

RETAIL EQUITY RESEARCH

Mahindra CIE Automotive Ltd.

Auto - Ancillaries

BSE CODE:532756

NSE CODE: MAHINDCIE

Bloomberg CODE: MACA IN

SENSEX: 31,904

BUY

Rating as per Mid Cap

12 Month investment period

CMP Rs. 245 TARGET Rs. 291 RETURN 19%21st July, 2017

Shifting to top gear...

Mahindra CIE (MCIE) is among the top global forging players with a strong presence in both Europe and India. Currently 2/3 of the revenue comes from Europe (split btw CV's & PV's) while rest from India (PVs).

- Diversified product portfolio, broad based customer profile and strong geographical presence establish MCIE a preferred choice for the OEMs.
- Scaling up new product line to drive growth in two wheeler business will paint positive outlook to the company.
- We expect EBITDA margin to improve by 350bps over CY16-18E led by cost control initiatives and capitalizing the OEM mix.
- Consolidated Revenue/PAT to grow at 14%/57% CAGR over CY16-18E led by increase in order book from OEMs & recent acquisition (BFPL).
- Strong outlook in the domestic auto market and improved performance by the subsidiaries underlines MCIE stance. We value at 25x on FY18E EPS and arrive at a target price of Rs291 and recommend 'Buy' rating.

Diversified in terms of product, geography & customers

MCIE is well placed to gain the benefit from the changing structural trends in the industry such as vendor consolidation, diversified product portfolio, broad based customer profile and geographical presence. MCIE can leverage CIE's strong relationships with European and US OEMs as MCIE India has a low share of revenue from them. We expect consolidated revenue to grow at 14% CAGR over CY16-18E led by increase in volume recovery of its key Indian customers (M&M & TATA) and ramp up of new product/customer.

EBITDA margin to rise as CIE's philosophy takes over

CIE automotive has built the business on acquisitions and then turned them to profitable. CIE has a solid track record of value creating through consolidation and maintain margin resilient even in downturn. CIE cost control initiative, better utilization of the planned assets through customer profiling, production optimization and select price renegotiation has resulted in increase in margins from low single digit to 10% by CY16. We believe improved performance from the domestic OEM and pick up in the European market will lead to improved utilization of the assets. We expect the EBITDA margin to improve by 350bps over CY16-18E

Bill forges to add incremental growth

The merger with Bill forge Pvt Ltd (BFPL) has completed and management has indicated that BFPL is in the process of setting up new Plant in Mexico to provide driveline components to GKN group, supplies to NAFTA region. Synergies from Bill acquisition opens new customer for MCIE - Hero Motorcorp in two wheeler, NSK in passenger vehicles and GKN in export markets. The foray into the Indian two wheeler space through Bill forge enables MCIE to use the existing facilities for bill forge expansion.

Valuations

At CMP MCIE is trading at a P/E of 26.1x and 21.0x for CY17E and CY18E EPS. On the back of expected strong auto outlook in the domestic market and improved performance by erstwhile subsidiaries paints a positive stance for the company. We expect valuation to improve ahead due to better earnings outlook of 57% CAGR over CY16-18E. Hence, we value MCIE at 25x on CY18E EPS and arrive at a target price of Rs291 and recommend 'Buy' rating.

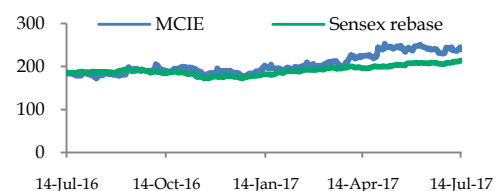
Company Data

Market Cap (cr)	Rs. 9,263
Enterprise Value (cr)	Rs. 10,626
Outstanding Shares (cr)	37.8
Free Float	25%
Dividend Yield	0.0%
52 week high	Rs. 260
52 week low	Rs. 170
6m average volume (cr)	0.02
Beta	1.1
Face value	Rs. 10

Shareholding (%)	Q4CY16	Q1CY17	Q2CY17
Promoters	69.9	69.9	69.9
FII's	5.3	5.2	4.9
MFs/Insti	6.7	6.3	7.0
Public	18.1	18.6	18.2
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	6.2%	18.5%	28.7%
Absolute Sensex	9.2%	17.3%	14.6%
Relative Return*	-2.8%	0.9%	12.3%

*over or under performance to benchmark index



Consolidated (Rs cr)	CY16A	CY17E	CY18E
Sales	5,320	6,190	6,906
Growth (%)	37.8	16.4	11.6
EBITDA	531	774	932
EBITDA Margins%	10.0	12.5	13.5
PAT Adj.	178	355	441
Growth (%)	7.8	99.2	24.2
Adj.EPS	4.7	9.4	11.7
Growth (%)	-7.8	99.2	24.2
P/E	52.0	26.1	21.0
P/B	2.8	2.6	2.3
EV/EBITDA	20.0	13.5	11.1
ROE (%)	6.8	10.3	11.5
D/E	0.4	0.3	0.3

