

May 22, 2017

Motherson Sumi (MOTSUM)

₹ 422

Margin expansion continues to drive growth!

- Motherson Sumi's (MSL) consolidated revenues came in at ₹ 11,284 crore (up 14.5% YoY) vs. our estimate of ₹ 12,217 crore. Revenue from the standalone business was up 18.9% YoY to ₹ 1,738 crore while revenue growth of its subsidiaries, SMR & SMP (in constant currency terms) grew 15% YoY & 21% YoY to ₹420 million (mn) (vs. estimate ₹431 mn) & ₹810 mn (vs. estimate of ₹736 mn), respectively
- EBITDA margins expanded 89 bps YoY & 66 bps QoQ to 11% vs. our estimate of 10.7%. Margins of the standalone business declined 27 bps YoY to 20.5% (vs. estimate of 18.3%). EBITDA margins of SMR contracted 25 bps YoY to 12.9% (vs. estimate of 12.8%) while that of SMP expanded 142 bps YoY to 8.15% (vs. estimate of 7.8%). PAT (after minority interest) grew 11.7% YoY to ₹ 475 crore
- As of FY17, on a consolidated basis, net debt was at ₹ 5,465 crore. SMRP-BV order book was at ₹ 94,900 crore as on FY17. (of which new orders worth ₹ 29,425 crore were received during FY17)
- The board of directors have recommended one bonus share against the two existing shares held by shareholders. Further, they have also recommended a dividend of ₹ 2 per share for FY17

SMR, SMP remain key catalyst for growth (topline + margins)

MSL's European subsidiaries (SMR + SMP) posted a strong operating performance. EBITDA margins of SMR improved from >5% in FY12 to 10.9% in FY17 while SMP's margins improved from ~2% in FY12 to 7.3% in FY17. MSL may face some pressure on margins largely due to start-up cost in the medium term. However, we believe that margin expansion on a YoY basis is likely to continue for its subsidiaries. The revival in OEM demand & healthy order book (at ₹ 94,900 crore as of FY17) is likely to drive its revenue. For Q4FY17, SMR & SMP reported constant currency growth of 15% YoY & 21% YoY, respectively. Acquisition of the harness business of Stoneridge Inc, will contribute meaningfully, going ahead.

Inorganic growth remains challenging for its 2020 target

The management maintains its guidance to treble its revenue from \$5 billion (bn) in FY15 to \$18 bn by FY20 through a mix of organic, inorganic route (65:35), respectively, RoCE of >40%. Considering the organic part, MSL needs to post ~15% CAGR in FY17-20. However, the challenging part remains the inorganic route. The revenue & earning flow of the newly acquired PKC group will get reflected from Q1FY18E. However, we believe despite the same (PKC's annualised revenue at ~₹ 6000 crore) the inorganic revenue target of ~₹ 35,000 crore by FY20, looks challenging.

Diversifying concentration risk!

MSL did not witness any material impact of Volkswagen group violating emission norms. Its strategy to diversify its customer base is helping MSL to overcome the client concentration risk. The revenue exposure to Volkswagen group fell from ~44% in the past to ~40% as of H1FY17, as Daimler's shares increased ~400 bps to ~11%. It is aiming at 3Cx15 that means that no country, customer or component should contribute >15% of sales, reducing its concentration risk. Further, its revenue may get diversified with US, China accounting for >50% by FY20.

Growth through acquisition remains critical in achieving target!

MSL's competence in turning around businesses is evident from the success of SMR and SMP. The management's strong focus on RoCE augurs well for its performance. We remain positive on the long term perspective. We value MSL on an SOTP basis with a target price of ₹ 450 and maintain **HOLD** recommendation on the stock.

Rating matrix		
Rating	:	Hold
Target	:	₹ 450
Target Period	:	12 months
Potential Upside	:	7%

What's changed?	
Target	Changed from ₹370 to ₹450
EPS FY16E	Changed from ₹ 22.7 to ₹ 16.7
EPS FY17E	Changed from ₹ 26.4 to ₹ 22.9
Rating	Unchanged

Quarterly performance					
(₹ Crore)	Q4FY17	Q4FY16	YoY	Q3FY17	QoQ
Revenues	11,283.9	9,854.9	14.5	10,604.1	6.4
EBITDA	1,240.5	995.4	24.6	1,109.3	11.8
EBITDA (%)	11.0	10.1	89 bps	10.5	53 bps
Reported PAT	474.8	424.9	11.7	415.9	14.2

Key financials				
₹ Crore	FY14	FY17E	FY18E	FY19E
Net Sales	38,395	42,475	55,712	63,762
EBITDA	3,454.3	4,284.7	5,956.3	7,657.0
Net Profit	1,273.7	1,554.3	2,346.6	3,218.2
EPS (₹)	9.1	11.1	16.7	22.9

Valuation summary				
	FY13	FY17E	FY18E	FY19E
P/E (x)	45.7	36.5	25.5	18.5
Target P/E (x)	49.5	40.6	27.1	19.7
EV/EBITDA (x)	18.3	15.1	10.5	7.8
P/BV (x)	14.0	7.2	5.8	4.6
RoNW (%)	30.5	19.6	22.9	25.0
RoCE (%)	22.2	16.0	21.8	28.0

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 59228.8 Crore
Total Debt (FY17) (₹ Crore)	10,163.4
Cash & Investments (FY17) (₹ Crore)	4,886.5
EV (₹ Crore)	64,505.7
52 week H/L (₹)	429 / 255
Equity capital (₹ crore)	₹ 140.4 Crore
Face value (₹)	₹ 1

