

August 11, 2017

Motherson Sumi (MOTSUM)

₹ 323

PKC integration drives topline!

- Motherson Sumi's (MSL) consolidated revenues came in at ₹ 13,129 crore (up 25.6% YoY), above our estimate of ₹ 12,918 crore. The result is not comparable on a like-to-like basis, as it includes the performance of newly acquired PKC group, which reported revenue ₹254 million (~₹ 1,803 crore). Net sales from the standalone business (domestic) were up 21% YoY to ₹ 1,721 crore. Revenue growth of its subsidiaries, SMR and SMP (in constant currency terms) came in at 7% YoY & 16% YoY to ₹399 million & ₹851 million, respectively
- EBITDA margins expanded 16 bps YoY but contracted 196 bps QoQ to 9%. Standalone margins stayed flat YoY at 18.3%. EBITDA margins of SMR expanded 217 bps YoY to 11.3%. Margins of SMP contracted 21 bps YoY to 6.7%
- MSL had an exceptional expense of ₹ 150 crore (€21 million) towards prepayment of 4.1% secured notes worth ₹500 million resulting in redemption premium & unamortised transaction cost, Adjusted PAT (after minority interest) increased 20.2% YoY to ₹ 364 crore
- As of Q1FY18, its gross debt was at ₹ 11,055 crore while cash & bank was at ₹ 4,466 crore

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 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 Q1FY18, SMR & SMP reported constant currency growth of 7% YoY & 16% YoY, respectively. The integration of PKC is also likely to drive its revenue (reported revenue of ~₹ 1,803 crore in Q1FY18).

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 has been reflected from Q1FY18 but 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 & SMP its strong focus on RoCE augurs well going forward. We remain positive on the long term perspective though its inorganic way of expansion looks challenging. Adjusting for the allotment of bonus shares, we value MSL on an SOTP basis with a target price of ₹ 335 (earlier ₹ 450) and maintain **HOLD** rating on the stock.

Rating matrix		
Rating	:	Hold
Target	:	₹ 335
Target Period	:	12 months
Potential Upside	:	4%

What's changed?	
Target	Changed from ₹300 to ₹335
EPS FY16E	Changed from ₹ 11.1 to ₹ 11.2
EPS FY17E	Changed from ₹ 15.3 to ₹ 13.6
Rating	Unchanged
Target and bonus adjusted for bonus shares	

Quarterly performance					
(₹ Crore)	Q1FY18	Q1FY17	YoY	Q4FY17	QoQ
Revenues	13,128.6	10,450.4	25.6	11,283.9	16.3
EBITDA	1,186.4	928.2	27.8	1,240.5	-4.4
EBITDA (%)	9.0	8.9	16 bps	11.0	-196 bps
Reported PAT	278.0	302.6	-8.1	474.8	-41.5

Key financials				
₹ Crore	FY14	FY17E	FY18E	FY19E
Net Sales	37,216	42,493	55,771	64,406
EBITDA	3,548.2	4,284.7	5,745.4	7,125.9
Net Profit	1,292.3	1,554.3	2,255.2	2,873.2
EPS (₹)	6.1	7.7	11.2	13.6

Valuation summary				
	FY13	FY17E	FY18E	FY19E
P/E (x)	52.6	41.9	28.8	23.7
Target P/E (x)	54.5	45.4	31.3	24.5
EV/EBITDA (x)	20.3	17.1	12.6	9.8
P/BV (x)	15.5	8.2	7.1	6.0
RoNW (%)	29.4	19.6	24.7	25.2
RoCE (%)	21.0	16.0	22.3	27.7

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 68000.9 Crore
Total Debt (FY17) (₹ Crore)	10,141.8
Cash & Investments (FY17) (₹ Crore)	7,063.9
EV (₹ Crore)	73,256.1
52 week H/L (₹)	493 / 278
Equity capital (₹ crore)	₹ 210.5 Crore
Face value (₹)	₹ 1

Price performance				
	1M	3M	6M	12M
Motherson Sumi Systems Ltd	9.2	29.0	50.7	45.1
Bosch Ltd	3.3	3.8	8.3	-2.7
Wabco India Ltd	0.0	-4.3	1.3	-8.2