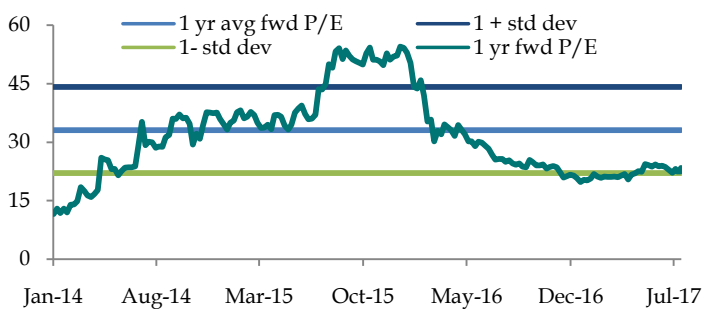
Saji John
Analyst

Valuations

MCIE currently trades at 1yr fwd P/E of 23.3x. MCIE's market cap has grown at a CAGR of 68 percent over the last five years till March 31st2017. The company's operating margin has risen to 11% in CY16 from 8.5% in CY15 despite a muted 2% sales growth. Adjusted PAT has de-grown by -12%. This was led to the exceptional cost incurred to the tune of 114.6cr for redundancy cost in German subsidiaries. After a difficult 2016 due to restructuring exercise and consolidation of Italian business the company posted a robust consolidated revenue/EBT growth of 17%/54%YoY in H1CY17.

During Q2CY17 the MCIE registered a consolidated revenue/EBT growth of 15%/58%YoY largely driven by the acquisition of Bill forge and 11%YoY growth from standalone business. MCIE India (Including BFPL) business grew by 51%YoY and MICE Europe de-grew by -2%YoY whereas EBT grew by 164%/27% respectively.

1 Yr fwd P/E band



Source: Bloomberg, Geojit Research

We Value at 25x...

At CMP, MCIE is trading at P/E of 26.1x & 21.0x on CY17E & CY18E EPS. We believe that MCIE is heading towards a new growth phase through organic and inorganic growth. With the acquisition of Bill forge the management can use the excess order in Bill forge in MCIE plant which is running at 70% utilization. We expect consolidated revenue to grow at 14% CAGR over CY16-18E led by incremental revenue owing to increase in the orders from International OEM in its Indians subsidiaries and Bill forge upcoming Mexico plant will cater to the North American markets. On the back of expected strong auto outlook in the domestic market and improved performance by erstwhile subsidiaries paints a positive outlook for the company. We expect valuation to improve ahead due to better earnings outlook of 57% CAGR over CY16-18E. Hence, we value

MCIE at 25x on CY18E EPS and arrive at a target price of Rs291 and recommend 'Buy' rating.

Peer comparison

Company	Sales (cr)			EBITDA Margin %		
	FY16	FY17E	FY18E	FY16	FY17E	FY18E
MCIE *	5,320	6,190	6,906	10.0	12.5	13.5
Bharat forge	6,396	7,375	8,515	19.6	20.8	21.6
Ramakrishna forging	876	1,116	1,377	20.4	19.1	20.3

Company	P/E			ROE%		
	FY16	FY17E	FY18E	FY16	FY17E	FY18E
MCIE *	52.0	26.1	21.0	6.8	10.3	11.5
Bharat forge	45.8	31.9	25.0	13.6	16.9	18.4
Ramakrishna forging	81.6	27.0	15.3	3.9	11.9	18.4