Price performance				
	1M	3M	6M	12M
Motherson Sumi Systems Ltd	12.8	21.1	45.8	56.2
Bosch Ltd	2.3	4.9	19.6	9.6
Wabco India Ltd	-4.0	6.3	16.8	0.0

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Total Operating Income	11284	12217	9855	14.5	10604	6.4	Revenue came in lower than our estimates as we assumed revenue of ~₹ 1500 crore of its newly acquired PKC group. However, the same was not reflected in Q4FY17 and is likely to come in from Q1FY18E
Raw Material Expenses	6,704	7,479	5,759	16.4	6,543	2.5	
Employee Expenses	2,175	2,212	1,954	11.3	1,996	8.9	
Other expenses	1,151	1,214	1,143	0.7	990	16.2	
Forex Loss/(Gain)	14	0	3	338.1	-35	-139.9	
Operating Profit (EBITDA)	1,240.5	1,310.7	995.4	24.6	1,109.3	11.8	
Adjusted EBITDA	1,254	1,311	999	25.6	1,075	16.7	
Adj. EBITDA Margin (%)	11.0	10.7	10.1	89 bps	10.5	53 bps	EBITDA margins continue to expand, as turnaround progresses smoothly
Other Income	94.8	19.3	5.5	1,635.9	43.3	118.7	
Depreciation	270.7	320.3	336.2	-19.5	273	-0.9	
Interest	83.8	107.8	69.6	20.4	108.4	-22.7	
PAT	474.8	457.8	424.9	11.7	415.9	14.2	PAT (after minority interest of ₹231 crore) grew 11.7% YoY to ₹ 475 crore
Adjusted PAT	548.0	457.8	390.2	40.5	415.9	31.8	
EPS	3.4	3.3	2.9	17.7	3.0	14.2	
Key Metrics (as reported in Q4FY17 results)							
Standalone revenues (₹ crore)	1739	3149	1462	18.9	1566	11.0	The standalone revenue came in lower than our estimates as we had assumed revenue of ~₹ 1500 crore of its newly acquired PKC group. However, the same was not reflected. Thus, standalone revenue came in below our estimates
Standalone margins (%)	20.6	18.3	20.8	-27 bps	19.9	65 bps	
SMR revenues (₹ million)	420	431	366	14.8	407	3.2	
SMR margins (%)	12.9	12.8	13.1	-26 bps	11.8	105 bps	Margins largely in line with our estimates
SMP revenues (₹ million)	810	736	669	21.1	759	6.7	Reported strong constant currency growth of 21.1% YoY; above our estimates
SMR margins (%)	8.1	7.8	6.7	141 bps	6.9	129 bps	Strong margin expansion was seen in SMP business

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E		Comments
	Old	New	% Change	Introduced		
Revenue	48,234	55,712	15.5	63,762		The acquisition of PKC groups revenue will reflect from April 1, 2017. Hence, revenues are estimated to be revised upwards
EBITDA	5,085	5,956	17.1	7,657		
EBITDA Margin (%)	10.5	10.7	15 bps	12.0		Margin expansion to continue; as the turnaround strategy continues to progress smoothly
PAT	1,970	2,347	19.1	3,218		
EPS (₹)	14.0	16.7	19.2	22.9		

Source: Company, ICICIdirect.com Research

Assumptions

	FY16		Current	New	Earlier	Comments
	FY16	FY17E	FY18E	FY19E	FY18E	
Standalone revenues (₹ crore)	5,350	6,313	7,224	8,307	7,141	
Standalone margins (%)	18.9	19.7	18.8	19.3	20.2	
SMR revenues (₹ million)	1,460.0	1,576.0	1,812.4	2,084.3	1,825.4	SMR & SMP to play important role in achieving its five year goal
SMR margins (%)	10.5	10.9	11.3	11.7	11.5	
SMP revenues (₹ million)	2,626.6	2,986.0	3,433.9	3,949.0	3,555.8	SMR & SMP to play important role in achieving its five year goal
SMP margins (%)	6.6	7.3	7.7	8.1	7.7	

Source: Company, ICICIdirect.com Research

Company Analysis

Local business to ride recovery while subsidiaries ramp up aggressively

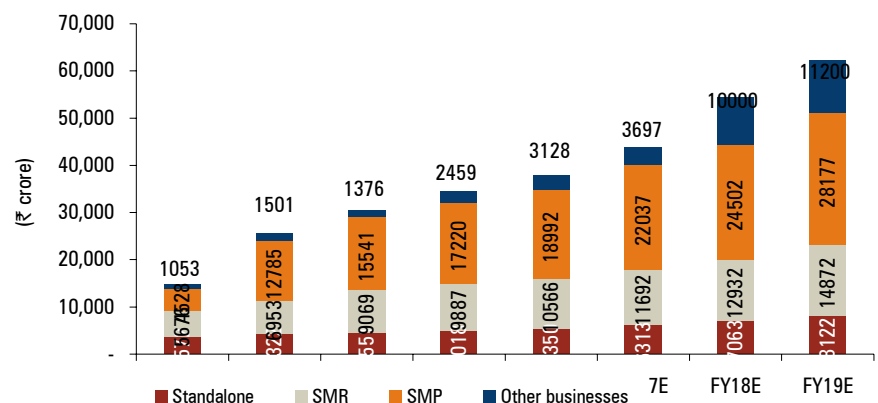
MSL managed to increase its domestic revenues by ~18% in FY17 much above the industry (passenger vehicle – production), which grew 9.4% YoY. Going forward also, we expect MSL's domestic performance to outpace industry performance, as we expect its domestic revenue to register 15% CAGR in FY17-19E (above PV industry production growth of ~10%). This is in anticipation of 1) pick-up in demand from OEMs, 2) bagging newer orders from different OEM and 3) its continuous increase in content per car, as new technologies and emission norms start to affect car designs in India for MSL.