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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Total Operating Income	13129	12918	10450	25.6	11284	16.3	Revenue came in higher than our estimates. The result is not comparable on like-to-like basis, as it includes the performance of newly acquired PKC group which reported revenue ₹254 million (~₹ 1,803 crore vs. our expectation of ~₹ 1,500 crore). Thus adjusting for the same revenue grew by ~8% YoY
Raw Material Expenses	7,987	8,000	6,373	25.3	6,704	19.1	
Employee Expenses	2,581	2,304	2,009	28.5	2,175	18.7	
Other expenses	1,374	1,344	1,128	21.8	1,151	19.4	
Forex Loss/(Gain)	0	0	12	NA	14	NA	
Operating Profit (EBITDA)	1,186.4	1,270.0	928.2	27.8	1,240.5	-4.4	
Adjusted EBITDA	1,186	1,270	940	26.2	1,254	-5.4	
Adj. EBITDA Margin (%)	9.0	9.8	8.9	16 bps	11.0	-196 bps	EBITDA margins continue to expand, however contracted QoQ and came in below our estimates
Other Income	3.9	25.6	3.7	3.2	94.8	-95.9	
Depreciation	376.8	303.2	250.8	50.2	271	39.2	
Interest	117.6	84.7	84.7	38.8	83.8	40.3	
PAT	278.0	481.2	302.6	-8.1	474.8	-41.5	MSL had an exceptional expense of ₹150 crore (€21 million) towards prepayment of 4.12% secured notes (loan) amounting to ₹500 million which resulted into redemption premium and unamortized transaction cost which impacted the PAT
Adjusted PAT	363.7	481.2	302.6	20.2	548.0	-33.6	PAT (after minority interest of ₹69.3 crore) grew 20.2% YoY to ₹ 278 crore
EPS	1.3	3.4	1.4	-8.1	2.3	-41.5	
Key Metrics (as reported in Q4FY17 results)							
Standalone revenue (₹ crore)	1721	1642	1422	21.0	1739	-1.1	Standalone revenue came in higher than our estimates
Standalone margin (%)	18.9	19.0	18.8	16 bps	20.6	-164 bps	Higher other expense impacted the margin on QoQ basis
SMR revenue (€ million)	399	411	374	6.7	420	-5.0	Reported strong constant currency growth of ~7% YoY; below our estimates
SMR margin (%)	11.3	10.0	9.1	217 bps	12.9	-158 bps	Margin came in above our estimates
SMP revenue (€ million)	851	861	736	15.6	810	5.1	Reported strong constant currency growth of 15.6% YoY
SMP margin (%)	6.7	7.6	6.9	-21 bps	8.1	-145 bps	Capacity expansion (development of plant) impacted the SMP margin

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	55,712	55,771	0.1	63,762	64,406	1.0	We maintain our revenue estimates
EBITDA	5,956	5,745	-3.5	7,657	7,126	-6.9	
EBITDA Margin (%)	10.7	10.3	-39 bps	12.0	11.1	-94 bps	We have rationalized margins estimates as the start up cost of new plant will impact margins
PAT	2,347	2,255	-3.9	3,218	2,873	-10.7	Lower margin is likely to impact PAT
EPS (₹)	16.7	11.2	-32.9	22.9	13.6	-40.3	Decline in EPS is mainly adjusting for the bonus shares

Source: Company, ICICIdirect.com Research

Assumptions

	Current		Earlier		Comments
	FY16	FY17	FY18E	FY19E	
Standalone revenues (₹ crore)	5,350	6,313	7,400	8,493	7,224 8,307
Standalone margins (%)	18.9	19.7	19.8	20.9	18.8 19.3
SMR revenues (€ million)	1,460.0	1,576.0	1,745.2	2,007.0	1,812.4 2,084.3
SMR margins (%)	10.5	10.9	11.6	12.1	11.3 11.7
SMP revenues (€ million)	2,626.6	2,986.0	3,461.0	4,014.8	3,433.9 3,949.0
SMP margins (%)	6.6	7.3	7.5	8.2	7.7 8.1

Source: Company, ICICIdirect.com Research

Key conference call takeaways

- According to the management, the electric vehicle (EV) will have a positive impact on its wiring harness business, which will further increase its content per vehicle by 10%-20%. Its other business namely the mirror & polymer based products would not have any negative impact on EVs. Thus, MSL is not affected by the shift of OEMs from the fuel based vehicle to electric one, going forward
- For Q1FY18, MSL had the following one-offs / exceptional items:
 - Unamortised portion of issuance of cost/premium on early redemption of bond issuance of ₹ 150 crore
 - Amortisation of intangible asset created out of acquisition of PKC group worth ₹ 42 crore
 - Higher start up cost at SMP vs. Q1FY17 of ₹ 48 crore
- Further, globally 10 plants of the company are at different stages of completion, out of which three new plants have been added while two plants have started operations post Q3FY17
- As of Q1FY18, on a consolidated basis its gross debt was at ₹ 11,055 crore while cash & bank was at ₹ 4,466 crore. Thus, its net debt was at ₹ 6,589 crore
- SMP's Mexico plant is the largest facility for the company. This plant has commenced production and expects ramp up over the next two or three quarters, which should contribute to profitability
- According to the management, the PKC integration is going on smoothly. MSL expects synergies to drive its performance, going forward
- The company has planned capex of ₹ 2000 crore in FY18E, mainly towards the new plant development across its geographies.