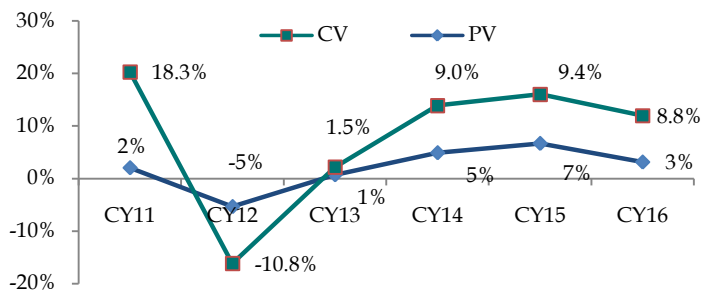
Source: Bloomberg, Geojit Research

* MCIE is for CY16A, CY17E, and CY18E

Europe largely stable after multiyear down-cycle

Europe constitutes two thirds of revenue. It is split between commercial vehicle (CV) and passenger vehicle (PV). The key issue that led to the amalgamation of Mahindra forging(CV) and CIE forging(PV) has been the straight six years big decline in heavy truck and cars sales in Europe from 2008-13. Though CIE forging has been consistently profitable over the period and its EBITDA margin are in line with the consolidated margins of the CIE group worldwide which is above 14%. The strategic decision is to focus on exploiting the growth opportunity in India, consolidating profitability in Europe and exploiting synergies between India and Europe. Furthermore, MCIE continually seeks synergies with other companies in the CIE group. Such an integrated approach gives the company a unique edge in the market place. The Industry in 2014 shows some recovery in sales but where ~30%/~20% below the peak of 2007 for both trucks & cars. Trucks and car productions for the year CY16 grew by 8.8%YoY and 3.3%YoY. During the period MCIE de-grew by -2.1% and Management has guided single digit growth for CY17. We expect the negativity has been factored in and expect some pick up. H1CY17 MCIE Europe revenue has shown a muted growth of 1%YoY. We believe the demand to pick up gradually and factor in 5%/4% CAGR growth over CY16-18E for CV & PV segment.

European Production growth data

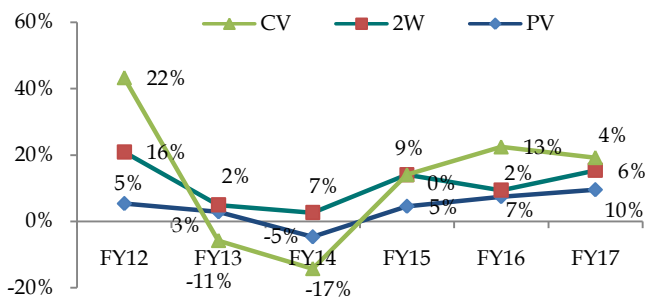


Source: ACEA, Geojit Research

Indian Auto industry to grow at double digit

In FY2016-17, the overall automobile production in India was about 2.5cr, of which two-wheelers comprise of more than three quarters of total production. Two-wheeler production grew at a moderate pace of 5.8%. The passenger vehicle production was healthy during the period which grown at 10% despite demonetisation. We expect correction in fuel prices and reducing interest rate cycle has resulted in lower operating cost for manufactures, along with improving disposable income due to implementation of the 7th pay commission is also expected to further aid domestic PV segment growth in near to medium term. Similarly tractors production witnessed a robust growth of 21% for FY17 and we expect the momentum to continue due to government's massive initiative towards farm mechanisation. M&M tractors holds 45% market share and remains key client for MCIE. We expect the domestic auto industry to register a growth of 15%/5%/12% for 2W/CV/PV for the year FY18

India Production growth data



Source: Bloomberg, Geojit Research

CIE has a large plan for MCIE India business where they have limited presence.

Traditionally 50% of the revenue contributed from M&M and Tata motors, through the acquisition MCIE is expected to gain market share over the medium term

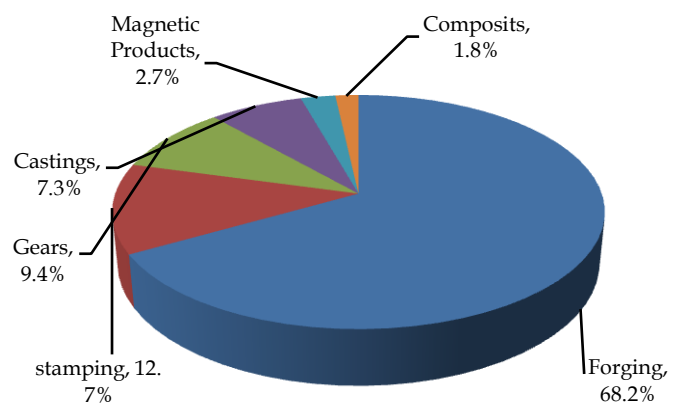
through inorganic growth. MCIE India is working towards developing new products across technologies like forging stampings, gears etc in which 2/3 of the revenue comes from forging. Acquisition of Bill forge (BFPL) on CY16 has also led to the entry into two-wheeler segment. BFPL is a crucial supplier to a number of domestic & global two-wheeler, passenger car OEMs and Tier1 auto component companies. With this acquisition, MCIE has now 26 manufacturing facilities including 8 manufacturing facilities in Europe. As a strategic move leverage CIE's strong relationships with European and US OEMs like Renault, VW, GM Ford etc. as MCIE India has a low share of revenue from them.

Investment Rationale

Competent player among multiple technologies

MCIE has open doors for PV and CV market after the amalgamation with CIE. Moreover both the companies have complementary product portfolio and market mix. In Europe both the companies have forging presence. M&M forging Europe was largely caters to CVs, while CIE address car markets. CIE also stands to gain from the deal because M&M India will help to drive its market share in Asia, whereas CIE has a negligible presence. CIE automotive has a history of acquisition and turning around the business and this alliance gave M&M forging the critical scale. MCIE is present across technologies; forging is by far the largest verticals constituting 68.2% to the overall revenue growth followed by stamping and gear having 12.4% and 9.4% and casting 7.3% for CY16. Other segments like Magnetic products and composites for Non auto which has negligible presence.