Subsidiaries are also likely to grow at a strong pace as the existing order book coupled with new businesses won, recovery in Europe and entry in North American car markets boost revenues.

The new facility commissioned for SMR in the US and China is likely to cater to new demand and the existing order book of the company. SMP has a larger scope to benefit from the global recovery as it is yet to penetrate the US markets. The company has received significant orders for the supply of a range of exterior and interior for several future Daimler's vehicle generations. MSL estimates these orders will generate sales revenue of ~₹ 15,400 crore (€2.2 billion) over its lifetime and is expected to commence from CY18. To support this demand, MSL is likely to invest in two new plants, one each in the US and Hungary. This is likely to enable the company to be closer to Daimler's vehicle assembly plant.

Additionally, the company bagged new orders worth ₹ 29,425 crore in FY17, taking the overall book to ₹ 94,900 crore. These are expected to be executed gradually and are likely to aid overall revenue and profitability, going forward. These orders are likely to play a vital role for the company to achieve its 3x revenue goal over the five year period in FY15-20E.

Exhibit 1: Growth in revenues – Segment wise



Source: Company, ICICIdirect.com Research

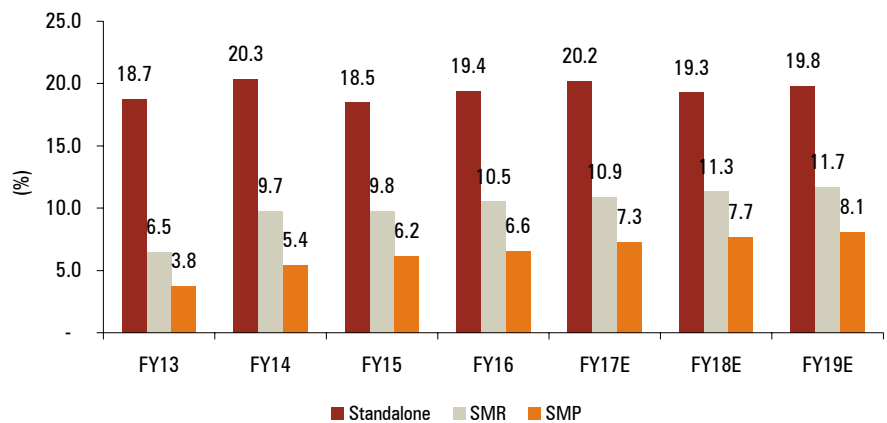
EBITDA margins to remain strong as overall performance improves

Historically, the standalone business has continued to deliver strong operating margins even with the slowdown hitting OEMs hard. Margins in FY15 had slowed down from levels of 20.3% in FY14 to 18.5% in FY15. This was mainly after the company had been passing on the benefit of lower input cost (copper prices) to OEMs resulting in lower average

realisations impacting margins. We believe this was largely a short-term phenomenon. Margins have gradually started to recover. For FY16, margins have improved 46 bps YoY to 18.7% while the same improved by 156 bps YoY to 20.2% in FY17. The higher raw material cost is likely to impact its FY18E margins but the same is likely to recover in FY19E. Also, with expectation of an improvement in production for OEMs on the back of a recovery in sentiment, we believe standalone margins may improve with benefits arriving from operating leverage.

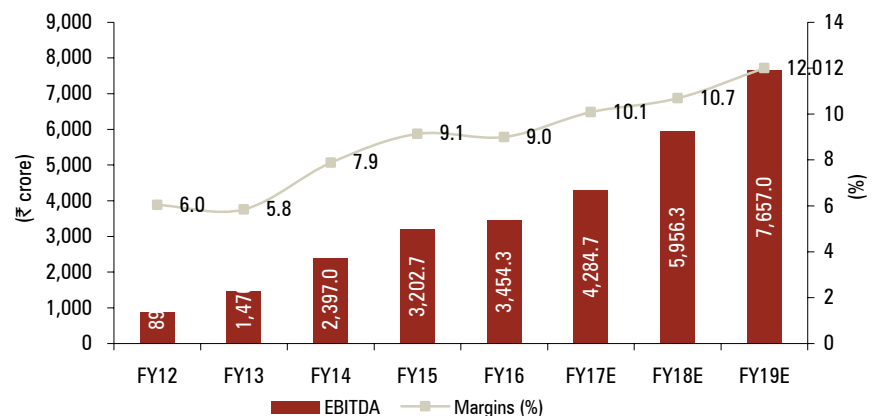
For subsidiaries, a ramp up of new facilities and in-sourcing opportunities is likely to continue to improve operating margins. We believe the initial gestation period of new plants coming in, going forward, may increase its overheads cost, thereby impacting margins, to some extent, though the same is structurally likely to move northwards. We expect SMP's margins to gradually inch up towards 7.7% and 8.1% in FY18E and FY19E, respectively. Margins for SMR are expected at 11.3% & 11.7% for FY18E & FY19E, respectively.