Company Analysis

Local business to ride recovery while subsidiaries ramp up aggressively

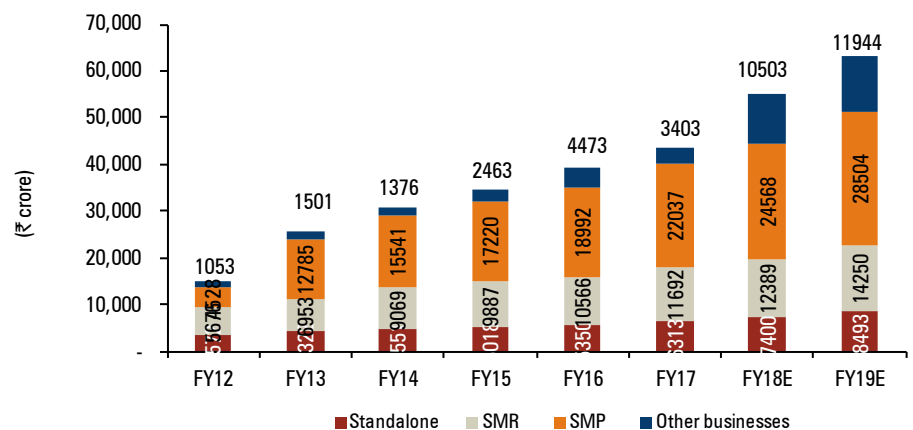
MSL managed to increase its domestic revenues by ~18% in FY17 much above the industry (passenger vehicle – production), which grew 9.4% YoY. Going forward also, we expect MSL's domestic performance to outpace industry performance, as we expect its domestic revenue to register 16% CAGR in FY17-19E (above 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.

The company overall has 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

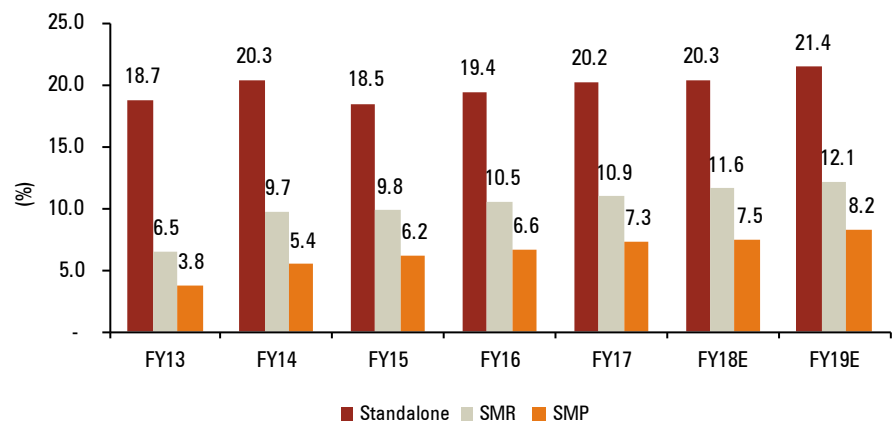
EBITDA margins to remain strong as overall performance improves

Historically, the standalone business has continued to deliver strong operating margins even with the slowdown hitting OEMs hard. Margins 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 and improved 46 bps YoY to 18.7% in FY16 & expanded by 156 bps YoY to 20.2% in FY17. We believe the margins are expected to stabilize in FY18E, and gradually expand 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.

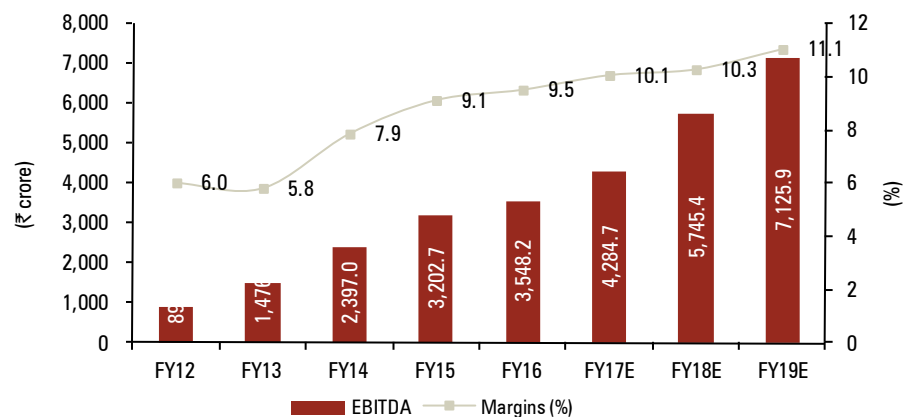
For subsidiaries, a ramp up of new facilities and in-sourcing opportunities is likely to continue to improve operating margins. We believe the initial gestation period of new plants coming in, going forward, may increase its overheads cost, thereby impacting margins, to some extent, though the same is structurally likely to move northwards. We expect SMP's margins to gradually inch up towards 7.5% and 8.2% in FY18E and FY19E, respectively. Margins for SMR are expected at 11.6% & 12.1% for FY18E & FY19E, respectively.

