chennai which involves a total capacity of 24,000 TPA. Although the first phase, which involves a capex of Rs. 80 crore, will have 50% of the targeted capacities, the additional capacities should support the growth in a large way. SCL is also currently expanding the capacity at its plant in Padi (Chennai) by 20% (from 20,000 TPA to 24,000 TPA) involving capex of Rs. 40.0 crore.

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

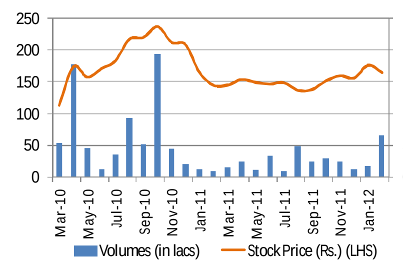
Shareholding Pattern (%)

Indian Promoters	80.0
FIIs	0.0
DIIs	6.3
Others	13.7

Price Performance (%)

	3M	12M
SCL	4.4%	11.6%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Operating Income	149.4	176.1	196.2	210.7	225.7	244.1	250.6	261.5
Growth (%) - YoY		*73%*	*56%*	*37%*	*51%*	*39%*	*28%*	24%
OPBDIT	13.1	17.5	16.8	28.0	29.7	28.2	28.4	22.6
PAT	4.2	2.3	9.5	9.8	15.7	6.0	16.4	15.8
OPBDIT/OI (%)	8.8%	9.9%	8.6%	13.3%	13.2%	11.6%	11.3%	8.6%
PAT/OI (%)	2.8%	1.3%	4.8%	4.6%	7.0%	2.5%	6.5%	6.1%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Bloomberg Code SDC
Market Capitalization Rs. 607 Crore

Valuations

	FY12e	FY13e
Price/Earnings	12.5	10.0
Price/Sales	0.6	0.5

Source: Bloomberg Consensus Estimates

BUSINESS PROFILE

Sundaram Clayton Limited ("SCL") is part of the TVS Group of companies. Formed in 1962, SCL is one of the oldest companies within the TVS Group, which currently holds ~80% in the company. SCL is engaged in the business of manufacture and supply of raw aluminium castings and machined castings for the commercial vehicle, passenger car and two wheeler segments of the automotive industry. The Company also had a brakes division, and SCL was the sole manufacturer of complete air brakes systems in India. The division was demerged into a separate company few years back and since then castings became SCL's primary operations.

Product Profile, geography and segmental mix: SCL manufactures aluminum die casting components primarily catering to the needs of the automotive industry. The company's manufacturing facilities are located at Chennai and Hosur with technology capabilities in manufacturing pressure die casting (in the weight range of 0.25 kg to 22 kg), gravity die casting (0.2 kg to 28 kg) and low pressure die casting (2.5 kg to 18 kg). The facilities are also supported by capabilities in product design and development, machining and assembly and machine building. The company is developing new methods of casting such as squeeze casting, semi solid casting etc and is also developing magnesium alloy casting.

Although the castings division was initially commenced for captive consumption purposes, SCL is one of the largest players in this segment in the country and has a fairly balanced segmental and geographical revenue mix. Over years, SCL has established relationships with major OEMs and Tier-1 suppliers and largely addresses the requirements of most of the industry segments. Major portion of sales volume (~51%) is catered to by commercial vehicles segment followed by passenger cars and two-wheelers. Higher proportion of sales to the CV segment exposes the revenues to downside risk, as was witnessed during second half of 2008-09 (industry downturn). Although off-take risks and limited replacement market for the product during period of downturn, SCL's geographical coverage partially mitigates the risk.

More than 30% of revenues are derived from overseas markets, with almost entire export sales generated from CV segment. On the domestic front, the company holds a strong foothold in the passenger cars, CV and two-wheeler segments aided by established relationship with large OEMs and tier-1 suppliers. Key customers for SCL include Cummins, Volvo, TVS Motors, WABCO India, Hyundai and Ford, to name a few. SCL acts as sole supplier of die castings for most of these customers, and hence enjoys pricing advantage. The aluminium die casting industry is competitive with few organized and many fragmented players holding smaller capacities. Organised players in the industry other than SCL include RICO Auto Industries, Endurance Technologies Limited, Sunbeam Auto Limited and Jaya Hind Industries Limited. SCL is exposed to pricing pressure from both organised and unorganized players, although scale benefits and long standing association with reputed clientele supports pricing to an extent.