Exhibit 2: Margins, costs annual trends and forecasts - Segmental



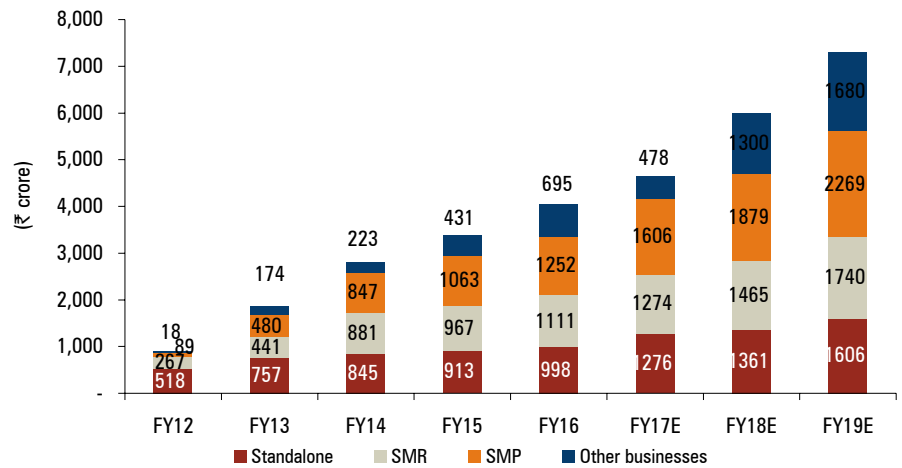
Source: Company, ICICIdirect.com Research

Exhibit 3: EBITDA margin trends - Consolidated



Source: Company, ICICIdirect.com Research

Exhibit 4: Share of operating profit - Segmental

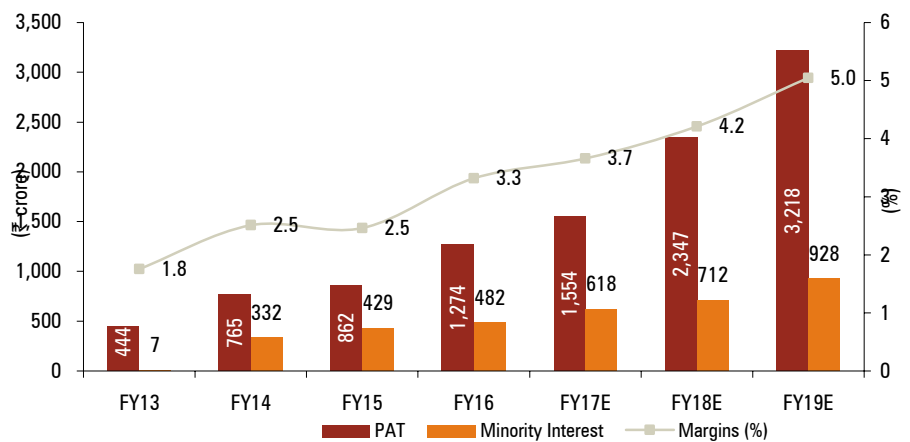


Source: Company, ICICIdirect.com Research

Profitability to remain at elevated levels!

With an increase in revenues and operating margins, we expect profit to increase at ~44% CAGR in FY17-19E to ~₹ 3,218 crore. The standalone business is likely to generate strong growth in profits (15% CAGR in FY17-19E) to ₹ 1091 crore in FY19E. Samvardhana Motherson Automotive Systems profits (MSSL's share of profits after considering minority interest) may increase at ~30% CAGR in FY17-19E to ~₹ 1402 crore.

Exhibit 5: Increase in profitability, minority interest continues as subsidiaries scale up margins

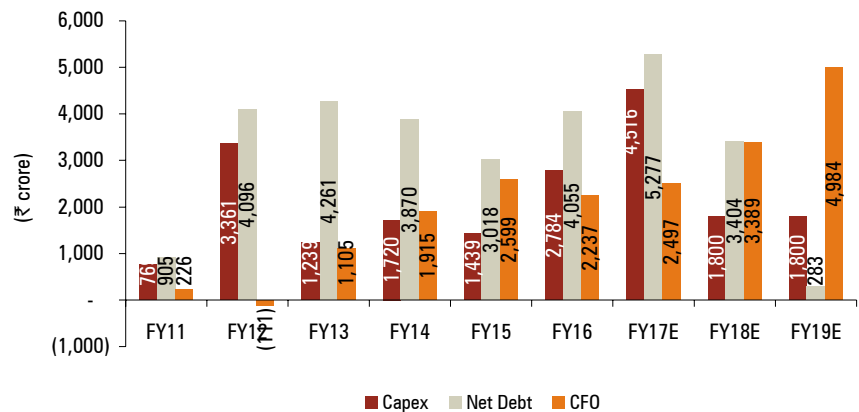


Source: Company, ICICIdirect.com Research

Debt levels set to decline as strong CFOs meet capex requirement

Despite major capex, we believe strong CFO generation is likely to reduce/maintain its debt levels and improve the balance sheet. We expect debt/equity level to gradually improve from 1.2x in FY17 to 0.4x in FY19E.