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



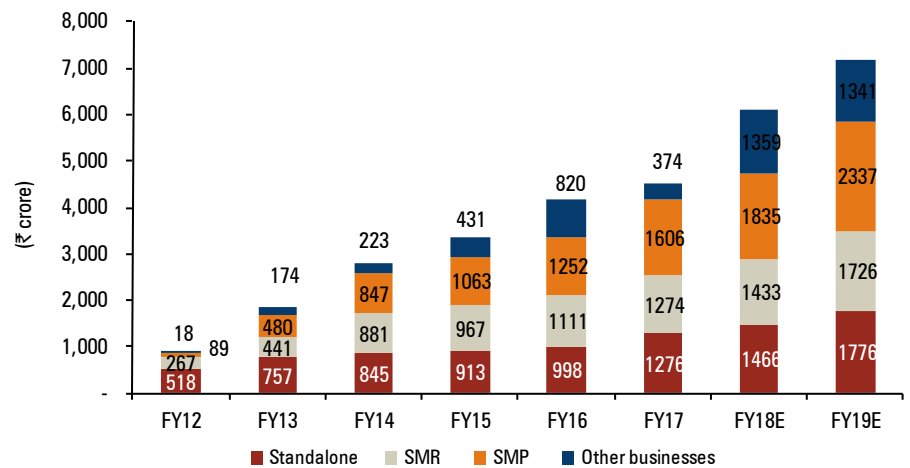
Source: Company, ICICIdirect.com Research

Exhibit 3: EBITDA margin trends - Consolidated



Source: Company, ICICIdirect.com Research

Exhibit 4: Share of operating profit - Segmental

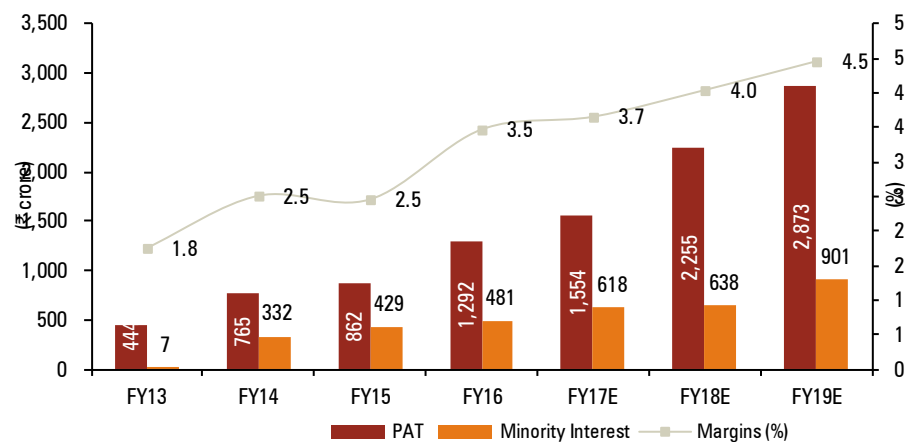


Source: Company, ICICIdirect.com Research

Profitability to remain at elevated levels!

With an increase in revenues and operating margins, we expect profit to increase at ~36% CAGR in FY17-19E to ~₹ 2,873 crore. The standalone business is likely to generate strong growth in profits (19% CAGR in FY17-19E) to ₹ 1167 crore in FY19E. Samvardhana Motherson Automotive Systems profits (MSSL's share of profits after considering minority interest) may increase at ~32% CAGR in FY17-19E to ~₹ 1429 crore.

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

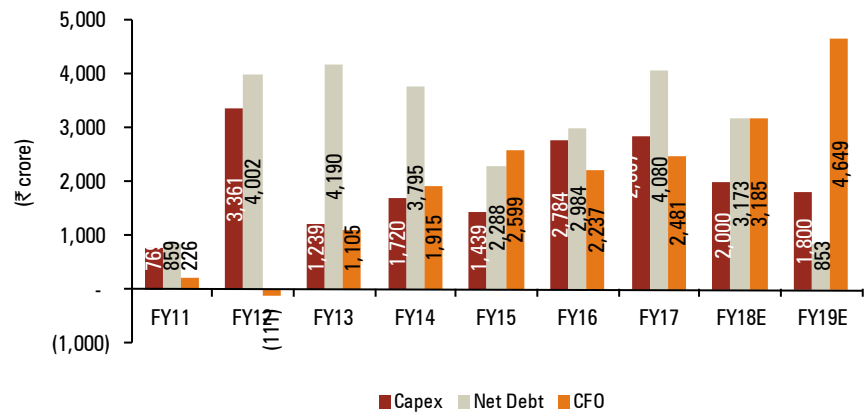


Source: Company, ICICIdirect.com Research

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 0.5x in FY19E.

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

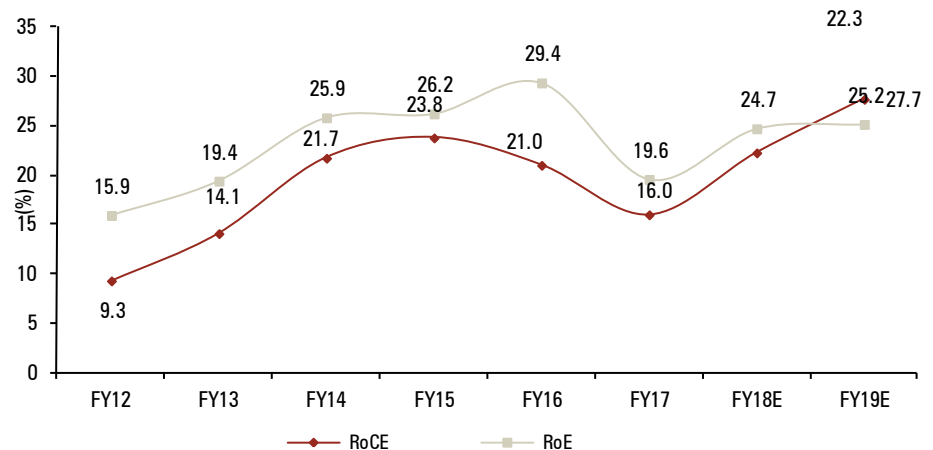


Source: Company, ICICIdirect.com Research

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...