SUNDRAM FASTENERS LIMITED – Performance Overview (Pg 1 of 2)

Strong revenue growth; significant exchange losses contracts net margins

SundRam Fasteners Limited - Fact Sheet	
Year of Incorporation	1962
Chairman	Mr. Suresh Krishna
Product Portfolio	Fasteners, Radiator caps, powder metal parts, extruder parts, forged parts, pumps and assemblies
Manufacturing Facilities	India (Tamil Nadu, Pondicherry, Andhra Pradesh, Uttarakhand), China, Malaysia, Germany, United Kingdom
Key Customers	All key OEMs
Revenues FY11	Rs. 1,808.4 crore (Standalone)
PAT FY11 (Concern Share)	Rs. 105.2 crore (Standalone)
Net Worth FY11 (Rs. Crore)	Rs. 554.9 crore (Standalone)

	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**465.5**	**531.6**	**545.6**
YoY Growth (%)		14%	17%
OPBDIT	**57.5**	**82.0**	**79.3**
Less: Depreciation	13.9	15.8	16.3
Less: Interest Charges	5.7	8.2	8.7
Other Income	(2.8)	(24.9)	(28.4)
Exceptional Gain/Loss	-	-	-
PBT	35.3	33.1	25.9
Less: Tax	7.2	8.3	7.5
PAT	**28.0**	**24.8**	**18.4**
			-
OPBDIT/OI (%)	**12.4%**	**15.4%**	**14.5%**
PAT/OI (%)	**6.0%**	**4.7%**	**3.4%**

Revenue Growth - During Q3, 2011-12 Sundram Fasteners Limited (SFL) reported a 14% YoY revenue growth; aided by 31% growth in exports. Supported by company's strong market position, well diversified geographical reach and wide product and customer portfolio the company recorded a 20% growth in top line during the nine month period ended December 2011 over the corresponding previous. During this period, April to December 2011, the export sales (which add ~30% of sales) grew by 35% while the domestic sales increased by 14%.

Margin performance - The Company reported healthy operating margin of 15.4%, the highest achieved in the last few quarters. For the nine month period ending December 2011, the operating margins stood at 14.9% as compared to 12.9% achieved during the corresponding previous. However, owing to the Rs. 58.4 crore loss arising from exchange difference on foreign currency loans, the net margins were down from 6.1% in 9m, 2010-11 to 4.9% in 9m, 2011-12.

Capex plans: SFL has been expanding its manufacturing locations, mostly through overseas acquisitions to meet the overseas demand and to leverage on the established relationships. The company invests in capacities, R&D and new products on a periodical basis to maintain its market position. SFL's capital expenditure for 2011-12 is estimated at Rs. 150 crore.

	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Operating Income	361.5	406.0	465.3	465.5	475.8	521.9	545.6	531.6
Growth (%) - YoY		*43%*	*40%*	*29%*	*32%*	*29%*	*17%*	*14%*
OPBDIT	37.04	56.76	58.72	57.54	54.87	76.69	79.29	82.0
PAT	17.7	22.6	30.9	28.0	24.0	34.9	18.4	24.8
OPBDIT/OI (%)	10.2%	14.0%	12.6%	12.4%	11.5%	14.7%	14.5%	15.4%
PAT/OI (%)	4.9%	5.6%	6.6%	6.0%	5.0%	6.7%	3.4%	4.7%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	NA
Short Term	NA
Outlook	NA

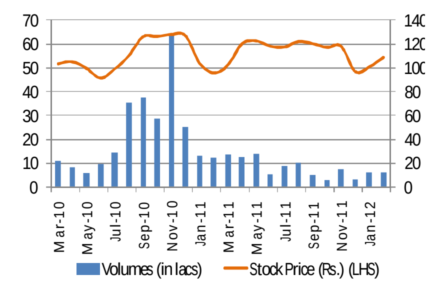
Shareholding Pattern (%)