Consolidated segment mix



Source: Company, Geojit Research.

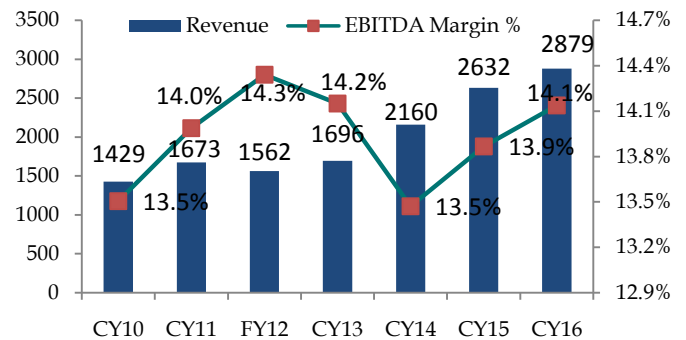
Diversified with no large concentration on a particular product segment or customer

MCIE has a diversified customer both in CV and PV. In CV it serves all the major OEMs like Daimler, Volvo, Scania and MAN etc and PV it serves all European and US based OEMs like Renault, Ford, VW and GM etc. In India large share of the revenue comes from passenger vehicles. The biggest client is its previous parent company entity M&M, which constitutes ~45% of Indian revenues (autos+ tractors combined) followed by Tata motors and Maruti. However, given that India is a small part of overall revenue, concentration of revenue to M&M is small. Hence at an aggregate level, MCIE is well diversified with no particular vehicle segment or customer. It has focused on increasing plant efficiency and has focused on improving margins through continuous improvement. Under the CIE leadership the current verticals of the Indian operation will pursue business with western OEMs in India such as VW, Renault, GM and Ford where CIE in Europe has a strong presence.

CIE's expertise leading to turnaround in profitability

CIE automotive has built the business on acquisition and turned them around by improving internal efficiencies and client diversification. This is coupled with very strong financial metrics and focus on free cash flow. CIE automotive has given 11% CAGR growth during CY11-16. CIE's focused factory level profitability achieved by decentralization of administrative powers and more emphasis on automation which has dual benefits of less employee cost and better product quality has led to an EBITDA margin above 14%. Under CIE's leadership MCIE achieved the turnaround of its European subsidiary by closing down high cost plants, product optimization through site shifting and customer profiling by focusing on products which are profitable and using automation. CIE has capabilities across all segments (Aluminum, plastics, machining, forging, and casting) which MCIE doesn't have, so when market in this region stabilize MCIE capabilities will get highlighted.

CIE Automotive Group Performance (Mn Euro)

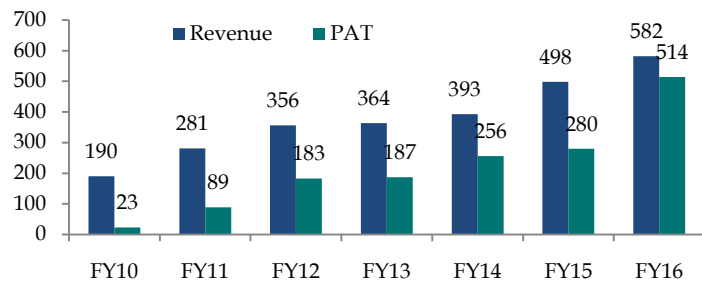


Source: Company, Geojit Research

Bill Forge acquisition strengthen its position in Asia

The acquisition of auto component maker Bill Forge Private Ltd (BFPL) by MCIE for Rs1331cr is expected to help MCIE to diversify its business portfolio and consolidates its position in India and other Asian countries. Founded in 1982, BFPL is market leader in precision forging company based in Bangalore, having six manufacturing facilities in India (across Bangalore, Coimbatore and Haridwar) and an upcoming plant in Celaya (Mexico). It manufactures a variety of Cold, warm, hot forged and machined components primarily for steering transmission and wheel related assemblies. At present 33 percent of MCIE India production is for utility vehicles Bill forge acquisition will provide MCIE entry into two-wheeler segment and increase exposure to car segment. MCIE will be able to access to the southern and northern Hub were it has limited presence through Bill forge. The customer base of MCIE will get diversified and it will help them to reduce dependence of M&M, further through Tier1 supplier it will get access to eastern OEMs (Maruti Suzuki, Hyundai, Honda) were MCIE has limited presence. Bill forge is currently at operating at near full capacity due to which it is not able to take new business with MCIE operating at 70% utilization these orders can be diverted depending on customer approvals. This will directly help to dive both profit and sales. The upcoming plant in Mexico will also provide access to American markets were CIE Automotive has good presence.