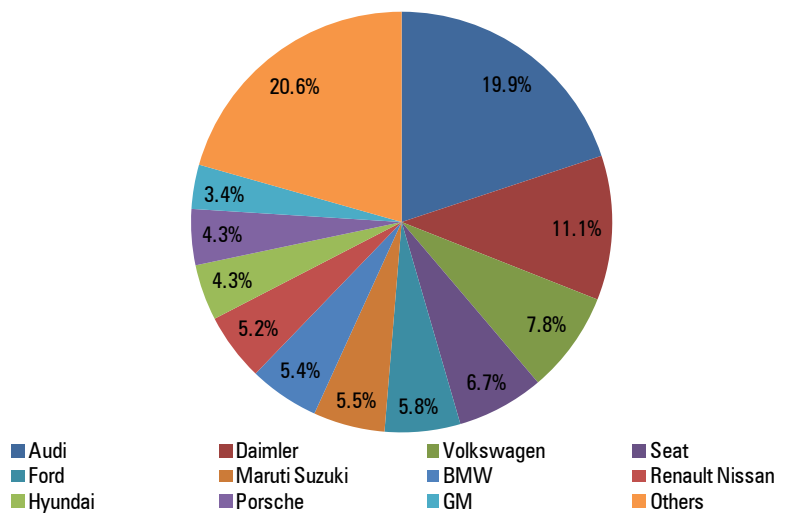
Source: Company, ICICIdirect.com Research

Key annual report takeaways

- FY17 was the second year of MSL's five year plan, called Vision 2020. The company has retained its 2020 target and aims 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
- Samvardhana Motherson Group (SMG) is a leading supplier to the global automotive industry. The group has turnover of \$ 9.1 billion and is currently present in 33 countries, with over 230 facilities across the globe, employing >100,000 professionals worldwide, across North America, South America, Europe, South Africa, the Middle East, Asia Pacific and Australia.
- In FY17, the company had done several acquisitions –
 - MSL took over the Finland based wiring harness specialist PKC Group Plc for approximately Euro 571 million. In 2016, the Group's revenue was EUR 845.67 million and has presence across 12 countries. Through the acquisition, MSSL realizes a significant expansion into the American and European commercial vehicle markets. PKC has a very differentiated product profile and minimal overlap with MSSL's geographical presence hence the acquisition is the perfect way to enhancing global reach in line with MSSL's 2020 targets
 - In October 2016, MSL through its wholly-owned subsidiary, MSL Manufacturing Hungary Kft, acquired the land, building and machinery of Abraham es Tarsa Kft in Hungary for a consideration of Euro 10.4 Million. The acquired company is an expert in plastic processing and high quality products for car makers across Europe. It is being further expanded to achieve group synergies through supplies to SMR and to the new facilities being set up by SMP in Europe to meet the demand for new orders from customers
 - On January 02, 2017 SMP through its subsidiaries acquired 100% of the issued share capital of Kobek Siebdruck GmbH & Co. KG (hereinafter 'Kobek'), renamed as Motherson Innovations Lights GmbH & Co KG ("MIL") for a consideration of Euro 1.6 Million. MIL is a specialist in lightning solutions and has been a supplier to the SMP subsidiaries
- During FY17, MSL incurred ₹ 2,778 crore on capital expenditure at the consolidated level, which has been largely been funded through internal accruals. MSL is focused on utilizing its global capabilities in order to achieve new dimensions in terms of growth with optimal capital outlays. The capital expenditure for FY18E is expected to be in the range of ₹ 2000 crore to ₹ 2250 crore
- In terms of revenue mix as of FY17, 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, MSSL standalone (mainly wiring harness) business account for 15% of revenue, SMR (exterior mirror) accounts for 28% of revenue, SMP (modules & polymer component) account for 52% of revenue and other segment/product account for 5% of revenue

- SMR is a leading global supplier of exterior mirrors, with a global market share of passenger car exterior rear view mirror of 24% and 8% market share of the total global interior mirror market by volume in 2016. SMR is present in 16 countries, has 21 production facilities including 2 module centres & employees 10,460 as on FY17
- SMP produces various polymer-based interior and exterior products for light vehicles. SMP focuses on the premium segment, and is a leading global supplier of door panels, instrument panels and bumpers, with a global market shares of 28%, 11% and 20%, respectively, by volume in 2016. SMP has 27 manufacturing facilities & 9 module centres in nine countries across the globe and employed 14,083 people as of FY17

Exhibit 8: MSL – Revenue Mix – Customer Wise – FY17 (%)



Source: Company, ICICIdirect.com Research

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. Adjusting for the allotment of bonus shares, we value MSL on an SOTP basis with a target price of ₹ 335 (earlier ₹ 450) and maintain **HOLD** rating on the stock.