Exhibit 6: Strong CFOs likely to reduce debt, going forward

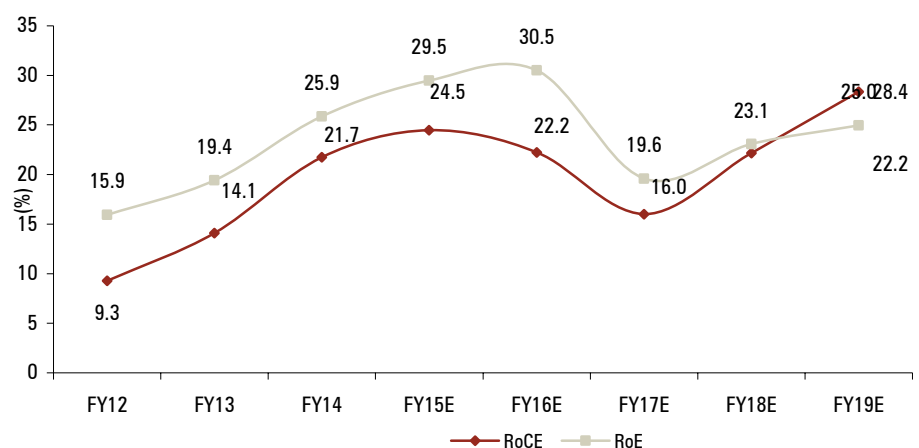


Source: Company, ICICIdirect.com Research

Return ratio improvement reflects overall improvement in financials

Over the years, return ratios have remained on an uptrend as the margin profile for SMR and SMP has improved while the standalone business withstood the slowdown in OE demand by increasing content per car. The return ratio dips in FY17 mainly due to equity dilution of ~6% post the QIP and after FY17 as the balance sheet includes PKC's financial though the same is not reflected in P&L account. However, thereafter, we expect RoEs and RoCEs to bounce back from FY18E.

Exhibit 7: Return ratios on uptrend...



Source: Company, ICICIdirect.com Research

Key annual report takeaways

- Samvardhana Motherson Group (SMG) is a leading supplier to the global automotive industry. The group recorded a turnover of approximately \$7.2 billion in FY16. SMG is a global partner of a well balanced customer base spread across five continents, with more than 180 manufacturing plants and a global network of modern design centres in 25 countries across North America, South America, Europe, South Africa, Middle East, Asia Pacific and Australia
- SMR is a leading global supplier of exterior mirrors having its headquarters in Stuttgart, Germany with a global market share of 24% by volume. SMR has 8% market share of the total global interior mirror market. SMR is a global Tier I supplier of rear view vision systems to all the leading automobile OEMs, including Hyundai Kia, Ford, General Motors, PSA, Renault/Nissan, Suzuki, Fiat, Toyota, Tata JLR, Volvo, BMW, Audi, Daimler and Volkswagen
- The polymer division is much diversified. It covers the exteriors of an automobile, the interiors and the under-bonnet part. The division, in addition to the SMP product range, produces specific modules such as HVAC modules. Besides these, the polymer division also has multiple plants for injection moulding tools
- In FY16, the company incurred capital expenditure of ₹ 2023.6 crore (consolidated basis) to expand its footprint and to enhance its existing capacity, which was funded from internal accruals & proceeds from issuance of senior secured notes. The capital expenditure, for FY17, is expected to be in the range of ₹ 3,000-4,000 crore
- MSSL manufactures automotive (wiring harnesses, wires, rubber components, cockpit assembly, moulds for wiring harness components) and non-automotive (largest suppliers of wiring harnesses to manufacturers of material handling equipment, off-road vehicles/construction equipment, agricultural equipment, industrial forklifts and other industries) products. The contribution of the automotive segment in MSL revenue is at 94% on a standalone basis (up 7% YoY) and at 97% on a consolidated (up 10% YoY) basis. MSL continues to be focussed mainly on the automotive industry and has strong OEM relationships
- In terms of revenue mix as of FY16, of its standalone revenue, wiring harness accounts for 71% of revenue while modules & polymer component and other products account for 28% & 1%, respectively. On a consolidated level, modules & polymer component account for 56% of its revenue while mirror, wiring harness and other products account for 28%, 15% and 1%, respectively
- MSL has launched its five-year plan, to bring together the entire organisation and focus on a common goal. Vision 2020 contains four key objectives, namely to achieve:
 - \$18 billion of consolidated revenues in 2020
 - RoCE of 40% by
 - "3Cx15" (no component, customer or country to represent more than 15% of turnover)
 - A dividend payout of 40% of the consolidated profit

Outlook & valuation

Motherson Sumi (MSL) is surely one of the few bright spots. The company has successfully got morphed into an ancillary manufacturer of a size, which can no longer be ignored by any global OEM. MSL has differentiated itself as while most of its domestic peers were forced to focus on cost rationalisation, it marched ahead and acquired companies and became a global one-stop supplier to major carmakers. The company has a healthy order book at ₹12.9 billion, which will be executed gradually going forward.

Going ahead, we believe the demand revival in the Indian automotive segment will act as an additional lever of earnings growth for MSL, as its performance has been commendable despite the challenges in the business. Subsidiaries SMR, SMP contribute more to the bottomline considering the strong EBITDA performance of recent quarters. We believe overall return ratios are likely to improve, going ahead. The management's target of achieving 40% RoCE by 2020 looks challenging and largely depends on the inorganic route of expansion, going forward.

MSL's competence in turning around businesses is evident from the success of SMR & SMP. The management's strong focus on RoCE augurs well for its performance. We remain positive on the long term perspective though its inorganic way of expansion looks challenging in the medium term. We value MSL on an SOTP basis with a target price of ₹ 450 (earlier ₹ 370) and maintain **HOLD** rating on the stock.