Bill forge Revenue & PAT (Rs cr)



Source: Company, Geojit Research

Turnaround in subsidiaries

MCIE achieved the turnaround of European business through closing of high cost plants and site shifting, focusing on products which are profitable and using automation. The Italian operation Metalcastello also increased margins to double digits from negative after when the efforts were started from 2015. This was achieved by terminating some loss making products and business. Metalcastello is now profitable in spite of having lower sales than earlier. The operations are fully aimed at improving revenues by exploring new markets and existing markets segment of off-road and agricultural machinery. Gears India has significant dependence on Indian tractor market and it is continuously diversifying its customer base. The turnaround in Germany is in the process and to ensure that profit margins are brought to acceptable levels in the next few quarters. The JECO plant has been closed down and its products have been shifted to the other plants in Germany. CIE Spain and Lithuania which are merged entities with MCIE have been consistently profitable over the last few years and profit margins are in line with the consolidated margin of CIE group which is above 14%. CIE automotive intends to increase the contribution from ASIA to 33%, so in future it may use MCIE as a vehicle for future acquisitions in the continent. CIE has capabilities across all segments (aluminum, plastics, machining, forging, casting) which Mahindra CIE doesn't have so when the market in this region will mature MCIE through CIE's capabilities will get head-start in the market.

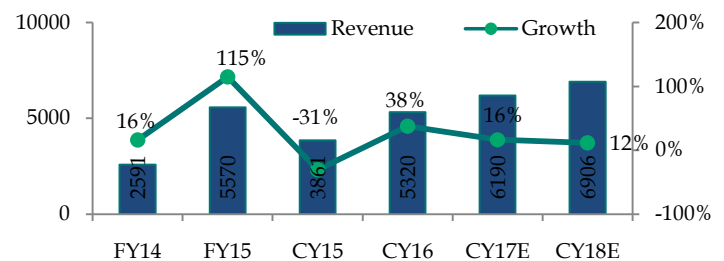
Financials

Top line to grow by 14% CAGR CY16-18E

After the effective integration with CIE group in FY14-15 the company has started showing improvement in the top line. During CY16 India business has posted 10.4% YoY growth led by the integration of Bill forge

and increase in the raw material price. European business remains muted due to its consolidation and pricing pressure. We expect European car segment to grow by 5% and commercial vehicle growth is expected to remain muted due to overall slowdown in the European economy. The sales growth in India driven by increase in new launches by M&M & Tata motors and new business from western OEM's (Ford, VW, Renault). The LCV business of both M&M and Tata motors is expected to benefit more because of improved connectivity and positive monsoon forecast. India business constitutes 40% revenue from M&M, followed by Tata motors 15% Maruti Suzuki 10% and remaining others. Bill forge is currently operating at near full capacity due to which it is not able to take new business with MCIE operating at 70% utilization these orders can be diverted depending on customer approvals. We believe long term focus towards content per car enhancement on utilizing its strong bonding with the major OEMs would be the core profitable growth drivers ahead. During Q2CY17 the MCIE registered a consolidated revenue/EBT growth of 15%/58% YoY largely driven by the acquisition of Bill forge and 11% YoY growth from standalone business. MCIE India (including BFPL) business grew by 51% YoY and MICE Europe de-grew by -2% YoY respectively. We expect consolidated revenue to grow at 14% CAGR over CY16-18E led by MCIE India and Europe business growth at 30% & muted 3% for the same period respectively.

Increase in customer base light up revenue growth



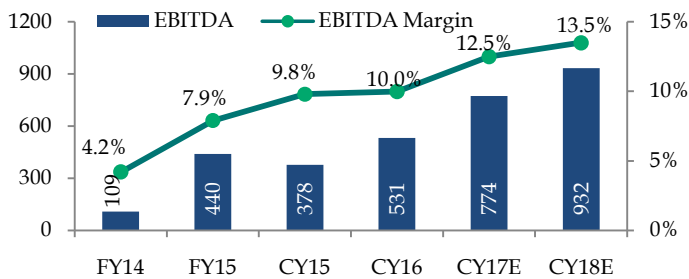
Source: Company, Geojit Research
CY15 is having only 9 months

EBITDA margin to improve

Consolidated EBITDA margins to improve by 350bps to 13.5% by CY18E led by turnaround of MFE business due to close down of high cost JECO plant. The option to transfer low margin products to Indian plant will help to increase margin. MCIE also suffered from higher sub-contracting cost in CY15, these costs are expected to fall down sharply with the company carrying out most of operation in-house. Rationalization of

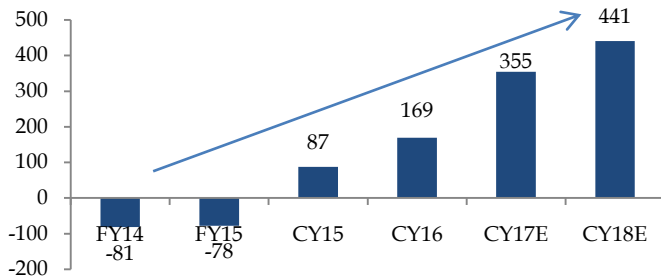
employees count will be full visible from CY17. We expect Cons. EBITDA margin to expand by 350bps to 13.5% by CY18E from current levels of 10% in CY16 on the back of CIE expertise in transforming the company to double digit margin from single digit. Management is targeting EBITDA margin of ~14% within next 2-3 years at a consolidated level led by inclusion better utilization of asset, customer profiling and capitalizing the OEM mix. We expect valuation to improve ahead due to better earnings outlook of 57% CAGR over CY16-18E.