Exhibit 9: SOTP valuation

SOTP valuation	EV/EBITDA (x)	EBITDA (FY19E)	EV (₹ crore)	Remarks
SMR	14.0	1,726	12,361	Adjusted for stake
SMP	14.0	2,337	16,736	Adjusted for stake
PKC Group	13.0	779	9,991	Adjusted for stake
Subsidiaries (Ex-SMR/SMP/PKC)	13.0	561	7,322	
Standalone	14.0	1,776	24,937	
Total target EV			71,347	
Net Debt (FY19E)			853	
Target Market Cap			70,493	
Target price (₹)			335	

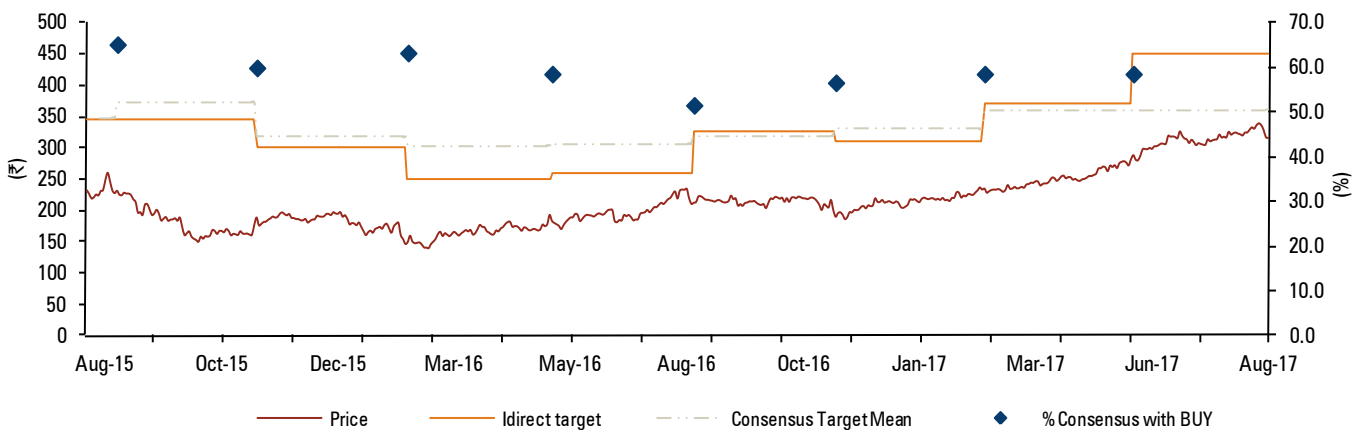
Source: Company, ICICIdirect.com Research

Exhibit 10: Valuations

	Revenues (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	37,216	6.2	6.1	49.8	52.6	20.3	29.4	21.0
FY17E	42,493	14.2	7.4	20.3	43.8	17.1	19.6	16.0
FY18E	55,771	31.2	10.7	45.1	30.2	12.6	24.7	22.3
FY19E	64,406	15.5	13.6	27.4	23.7	9.8	25.2	27.7

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	Motherhood 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 Motherhood 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 Motherhood International, Ltd.	30-Jun-17	0.52	732.8	0.00
2	Sumitomo Electric Industries Ltd	30-Jun-17	0.3765	528.4	0.00
3	ICICI Prudential Asset Management Co. Ltd.	30-Jun-17	0.0353	49.5	0.43
4	Sehgal (Vivek Chaand)	30-Jun-17	0.0348	48.8	0.00
5	Capital World Investors	30-Jun-17	0.027	38.0	7.96
6	Axis Asset Management Company Limited	30-Jun-17	0.0213	29.9	-2.28
7	ICICI Prudential Life Insurance Company Ltd.	30-Jun-17	0.0179	25.1	-0.99
8	The Vanguard Group, Inc.	30-Jun-17	0.0137	19.2	0.53
9	BlackRock Institutional Trust Company, N.A.	31-Jul-17	0.0121	17.0	0.20
10	SBI Funds Management Pvt. Ltd.	30-Jun-17	0.0102	14.3	-0.84

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoter	65.6	63.1	63.1	63.1	63.1
FII	18.4	19.9	19.9	20.1	20.2
DII	8.4	9.6	9.9	10.0	9.5
Others	7.6	7.4	7.1	6.8	7.1

Recent Activity

Buys			Sells		
Investor name	Value (M)	Shares (M)	Investor name	Value (M)	Shares (M)
Capital World Investors	37.94	7.96	Axis Asset Management Company Limited	-10.89	-2.28
AllianceBernstein L.P.	4.56	0.96	Lyxor Asset Management	-10.41	-2.24
Nuveen LLC	3.62	0.78	Pictet Asset Management Ltd.	-5.04	-1.08
Reliance Nippon Life Asset Management Limited	3.52	0.70	Amundi Asset Management	-4.97	-1.04
Carnegie Fonder AB	2.86	0.60	ICICI Prudential Life Insurance Company Ltd.	-4.72	-0.99