Exhibit 8: SOTP valuation

SOTP valuation	EV/EBITDA (x)	EBITDA (FY19E)	EV (₹ crore)	Remarks
SMR	12.0	1,740	10,682	Adjusted for stake
Subsidiaries (Ex-SMR/SMP)	12.0	1,680.0	20,227	
SMP	12.0	2,269	13,935	Adjusted for stake
Standalone	13.0	1,421.4	18,535	
Total target EV			63,380	
Net Debt (FY19E)			283	Adjusted for stake in SMRPBV
Target Market Cap			63,097	
Target price (₹)			450	

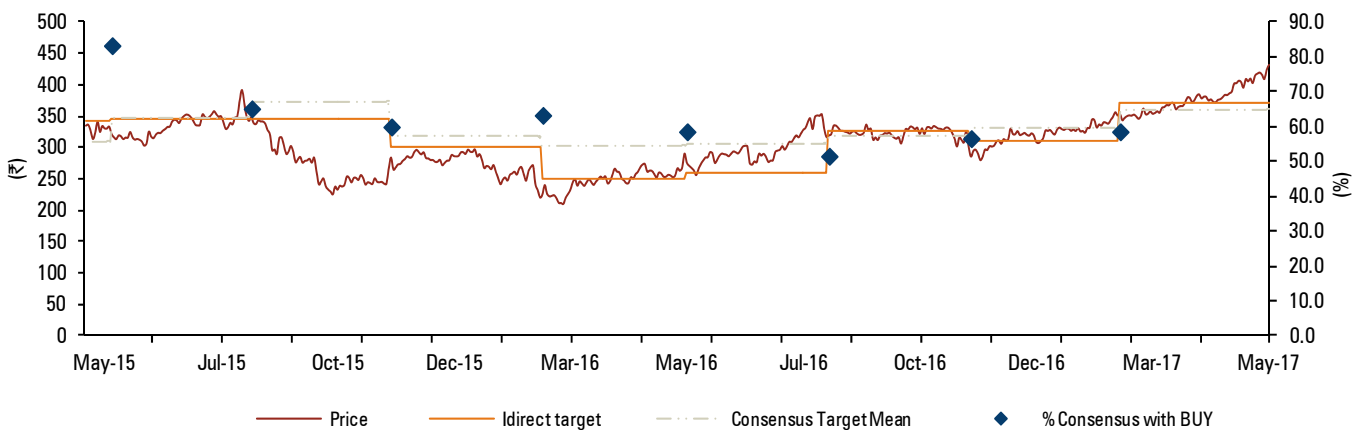
Source: Company, ICICIdirect.com Research

Exhibit 9: Valuations

	Revenues (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	38,395	9.6	9.1	47.7	46.5	18.3	30.5	22.2
FY17E	42,475	10.6	11.1	22.0	38.1	15.1	19.6	16.0
FY18E	55,712	31.2	16.7	51.0	25.2	10.5	23.1	22.2
FY19E	63,762	14.4	22.9	37.1	18.4	7.8	25.0	28.4

Source: EPS adjusted for bonus, Company, ICICIdirect.com Research

Recommended history vs. consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Jan-09	Motherson Sumi buys VisiCorp, world's largest rear-view mirror producer
Jun-09	Strong quarterly result cheered by Street
Aug-09	Announcement of €500 million order from German clients for subsidiary SMR
Jan-10	Equity dilution on account of FCCB conversion
Aug-10	Capacity expansion plans announced; turnaround of SMR visible in consolidated results
Jul-11	Acquisition of 80% stake in Peguform
May-12	Samvardhana Motherson Finance IPO withdrawn on poor investor response
Aug-12	Recommendation of bonus cheers investors
Aug-13	Expansion planned for foreign subsidiaries as performance improves; Peguform turnaround visible
May-14	Acquired Wiring Harness business of Stoneridge Inc through asset purchase value at ₹ 6.57 crore
Dec-14	MSL subsidiary SMP acquired Scherer & Trier at around ₹ 286 crore
Apr-15	MSL receives order worth approx ₹ 15,400 crore from Mercedes Benz Vehicle and are likely to commence from CY18
Apr-15	To support Daimler's expansion activities, MSSL will invest in 2 new plants, one each in the USA and Hungary
May-15	Company sets ambitious target of achieving a turnover of \$18 billion by FY20 from \$5.5 billion in FY15
Jun-15	Board recommends one bonus share for every two shares held by the shareholders
Sep-15	Company's key client Volkswagen group (VW) (derives ~44% of its consolidated revenues) violated the emission norms in the US of its diesel vehicles and would probably face fines worth \$18 billion
Sep-15	Management clarifies that the company has no material impact on the operational performance based on VW news

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Samvardhan Motherson International, Ltd.	31-Mar-17	0.35	488.5	0.00
2	Sumitomo Electric Industries Ltd	31-Mar-17	0.251	352.3	0.00
3	ICICI Prudential Asset Management Co. Ltd.	31-Mar-17	0.0248	34.7	-0.59
4	Sehgal (Vivek Chaand)	31-Mar-17	0.0232	32.5	0.00
5	Capital World Investors	31-Mar-17	0.0144	20.2	-5.61
6	ICICI Prudential Life Insurance Company Ltd.	31-Mar-17	0.0124	17.4	0.17
7	Axis Asset Management Company Limited	31-Mar-17	0.0106	14.9	-5.95
8	The Vanguard Group, Inc.	31-Mar-17	0.0083	11.7	0.07
9	BlackRock Institutional Trust Company, N.A.	30-Apr-17	0.0078	11.0	0.34
10	SBI Funds Management Pvt. Ltd.	31-Mar-17	0.0073	10.3	-0.01