Strong operating cash flow will improve margin



Source: Company, Geojit Research, CY15 is having only 9months

Non linear Profit growth (cr)



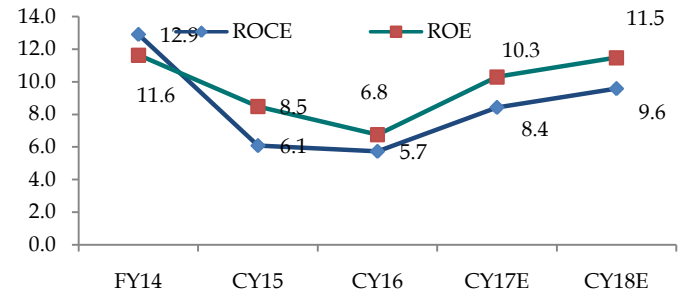
Source: Company, Geojit Research

Healthy return despite a large asset base

MCIE has been able to improve the levels of inventory and debtors after the takeover by CIE group. Improvement in utilization through acquisition has led to channelling the asset base productively. This has helped the company to keep its debt at low levels and maintain healthy return ratios. Although debt is likely to increase due to the acquisition of Bill forge it is still within comfortable levels. Similarly MCIE has shown improvement in the ROE and ROCE and is expected to grow above 11% & 9% by CY18 respectively. This was due to the successful acquisition and turnaround of erstwhile subsidiaries, aided by strong consolidated revenue of 14% CAGR for the same period. Similarly we expect MCIE to reduce the debt/equity to 0.3 by CY18E

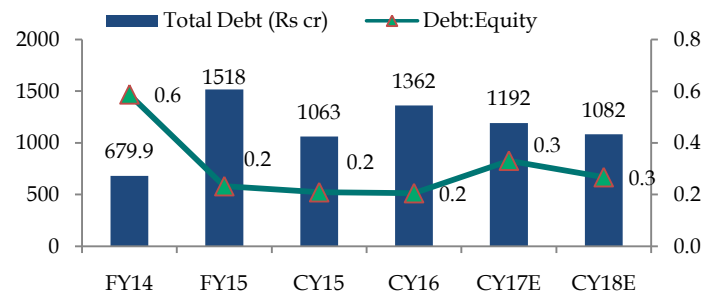
as it ideally fund its expansion plans through internal accrual with annual maintenance CAPEX required to the tune 4-6% of revenue.