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				
₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Total operating Income	37,216.3	42,493.4	55,771.2	64,406.3
Growth (%)	6.2	14.2	31.2	15.5
Raw Material Expenses	22,409.3	25,750.7	34,391.3	39,640.0
Employee Expenses	7,157.3	8,090.9	9,255.2	10,080.3
FX (gain)/loss	0.0	0.0	0.0	0.0
Other expenses	4,101.5	4,367.1	6,379.2	7,560.2
Total Operating Expenditure	33,668.1	38,208.7	50,025.8	57,280.4
EBITDA	3,548.2	4,284.7	5,745.4	7,125.9
Growth (%)	10.8	20.8	34.1	24.0
Depreciation	1,087.2	1,059.0	1,227.0	1,545.8
Interest	345.0	374.9	392.6	320.0
Other Income	39.2	146.3	87.3	126.0
PBT	2,155.2	2,997.1	4,213.2	5,386.1
Others	0.0	0.0	0.0	0.0
Total Tax	519.2	910.3	1,270.1	1,723.6
Reported PAT	1,292.3	1,554.3	2,255.2	2,873.2
Growth (%)	49.8	20.3	45.1	27.4
EPS (₹)	6.1	7.7	11.2	13.6

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	2,255.2	2,873.2
Add: Depreciation	1,135.7	1,059.0	1,227.0	1,545.8
(Inc)/dec in Current Assets	-977.1	-3,196.2	-2,257.6	-1,907.4
Inc/(dec) in CL and Provisions	805.2	3,063.4	1,960.7	2,137.8
CF from operating activities	2,237.5	2,480.5	3,185.2	4,649.3
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-2,783.9	-2,866.9	-2,000.0	-1,800.0
Others	-138.5	-3,220.3	715.9	465.6
CF from investing activities	-2,922.4	-6,087.3	-1,284.1	-1,334.4
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	1,077.8	4,400.3	-2,500.0	-2,500.0
Dividend paid & dividend tax	0.0	0.0	0.0	0.0
Inc/(dec) in Sec. premium	-37.6	2,313.2	-70.2	0.0
Others	-314.3	8.1	-924.4	-994.5
CF from financing activities	725.9	6,721.6	-3,494.5	-3,494.5
Net Cash flow	41.0	3,114.8	-1,593.5	-179.6
Opening Cash	1,891.9	1,771.7	4,886.5	3,293.0
Closing Cash	1,932.9	4,886.5	3,293.0	3,113.4

Source: Company, ICICIdirect.com Research

Balance sheet				
₹ Crore				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Liabilities				
Equity Capital	132.3	140.4	210.5	210.5
Reserve and Surplus	4,264.8	8,132.3	9,322.8	11,201.4
Total Shareholders funds	4,397.1	8,272.7	9,533.3	11,412.0
Total Debt	5,741.5	10,141.8	7,641.8	5,141.8
Deferred Tax Liability	239.4	426.0	559.1	645.7
Minority Interest / Others	1,512.3	2,232.2	2,929.7	3,383.3
Total Liabilities	12,282.5	21,684.7	21,467.2	21,510.4
Assets				
Gross Block	7,973.5	10,898.6	14,733.4	16,583.4
Less: Acc Depreciation	1,165.9	2,820.9	4,047.9	5,593.6
Net Block	6,807.6	8,077.7	10,685.5	10,989.8
Capital WIP	1,397.0	1,934.8	100.0	50.0
Total Fixed Assets	8,204.6	10,012.5	10,785.5	11,039.8
Investments	1,090.3	3,352.6	3,352.6	3,352.6
Goodwill	292.8	1937.6	1937.6	1937.6
Inventory	2,285.0	3,071.6	6,417.5	7,234.7
Debtors	4,653.7	6,606.5	5,042.3	5,823.0
Loans and Advances	34.5	66.0	86.6	100.0
Other Current Assets	1,031.7	1,457.0	1,912.3	2,208.3
Cash	1,771.7	4,886.6	3,293.0	3,113.4
Total Current Assets	9,776.6	16,087.7	16,751.7	18,479.5
Creditors	5,162.7	7,316.9	8,251.1	9,705.1
Provisions	142.6	140.2	158.1	186.0
Other current liabilities	2316	3228	4236	4892
Total Current Liabilities	7,621.5	10,684.9	12,645.6	14,783.3
Net Current Assets	2,155.1	5,402.8	4,106.2	3,696.1
Other non-current Asset	179.3	476.9	625.9	722.8
Deferred Tax Asset	360.4	502.4	659.4	761.5
Application of Funds	12,282.5	21,684.7	21,467.2	21,510.4