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	65.6	65.6	63.1	63.1	63.1
FII	18.0	18.4	19.9	19.9	20.1
DII	8.7	8.4	9.6	9.9	10.0
Others	7.7	7.6	7.4	7.1	6.8

Recent Activity

Buys			Sells		
Investor name	Value (M)	Shares (M)	Investor name	Value (M)	Shares (M)
Investec Asset Management Ltd.	21.53	3.75	Axis Asset Management Company Limited	-34.15	-5.95
Lyxor Asset Management	9.30	1.49	Capital World Investors	-32.19	-5.61
Driehaus Capital Management, LLC	4.24	0.74	Sundaram Asset Management Company Limited	-5.07	-0.88
BNP Paribas Investment Partners Asia Ltd.	2.02	0.38	ICICI Prudential Asset Management Co. Ltd.	-3.36	-0.59
Amundi Hong Kong Limited	1.58	0.35	HDFC Asset Management Co., Ltd.	-2.94	-0.51

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement					₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E					
Total operating Income	38,395.2	42,475.2	55,711.9	63,762.0					
Growth (%)	9.6	10.6	31.2	14.4					
Raw Material Expenses	23,167.2	25,750.7	34,496.5	39,052.7					
Employee Expenses	7,399.7	8,090.9	8,719.5	9,696.6					
FX (gain)/loss	97.3	-18.2	0.0	0.0					
Other expenses	4,276.7	4,367.1	6,539.6	7,355.6					
Total Operating Expenditure	34,940.9	38,190.5	49,755.6	56,105.0					
EBITDA	3,454.3	4,284.7	5,956.3	7,657.0					
Growth (%)	7.9	24.0	39.0	28.6					
Depreciation	1,135.7	1,059.0	1,337.1	1,530.3					
Interest	270.6	374.9	354.9	314.9					
Other Income	320.9	146.3	109.0	124.7					
PBT	2,368.9	2,997.1	4,373.2	5,936.5					
Others	0.0	0.0	0.0	0.0					
Total Tax	583.6	910.3	1,399.4	1,899.7					
Reported PAT	1,273.7	1,554.3	2,346.6	3,218.2					
Growth (%)	47.7	22.0	51.0	37.1					
EPS (₹)	9.2	11.6	16.7	22.9					

Source: Company, ICICIdirect.com Research

Cash flow statement					₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E					
Profit after Tax	1,273.7	1,554.3	2,346.6	3,218.2					
Add: Depreciation	1,135.7	1,059.0	1,337.1	1,530.3					
(Inc)/dec in Current Assets	-977.1	-2,128.1	-2,244.1	-1,768.1					
Inc/(dec) in CL and Provisions	805.2	2,012.1	1,949.1	2,003.6					
CF from operating activities	2,237.5	2,497.3	3,388.7	4,984.0					
(Inc)/dec in Investments	0.0	0.0	0.0	0.0					
(Inc)/dec in Fixed Assets	-2,783.9	-4,515.9	-1,800.0	-1,800.0					
Others	-138.5	-1,675.7	731.9	433.7					
CF from investing activities	-2,922.4	-6,191.6	-1,068.1	-1,366.3					
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0					
Inc/(dec) in loan funds	1,077.8	4,175.2	-2,500.0	-2,500.0					
Dividend paid & dividend tax	0.0	0.0	0.0	0.0					
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0					
Others	-351.9	2,472.7	-447.5	-497.3					
CF from financing activities	725.9	6,647.9	-2,947.5	-2,997.3					
Net Cash flow	41.0	2,953.6	-627.0	620.4					
Opening Cash	1,891.9	1,932.9	4,886.5	4,259.5					
Closing Cash	1,932.9	4,886.5	4,259.5	4,879.9					

Source: Company, ICICIdirect.com Research

Balance sheet					₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E					
Liabilities									
Equity Capital	132.3	140.4	140.4	140.4					
Reserve and Surplus	4,113.3	5,584.2	7,483.2	10,204.1					
Total Shareholders funds	4,245.6	5,724.6	7,623.6	10,344.5					
Total Debt	5,988.2	10,163.4	7,663.4	5,163.4					
Deferred Tax Liability	192.6	426.0	558.8	639.6					
Minority Interest / Others	1,441.1	2,232.2	2,927.8	3,350.9					
Total Liabilities	12,050.3	21,684.6	22,096.1	22,932.7					
Assets									
Gross Block	15,299.1	19,254.1	22,889.0	24,739.0					
Less: Acc Depreciation	7,940.2	8,999.2	10,336.3	11,866.6					
Net Block	7,358.9	10,254.9	12,552.7	12,872.4					
Capital WIP	1,374.0	1,934.9	100.0	50.0					
Total Fixed Assets	8,732.9	12,189.8	12,652.7	12,922.4					
Investments	100.9	1,175.3	1,175.3	1,175.3					
Goodwill	0	1937.6	1937.6	1937.6					
Inventory	4,503.3	3,071.6	6,410.7	7,162.3					
Debtors	3,465.6	6,606.5	5,037.0	5,764.8					
Loans and Advances	1,050.2	66.0	86.5	99.0					
Other Current Assets	53.9	1,457.0	1,911.1	2,187.2					
Cash	1,932.9	4,886.5	4,259.5	4,879.9					
Total Current Assets	11,005.9	16,087.7	17,704.8	20,093.2					
Creditors	5,567.4	7,316.9	8,242.3	9,608.0					
Provisions	550.1	140.2	157.9	184.1					
Other current liabilities	2555	3228	4234	4846					
Total Current Liabilities	8,672.8	10,684.9	12,634.0	14,637.6					
Net Current Assets	2,333.1	5,402.7	5,070.8	5,455.6					
Other non-current Asset	518.5	476.9	625.5	715.9					
Deferred Tax Asset	364.9	502.4	634.3	725.9					
Application of Funds	12,050.3	21,684.6	22,096.1	22,932.7					