ROCE/ROE



Source: Company, Geojit Research

Debt: Equity



Source: Company, Geojit Research

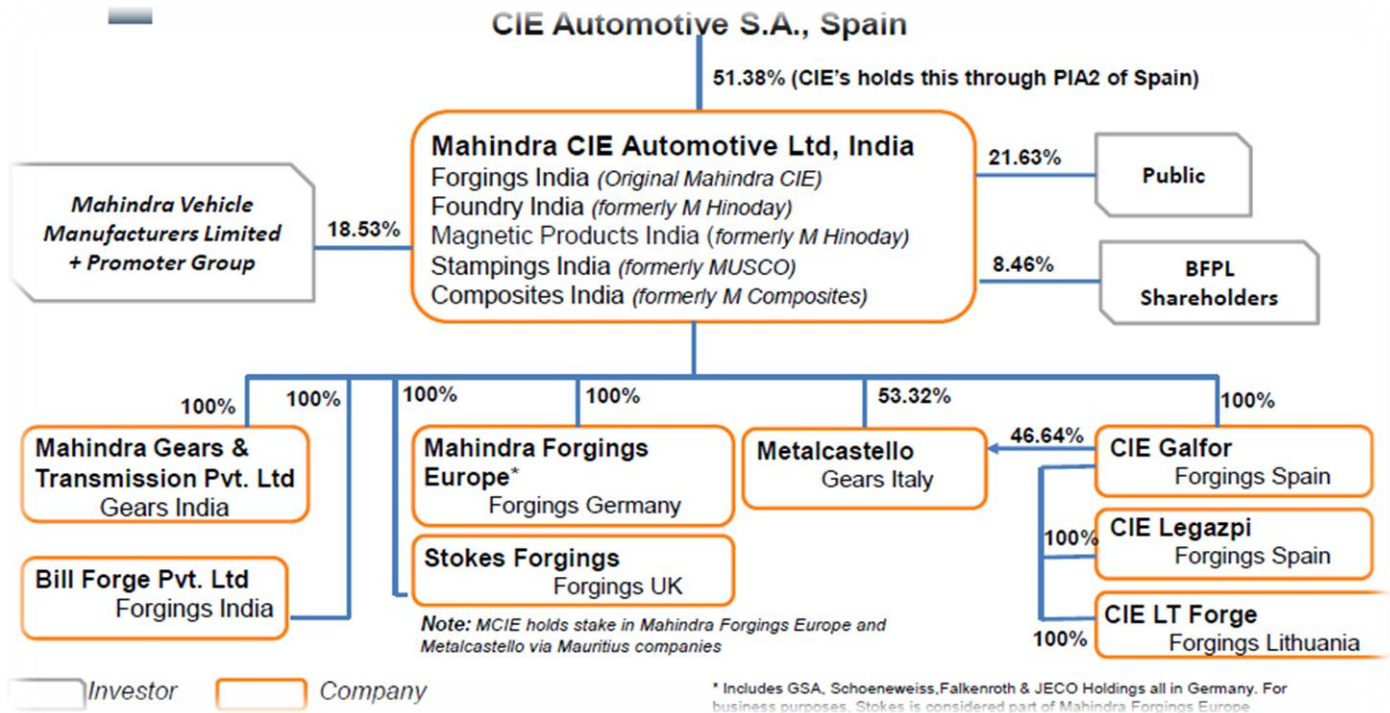
About the company

Mahindra CIE was earlier known as Mahindra Forgings and name was later changed following integration between Mahindra and CIE Automotive. The complete integration between them was done in CY15 in which Mahindra Forgings(India & Europe), MUSCO, Mahindra Investment(Gears division), Mahindra Hindoy and European forging division of CIE. Now on consolidated basis European operations contribute more than 60% and remaining contribution from Indian operations. MCIE is present across diverse products in this forging in largest Segment. Recently the company has acquired 100% ownership of Bill forge private ltd to the tune of 1331cr. Presently CIE automotive hold 51.38% stake in company and M&M hold 18.53% stake and Bill forge share holders 8.6%.

Key risk

- Impact of uncertainty in Euro zone
- Slowdown in Indian Auto sector
- Technology obsolescence risk
- Ability to service debt
- Regulatory risk - products and countries

Mahindra CIE's - Legal Structure



Source: Company, Geojit Research

Segment, geography and product wise

Segment	Geography	Products	Focus Area - Standalone business	Customers
Forging	India	Crankshafts, sub axles	PV, UV & Tractors	M&M, MSIL and TML
Stamping	India	Sheet metal stamping, components & Assemblies	PV & UV	M&M, TML
Casting	India	Turbocharger Housing, Axles & Transmission	PV, UV, Construction Equipments, Earthmoving Tractors & Exports	M&M, Hyundai, John Deere, JCB, Cummins Turbo
Magnetic Products	India	Soft & Hard Magnets, Induction Lighting	Tier 1 of PV, UV & 2W and export	Denso, Varroc, Lucas TVS, Bajaj Auto
Composite	India	Compound & Component	Electrical, Switchgear, Auto Components	L&T switchgear, M&M, Volvo Eicher
Subsidiaries				
Mahindra Forging Europe	Europe	Forged & Machined Parts, Front Axles beams & Steel Piston	HCV	Daimler AG, Scania, Man DAF, KS, Mahle,
CIE Forging	Europe	Forged steel parts for Industrial, Crankshafts, Common rail	PV	VW, BMW, Mercedes, Audi, Renault, Fiat
Mahindra Gears	India	Gears (Engine, Timing, Transmission)	PV & UV, Tractors & Exports	M&M, Tuner, Eaton, NHFI, Truck Tractor
Metallcastello	Europe	Gears (Engine, Timing, Transmission), Crown wheel Pinion	Tractors, Construction equipments, Earthmoving Exports	John Deere, Eaton CNH
Bill forge	India	2W: Steering races & engine valve retainers, for PV - constant velocity joints, tulips, steering shafts & yokes & wheel hubs	2W & PV	Hero, Bajaj, HMSL, Ford, GKN, NTN, Nexteer, RaneNSK

Source: Company, Geojit Research

Consolidated Financials

Profit & Loss Account

Y.E March (Rs Cr)	FY15A	*CY15A	CY16A	CY17E	CY18E
Sales	5,570	3,861	5,320	6,190	6,906
% change	115.0	-30.7	37.8	16.4	11.6
EBITDA	440	378	531	774	932
% change	305	-14	40	46	21
Depreciation	230	164	233	245	307
EBIT	203	214	299	528	624
Interest	120	47	59	63	56
Other Income	43	17	31	31	48
PBT	-100	107	262	496	616
% change	43.7	-206.6	145.0	89.6	24.2
Tax	-22	20	93	141	176
Tax Rate (%)	22	18	35	29	29
Reported PAT	-78	87	169	355	441
Adj.*	-226	-78	-9	0	0
Adj. PAT	148	165	178	355	441
% change	-302.2	11.6	7.8	99.2	24.2
No. of shares (mn)	32.3	32.3	37.8	37.8	37.8
Adj EPS (Rs)	4.6	5.1	4.7	9.4	11.7
% change	-157.8	11.5	-7.8	99.2	24.2
DPS (Rs)	0	0	0	0	0