Indian Promoters	49.5
FIIs	0.5
DIIs	20.7
Others	29.3

Price Performance (%)

	3M	12M
SFL	1.6%	13.4%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code SF

Market Capitalization Rs. 1,130 Crore

Valuations

	FY12e	FY13e
Price/Earnings	9.5	6.9
Price/Sales	0.5	0.5

Source: Bloomberg Consensus Estimates

BUSINESS PROFILE

Company Profile: Incorporated in 1962, Sundram Fasteners Limited (SFL) manufactures high-tensile fasteners, cold formed/ extruded parts for automobile and non auto applications, precision-formed gears and radiator caps. The company holds a domestic market share of ~40% in the automotive fasteners market. The company has eleven manufacturing facilities in India and four facilities located overseas. The company is present in UK, China and Germany through its subsidiaries. The company has five subsidiaries and also expanded its reach in global automotive hubs like UK, China and Germany through acquisitions. A brief on overseas operations:

a) *China* - Sundram Fasteners (Zhejiang) Limited (SFZL), China manufactures high tensile fasteners and bearing housings
b) *Germany* - Operations are carried out through Peiner Umformtechnik GmbH (Peiner), TVS Peiner Services GmbH (TVSP) and PUT Grundstucks GmbH (PUTG) Peiner manufactures standard and special fasteners catering to the automotive, industrial and construction sectors. TVSP is engaged in providing warehousing and logistical services
c) *UK* - Cramlington Precision Forge Limited is engaged in manufacture of precision forged components for application in heavy vehicles for on-highway and off highway applications

Product Profile and segment mix: SFL has a wide product portfolio consisting of standard, special & high tensile fasteners, cold extruded & precision forged parts, radiator caps, powder metal parts and engine & pump components. Of the above, fastener business accounts for ~40% of revenues, Pump assemblies add ~18% of revenues, engine parts contribute ~ 13%, while cold formed parts, powder metal parts, precision forged parts and radiator caps constitute the balance portion.

With a large product repertoire, SFL acts as a Tier-I supplier to many large OEMs. More than 65% of sales are derived from sales to OEMs, while the aftermarket sales add ~10%. Key customers include Bajaj Auto, Maruti, TVS Motor, Tata Motors, M&M, Ashok Leyland, TAFE etc. In terms of segmental mix, sales to CV segment represent ~45% followed by two wheelers, passenger cars and tractors. SFL also exports its products to large OEMs like Cummins, John Deere, General Motors, Delphi, Volvo, Daimler Chrsyler, Rover, JCB, Caterpillar, Proton, Mitsubishi, Komatsu, among others. Exports sales account for more than 20% of company's total sales.

Geographical diversification, balanced segmental mix and limited concentration risk on customers lends stability to company's revenues. The company is also entering the non-auto segment and has been shortlisted by a few players in the aerospace industry, including Airbus and GE for supplying fasteners. Entry into non-auto business insulates the company from the cyclical trends in the automotive industry.

Healthy revenue growth; margins remain low

Wheels India Limited - Fact Sheet	
Year of Incorporation	1960
Chairman	Mr. S Ram
Product Portfolio	Wheel rims, air suspension kits
Manufacturing Facilities	India (Chennai, Uttar Pradesh, Haryana, Maharashtra, Uttaranchal)
Key Customers	Ashok Leyland, M&M , Tata Motors, Hyundai, TAFE, Maruti, Escorts, Eicher
Revenues FY11	Rs. 1697.1 crore
PAT FY11 (Concern Share)	Rs. 24.6 crore
Net Worth FY11 (Rs. Crore)	Rs. 218.3 crore