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per share data (₹)				
EPS	6.1	7.4	10.7	13.6
Cash EPS	11.3	12.4	16.5	21.0
BV	20.9	39.3	45.3	54.2
DPS	0.3	0.0	0.2	0.2
Cash Per Share	8.4	23.2	15.6	14.8
Operating Ratios				
EBITDA Margin (%)	9.5	10.1	10.3	11.1
PBIT / Net sales (%)	6.6	7.6	8.1	8.7
PAT Margin (%)	3.5	3.7	4.0	4.5
Inventory days	22.4	26.4	42.0	41.0
Debtor days	45.6	56.7	33.0	33.0
Creditor days	50.6	62.8	54.0	55.0
Return Ratios (%)				
RoE	29.4	19.6	24.7	25.2
RoCE	21.0	16.0	22.3	27.7
RoIC	30.1	33.0	35.7	43.8
Valuation Ratios (x)				
P/E	52.6	41.9	28.8	23.7
EV / EBITDA	20.3	17.1	12.6	9.8
EV / Net Sales	1.9	1.7	1.3	1.1
Market Cap / Sales	1.8	1.6	1.2	1.1
Price to Book Value	15.5	8.2	7.1	6.0
Solvency Ratios				
Debt/EBITDA	1.6	2.4	1.3	0.7
Debt / Equity	1.3	1.2	0.8	0.5
Current Ratio	1.1	1.0	1.1	1.0
Quick Ratio	0.8	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		FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Amara Raja (AMARAJ)	804	870	Hold	13736	28.0	27.5	37.6	28.7	29.2	21.4	16.1	15.6	11.9	25.8	22.9	26.4	18.5	15.8	18.3
Apollo Tyre (APOTYR)	261	315	Buy	13134	21.8	17.2	24.2	12.0	15.2	10.7	10.7	10.7	8.2	13.6	10.2	13.0	15.1	10.8	13.5
Ashok Leyland (ASHLEY)	105	120	Buy	29564	4.3	4.4	6.3	24.4	23.8	16.5	13.3	12.3	9.4	23.9	25.1	29.7	25.0	18.8	22.7
Bajaj Auto (BAAUTO)	2775	2780	Hold	80300	132.3	136.6	164.7	21.3	20.6	17.1	17.0	16.5	13.3	30.3	29.0	30.9	22.5	21.1	22.2
Balkrishna Ind. (BALIND)	1485	1800	Buy	14355	74.0	80.2	105.5	21.6	20.0	15.2	13.9	12.7	9.5	23.0	23.9	26.8	20.2	23.9	26.8
Bharat Forge (BHAFOR)	1168	1300	Buy	27214	29.9	40.1	47.6	39.0	29.1	24.5	20.8	13.9	11.7	16.1	22.2	26.9	14.6	17.9	21.2
Bosch (MICO)	23217	26400	Buy	72900	570.5	564.0	658.9	41.5	42.0	35.9	35.8	30.1	25.0	16.9	16.4	17.0	24.8	24.1	25.4
Eicher Motors (EICMOT)	29500	33460	Buy	81041	655.9	828.5	1026.0	45.7	36.2	29.2	27.2	21.3	17.1	39.2	38.8	36.8	36.0	33.5	31.1
Exide Industries (EXIIND)	206	270	Buy	17468	8.2	8.8	10.5	25.2	23.4	19.6	16.2	13.8	11.6	18.5	19.0	20.3	14.0	13.7	14.8
Hero Moto (HERHON)	3820	4475	Buy	76277	156.9	169.1	198.3	24.3	22.6	19.3	16.4	15.5	13.1	48.7	44.0	46.0	35.8	33.4	33.9
JK Tyre & Ind (JKIND)	150	215	Buy	3395	16.6	18.1	31.0	9.0	8.3	4.8	8.1	6.5	4.6	11.2	11.8	16.7	15.8	18.2	24.4
M&M (MAHMAH)	1378	1630	Buy	86984	67.0	68.2	83.2	20.6	20.2	16.6	16.8	13.2	10.6	16.4	19.2	21.1	13.7	14.5	15.6
Mahindra CIE (MAHAUT)	233	280	Buy	7532	4.5	9.7	12.9	52.2	23.9	18.1	20.0	13.3	11.0	5.4	10.3	12.1	6.9	10.7	12.9
Maruti Suzuki (MARUTI)	7480	8500	Buy	226053	242.9	284.5	354.1	30.8	26.3	21.1	22.1	18.5	14.9	26.3	27.5	28.8	20.3	20.7	21.8
Motherson (MOTSUM)	317	335	Hold	66655	7.4	10.7	13.6	42.9	29.6	23.2	17.1	12.6	9.8	16.0	22.3	27.7	19.6	24.7	25.2
Tata Motors (TELCO)	377	560	Buy	113839	22.3	42.9	52.6	21.5	11.2	9.1	6.6	4.8	4.2	11.6	16.8	17.1	15.0	22.0	21.1
Wabco India (WABTVS)	5350	6250	Buy	10165	112.5	130.2	168.6	47.5	41.1	31.7	29.2	26.0	20.1	16.9	16.7	18.0	23.6	23.1	24.9

Source: Company, ICICIdirect.com Research

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