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per share data (₹)				
EPS	9.1	11.1	16.7	22.9
Cash EPS	17.2	18.6	26.2	33.8
BV	30.2	58.9	72.5	91.9
DPS	0.2	0.2	0.1	0.1
Cash Per Share	13.8	34.8	30.3	34.8
Operating Ratios				
EBITDA Margin (%)	9.0	10.1	10.7	12.0
PBIT / Net sales (%)	6.0	7.6	8.3	9.6
PAT Margin (%)	3.3	3.7	4.2	5.0
Inventory days	42.8	26.4	42.0	41.0
Debtor days	32.9	56.8	33.0	33.0
Creditor days	52.9	62.9	54.0	55.0
Return Ratios (%)				
RoE	30.5	19.6	23.1	25.0
RoCE	22.2	16.0	22.2	28.4
RoIC	29.5	27.0	31.8	41.9
Valuation Ratios (x)				
P/E	45.7	36.5	25.2	18.4
EV / EBITDA	18.3	15.1	10.5	7.8
EV / Net Sales	1.6	1.5	1.1	0.9
Market Cap / Sales	1.5	1.4	1.1	0.9
Price to Book Value	14.0	7.2	5.8	4.6
Solvency Ratios				
Debt/EBITDA	1.7	2.4	1.3	0.7
Debt / Equity	1.4	1.2	0.8	0.4
Current Ratio	1.0	1.0	1.1	1.0
Quick Ratio	0.5	0.8	0.6	0.6

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Amara Raja (AMARAJ)	897	930	Hold	15323	28.5	29.4	37.3	31.4	30.5	24.1	18.1	17.1	13.7	31.2	26.2	27.9	23.2	20.1	21.2
Apollo Tyre (APOTYR)	235	280	Buy	11846	21.7	21.8	19.7	10.8	10.8	11.9	6.5	7.9	8.6	19.9	13.6	11.0	17.1	15.0	12.2
Ashok Leyland (ASHLEY)	85	100	Buy	24055	2.5	4.0	4.8	33.6	21.3	17.7	11.8	11.6	9.6	22.8	20.8	22.6	17.4	17.4	18.8
Bajaj Auto (BAAUTO)	2958	3000	Hold	85596	126.8	142.2	156.3	22.2	19.8	18.0	16.6	16.8	14.7	42.2	38.9	38.1	29.9	28.9	27.9
Balkrishna Ind. (BALIND)	1512	1400	Buy	14615	58.7	77.0	83.8	20.1	15.3	14.1	11.2	9.6	7.6	20.4	22.5	24.7	20.3	22.5	24.7
Bharat Forge (BHAFOR)	1073	1150	Buy	25001	28.0	30.5	44.6	38.3	35.2	24.0	17.6	17.9	13.4	16.5	14.8	19.5	18.3	17.4	21.5
Bosch (MICO)	23140	25250	Buy	72660	410.2	567.0	566.2	55.2	40.0	40.0	36.0	37.5	26.1	15.1	15.8	15.8	22.5	21.4	25.3
Eicher Motors (EICMOT)	27651	30500	Buy	74685	655.9	833.2	1019.4	42.2	33.2	27.1	24.8	18.4	14.7	39.2	41.1	39.1	36.0	33.6	30.9
Exide Industries (EXIIND)	237	270	Buy	20137	7.3	8.2	9.4	32.3	29.0	25.1	19.0	17.7	14.4	19.4	18.7	20.4	14.0	14.1	14.8
JK Tyre & Ind (JKIND)	177	215	Buy	4023	21.0	16.6	18.1	8.4	10.7	9.8	5.8	8.1	6.5	20.1	11.2	11.8	29.1	15.8	18.2
Mahindra CIE (MAHAUT)	245	280	Buy	7922	4.5	10.3	13.5	54.9	23.7	18.1	16.8	11.5	9.1	5.4	10.8	12.6	6.9	11.1	13.2
Maruti Suzuki (MARUTI)	6722	7200	Buy	203133	151.3	242.9	280.1	44.4	27.7	24.0	21.4	18.6	15.8	23.9	26.3	26.5	16.9	20.3	20.4
Motherson (MOTSUM)	431	450	Hold	60512	11.1	16.7	22.9	38.9	25.8	18.8	15.1	10.5	7.8	16.0	22.2	28.4	19.6	23.1	25.0
Tata Motors (TELCO)	449	535	Buy	135820	37.2	19.2	41.1	12.3	23.9	11.1	3.8	5.1	3.8	17.0	8.7	14.2	15.3	6.7	12.5
Wabco India (WABTVS)	5871	7000	Buy	11155	107.7	118.6	158.4	54.5	49.5	37.1	37.9	32.4	24.8	19.4	17.8	19.4	25.5	24.5	26.8

Source: Company, ICICIdirect.com Research

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