	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**411.5**	**537.3**	**504.2**
YoY Growth (%)		31%	19%
OPBDIT	**32.3**	**38.7**	**41.2**
Less: Depreciation	11.2	12.1	13.1
Less: Interest Charges	12.5	13.0	13.1
Other Income	-	-	-
Exceptional Gain/Loss	-	-	-
PBT	8.6	13.6	15.0
Less: Tax	3.1	4.4	4.0
PAT	**5.6**	**9.1**	**11.0**
			-
OPBDIT/OI (%)	**7.9%**	**7.2%**	**8.2%**
PAT/OI (%)	**1.4%**	**1.7%**	**2.2%**

Revenue Growth: Following a 19% YoY revenue growth recorded during Q2, 2011-12, Wheels India Limited (WIL) posted a healthy 31% YoY growth during Q3, 2011-12. With its well diversified customer portfolio, segmental and geographical mix lending stability to operations, WIL's revenue growth for the nine month period ended December 2011 was at ~23% over the corresponding previous. Going forward, WIL's strong market position and established relationship with key players in all its segments is likely to support the growth in operating income.

Margin performance: Due to the commoditized nature of business, intense competition from other domestic players and cheaper priced Chinese rims, WIL's operating margins are inherently thin. The margins are further tested by the volatility in steel prices and higher skew towards relatively low margin CV segment. Although better realization from overseas market provides comfort, the company's margins remain constrained due to high labour and power costs. Thin operating margins coupled with interest outgo on debt-funded capital expenditure (towards capacity addition) arrests the net margins. Going forward, the margins are likely to remain at current levels; and improvement is likely with support from better realizations and success of cost initiatives currently undertaken by WIL.

Capex plans: WIL's capacities has been enhanced by ~87 lakh rims in last four years to meet the increasing demand for wheel rims, involving a cumulative capex of Rs. 320 crore. To cater to the growing demand across segments and to maintain its market position, WIL is expected to spend more than Rs. 100 crore over the next two years for incremental lines, especially in tractors and EM segments. Once operational, scale benefits should provide pricing flexibility for the company.

ICRA Ratings

Long Term	[ICRA] A-
Short Term	[ICRA] A2+
Outlook	Stable

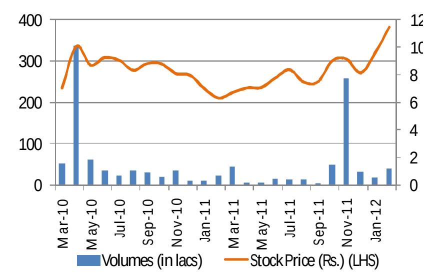
Shareholding Pattern (%)

Indian Promoters	85.6
FIIs	-
DIIs	0.8
Others	13.6

Price Performance (%)

	3M	12M
WIL	125.2%	162.5%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	
Operating Income	394.8	391.6	423.9	411.5	475.2	467.3	504.2	537.3
Growth (%) - YoY		*72%*	*53%*	*16%*	*20%*	*19%*	*19%*	*31%*
OPBDIT	25.2	25.8	31.2	32.3	37.6	35.8	41.2	38.7
PAT	3.6	2.8	5.1	5.6	11.1	7.2	11.0	9.1
OPBDIT/OI (%)	6.4%	6.6%	7.4%	7.9%	7.9%	7.7%	8.2%	7.2%
PAT/OI (%)	0.9%	0.7%	1.2%	1.4%	2.3%	1.5%	2.2%	1.7%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