Cash flow

Y.E March (Rs Cr)	FY15A	*CY15A	CY16A	CY17E	CY18E
Net inc. + Deprn.	145	270	494	742	925
Non-cash adj.	316	53	57	63	56
Changes in W.C	(110)	386	(188)	503	170
C.F.O	329	683	304	1,166	975
Capital exp.	(309)	74	891	(572)	(681)
Change in inv.	115	(310)	(1,079)	(85)	(14)
Other invest.CF	10	11	29	-	-
C.F - investing	(184)	(225)	(831)	(667)	(705)
Issue of equity	9	3	453	-	-
Issue/repay debt	(180)	(463)	182	(170)	(110)
Dividends paid	-	-	-	-	-
Other finance.CF	(19)	(81)	79	(38)	(59)
C.F - Financing	(93)	(498)	575	(233)	(166)
Chg. in cash	46	89	48	267	104
Closing cash	99	50	98	365	469

*CY15 is having only 9months

Balance Sheet

Y.E March (Rs Cr)	FY15A	*CY15A	CY16A	CY17E	CY18E
Cash	99	50	98	365	469
Accounts Receivable	423	383	522	610	662
Inventories	685	719	835	858	926
Other Cur. Assets	66	336	289	340	345
Investments	57	67	39	124	138
Gross Fixed Assets	4,664	1,629	2,265	2,884	3,574
Net Fixed Assets	1,475	1,503	1,768	2,142	2,526
CWIP	126	56	97	50	40
Intangible Assets	11	19	15	24	32
Def. Tax (Net)	97	140	149	149	149
Other Assets	-	-	-	-	-
Total Assets	4,951	5,129	6,747	7,642	8,300
Current Liabilities	224	359	310	895	999
Provisions	259	302	282	322	360
Debt Funds	1,518	1,063	1,362	1,192	1,082
Other Liabilities	1,048	1,399	1,526	1,611	1,798
Equity Capital	323	323	378	378	378
Reserves & Surplus	1,564	1,683	2,888	3,243	3,683
Shareholder's Fund	1,887	2,007	3,266	3,621	4,061
Total Liabilities	4,951	5,129	6,747	7,642	8,300
BVPS (Rs)	58	61	86	95	107

Ratios

Y.E March	FY15A	*CY15A	CY16A	CY17E	CY18E
Profitab. & Return					
EBITDA margin (%)	7.9	9.8	10.0	12.5	13.5
EBIT margin (%)	3.6	5.6	5.6	8.5	9.0
Net profit mgn.(%)	2.7	4.3	3.3	5.7	6.4
ROE (%)	11.6	8.5	6.8	10.3	11.5
ROCE (%)	12.9	6.1	5.7	8.4	9.6
W.C & Liquidity					
Receivables (days)	27.7	36.2	35.8	33.4	33.6
Inventory (days)	97.6	152.0	142.2	123.3	115.6
Payables (days)	68.7	132.3	104.7	92.5	90.1
Current ratio (x)	3.2	2.4	3.4	2.0	2.0
Quick ratio (x)	1.9	1.1	1.7	0.7	0.7
Turnover & Levq.					
Gross asset T.O (x)	1.5	1.2	2.7	2.4	2.1
Total asset T.O (x)	1.6	0.8	0.9	0.9	0.9
Int. covge. ratio (x)	1.7	4.5	5.0	8.4	11.2
Adj. debt/equity (x)	0.8	0.5	0.4	0.3	0.3
Valuation ratios					
EV/Sales (x)	1.7	2.3	2.0	1.7	1.5
EV/EBITDA (x)	21.4	23.8	20.0	13.5	11.1
P/E (x)	53.5	48.0	52.0	26.1	21.0
P/BV (x)	4.2	3.9	2.8	2.6	2.3

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit BNP Paribas Research

Dates	Rating	Target
21.07.2017	Buy	291

Large Cap Stocks;

Buy	-	Upside is 10% or more.
Hold	-	Upside or downside is less than 10%.
Reduce	-	Downside is 10% or more.

Mid Cap and Small Cap;

Buy	-	Upside is 15% or more.
Accumulate*	-	Upside between 10% - 15%.
Hold	-	Absolute returns between 0% - 10%.
Reduce/Sell	-	Absolute returns less than 0%.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating.

* For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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