Bloomberg Code WHL
Market Capitalization Rs. 583 Crore

Valuations

	FY12e	FY13e
Price/Earnings	NA	NA
Price/Sales	NA	NA

Source: Bloomberg Consensus Estimates

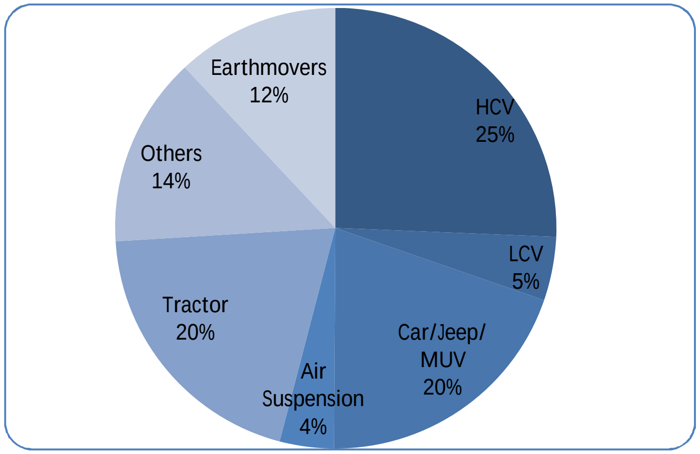
BUSINESS PROFILE

Wheels India Limited (WIL), part of the TVS Group, is the largest manufacturer of wheel rims in the country with presence across all automotive segments - passenger cars, CVs, utility vehicles (UV), tractors and Earth Movers (EM), except two-wheelers. The company also manufactures air suspension systems for luxury buses in India. WIL's manufacturing facilities are located at Chennai (Tamil Nadu), Rampur (Uttar Pradesh), Ranjangaon (Maharashtra), Bawal (Haryana), Sriperumbudur (Tamil Nadu), Deoli (Maharashtra) and Pant Nagar (Uttaranchal).

Product Profile, segmental mix and geographical diversification: WIL's sales mix is largely skewed towards wheel rims, contributing ~95% of sales, while other segments consist of air suspension and power plants. WIL's strong market position in wheel rims segment supported by its well diversified presence across all segments insulates WIL's revenues from demand downturn in any specific segment. In terms of geographical mix, around 80-85% of total sales are made to the domestic players, largely to OEMs (75% in 2010-11) with WIL addressing to almost all automotive segments. Exports represent ~15-20% of sales with its key markets comprising of Europe, Korea, U.S. and Japan. In terms of end user segments, commercial vehicle segment is the major revenue driver for WIL adding ~30% of total sales during 2010-11. Tractors and passenger cars further add ~40% of sales followed by earthmovers segment (12%). WIL holds more than 50% market share in M&HCV and LCV segments, where it holds share of 70% and almost 100% in tractors and passenger cars respectively. However the share has dropped over years with rising competition from its close peers (Steel Strips Wheels Ltd and Kalyani Hayes Lemmerz Ltd), apart from increasing Chinese imports. To improve the share, WIL has been adding capacities in the last few years at its plants in Pune and Pantnagar apart from expanding capacities across its existing units. WIL has also entered into a technical agreement with M/s Topy Industries, a Japanese steel wheel maker, towards process, design and development of steel passenger car wheels.

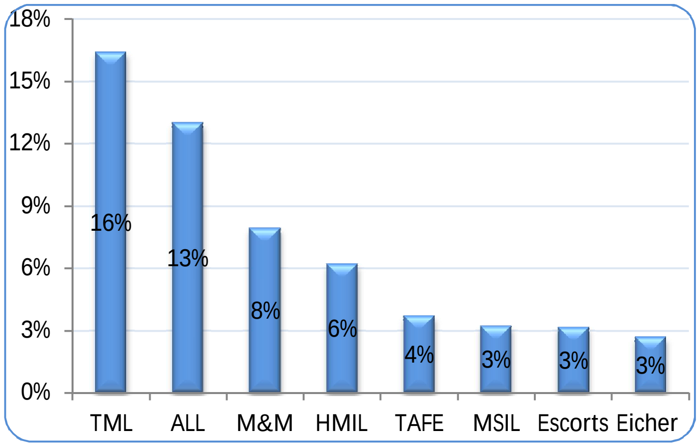
The company partners with almost all key auto customers - major being Tata Motors Limited, Ashok Leyland Limited and Mahindra & Mahindra with the three collectively adding ~35% of WIL's total sales in 2010-11. Other major customers include Hyundai, TAFE, Maruti, Escorts, Eicher to name a few. Aided by strong demand growth in all segments, the sales growth was robust in the last two years; especially CV and earthmovers segment grew by 48% and 148% respectively. In the current fiscal, while sustaining the growth rates could be a challenge due to challenging macroeconomic environment, segments like tractor and LCVs are expected to report healthy growth. WIL, apart from addressing domestic demand, also meets the overseas demand. Export sales grew by 114% during 2010-11 over past fiscal and is likely to support the revenue growth going forward too.

WIL - Segment mix [FY-2011]



Source: Company

WIL - Revenue share from key customers [FY-2011]



Source: Company

Moderation in tractor sales and input pricing pressure from OEMs affects Q3, 2011-12 performance

ZF Steering - Fact Sheet	
Year of Incorporation	1981
Chairman	Mr. Dinesh Munot
Product Portfolio	Steering system for CV and tractor
Manufacturing Facilities	India (Pune)
Key Customers	Tata Motors, Ashok Leyland, M&M
Revenues FY11	Rs 298.2 crore
PAT FY11 (Concern Share)	Rs 40.9 crore
Net Worth FY11 (Rs. Crore)	Rs 165.9 crore

	Q3 FY11	Q3 FY12	Q2 FY12
Operating Income	**74.7**	**83.0**	**88.6**
YoY Growth (%)	27.2%	11.1%	19.9%
OPBDIT	**15.9**	**15.2**	**20.4**
Less: Depreciation	4.0	4.2	3.6
Less: Interest Charges	0.0	0.0	0.5
Other Income	0.9	1.4	0.7
Exceptional Gain/Loss	-	10.4	-
PBT	12.8	22.8	17.0
Less: Tax	4.0	6.9	5.5
PAT	**8.8**	**15.9**	**11.5**
OPBDIT/OI (%)	**21.3%**	**18.4%**	**23.0%**
PAT/OI (%)	**11.7%**	**19.1%**	**12.9%**

Source: Company Data, ICRA Estimates

Revenue Growth – ZF Steering Gear (India) Limited (ZFI) continued to grow at steady pace in Q3, 2011-12 on the back of steady growth in commercial vehicle segment. During Q3, 2011-12, ZFI registered healthy growth of 11% on YoY basis though revenue declined by 6% on sequential basis.

ZFI has strong presence in steering systems for domestic Heavy Commercial Vehicles (HCV) and tractor OEMs, and it has minimal presence in PV segment. In Q3, 2011-12, sales of mechanical steering columns were affected due to moderation in tractor sales growth. Nevertheless, hydraulic power steering (HPS) continued to grow at healthy pace on the back of increasing penetration of HPS in LCV segment.

Profitability – ZFI's OPBIDTA margin slipped below 20% for the first time since Q1, 2009-10 which was largely attributable to higher raw material and employee expenses. Barring this exception in Q3, 2011-12, ZFI's operating margins have remained robust at 22.0-23.0% and unaffected by volatility in input prices which is reflective of its strong presence in HPS. ZFI commands strong share in majority of its customers' order-book which enables it to enjoy considerable pricing power.

In Q3, 2011-12, ZFI booked exceptional profit of Rs 10.4 crore from assignment of leasehold rights of industrial plot in Talegaon Industrial Area in Pune. As a result, despite correction in operating margin, there was sharp increase in net margins.

	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12
Operating Income	69.7	65.2	73.9	74.7	86.8	82.1	88.6	83.0
Growth (%) - YoY	*NA*	*69.6%*	*46.3%*	*27.2%*	*24.5%*	*25.8%*	*19.9%*	*11.1%*
OPBDIT	14.8	14.9	16.8	15.9	18.3	18.6	20.4	15.2
PAT	9.3	11.8	9.4	8.8	10.9	12.1	11.5	15.9
OPBDIT/OI (%)	21.2%	22.9%	22.7%	21.3%	21.1%	22.7%	23.0%	18.4%
PAT/OI (%)	13.4%	18.1%	12.7%	11.7%	12.6%	14.7%	12.9%	19.1%

Source: Company Data, ICRA Estimates; Amounts in Rs. Crore

ICRA Ratings

Long Term	[ICRA] A+
Short Term	[ICRA] A1+
Outlook	Stable

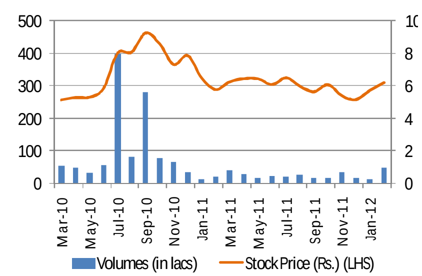
Shareholding Pattern (%)

Indian Promoters	47.5
ZF	25.8
FIIs	-
DIIs	0.1
Others	26.6

Price Performance (%)

	3M	12M
ZFI	23.1%	13.6%
BSE Auto	21.7%	14.5%
CNX Nifty	13.1%	-1.8%

Stock Movement



Bloomberg Code ZFSG
Market Capitalization Rs. 291 Crore
Valuations

	FY12e	FY13e
Price/Earnings	NA	NA
Price/Sales	NA	NA

Source: Bloomberg Consensus Estimates

ZF STEERING GEAR (INDIA) LIMITED – Performance Overview (Pg 2 of 2)

Capex: ZFI has set up 5MW solar power project in Gujarat with an estimated project cost of Rs 70 crore, funded by mix of debt and equity. Gujarat Government has committed to buy all the units generated from this project by way of a Power Purchase Agreement (PPA) signed by the Gujarat Urja Vikas Nigam Ltd. (GUVNL), by offering a special tariff of Rs. 15 per unit for the initial 12 years, starting from the date of commercial operation of the project and Rs. 5 per unit from the 13th year to 25th year. The Company also operates 7 Wind Turbine Machines, located at Satara and Ahmednagar (Maharashtra), having aggregate capacity of 6.7 MW catering to 73% of ZFI's captive power requirement in 2010-11.

BUSINESS PROFILE

Product profile - ZFI's product portfolio comprises of Steering Products which include Steering Columns and Steering Gears (Manual & Power assisted). ZFI manufacture and supply hydraulic power steering (HPS) gears, mechanical steering gears (MSG) and other types of steering and gear boxes for commercial and passenger vehicles as well as tractors. The demand for power steering (PS) from CV segment has benefited by the regulation making PS mandatory in HCVs since April 2003. Currently, CVs mainly use HPS because of durability and its ability to withstand high pressure. ZFI is pioneer in HPS in India, and it caters to all major CV OEMs in India. The company is also present in mechanical steering systems which are largely used in tractors. HPS continues to be the major revenue driver for company, accounting for about 85% of total revenue followed by MSG which accounts for remaining share.

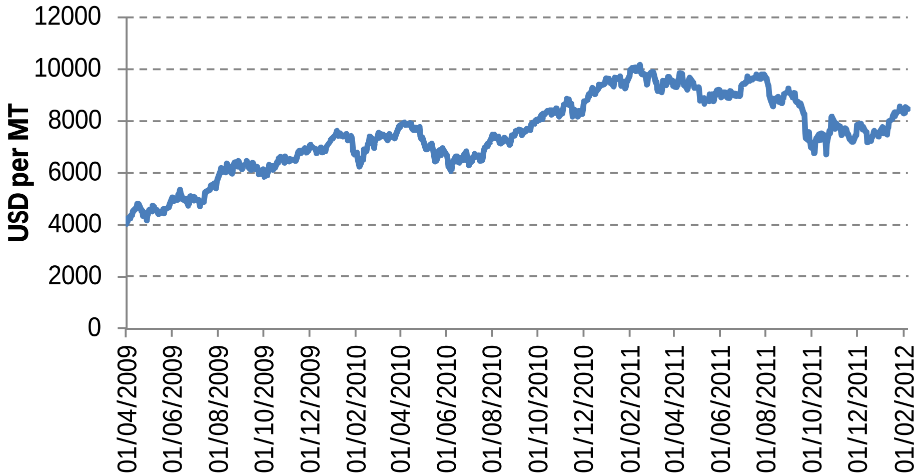
Competitive Intensity - Steering System are technically complex and capital intensive in nature, which acts as strong entry barrier for new player. The domestic market is dominated by few players with ZFI and Rane TRW catering to the CV segment whereas Sona Group and Rane NSK catering to the passenger vehicle segment. Due to technical intensive nature of business, all major players in the industry has technical tie-up with international majors.

The choice for the type of steering power-assist system to be deployed in a vehicle depends on particular OEMs marketing strategy, its supplier affinity and past experience. While utility vehicles as well as higher Gross Vehicle Weight (GVW) passenger cars (especially luxury segment) continue to work on HPS technology due to certain unique advantages offered by HPS coupled with the high cost of Electronic power steering (EPS) systems in bigger vehicles; the small cars and many of the mid-size and executive segment sedans launched over the last few years in the domestic market bear EPS system designs. However, HPS is expected to continue being a preferred option for larger vehicles having higher GVW.

The Steering Gears industry face competition from Chinese imports which account for ~10% of the domestic demand for steering gears on account of its better pricing terms. However with appreciation of Yuan against the dollar and Rupee over the past few months, the price competitiveness has declined for the Chinese imports vis-à-vis indigenously manufactured product which is likely to benefit players like ZFI.

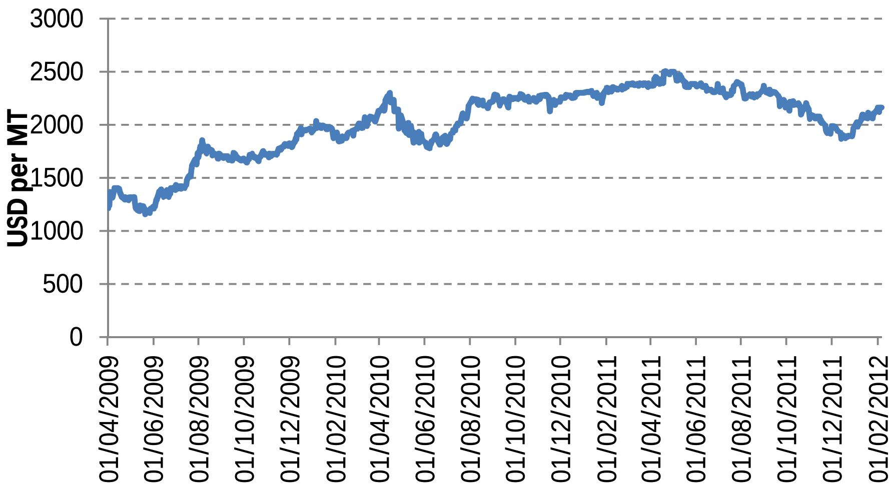
Annexure-1: Trend in Commodity Price Movement

Trend in Price Movement of LME Copper

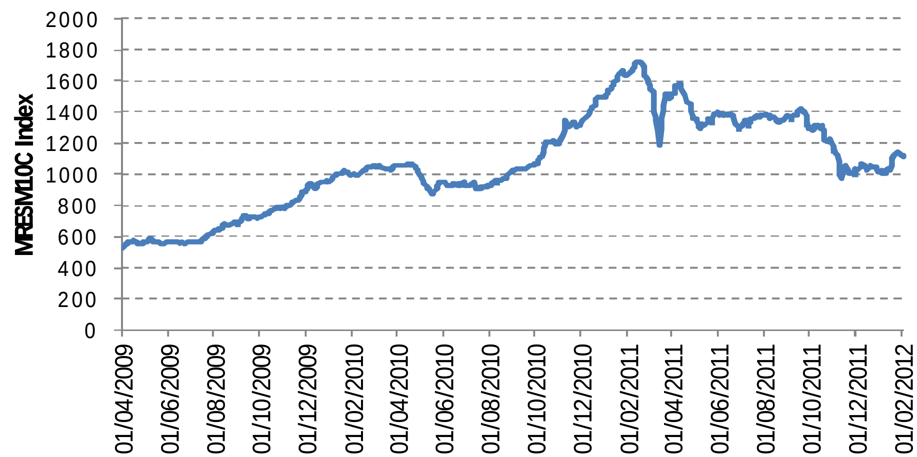


Trend in Price Movement of LME Steel Billet

Trend in Price Movement of LME Primary Aluminum



Trend in Price Movement of Rubber (Malaysian Rubber Board, Standard Rubber)



Source: Bloomberg

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