

Rating matrix		
Rating	:	Buy
Target	:	₹ 4300
Target Period	:	12 months
Potential Upside	:	17%

What's changed?		
Target	Changed from ₹ 4200 to ₹ 4300	
EPS FY19E	Changed from ₹ 221.4 to ₹ 221.9	
EPS FY20E	Changed from ₹ 247.3 to ₹ 254.2	
Rating	Unchanged	

Quarterly performance					
(₹Crore)	Q4FY18	Q4FY17	YoY	Q3FY18	QoQ
Revenues	8,564.0	6,915.2	23.8	7,305.5	17.2
EBITDA	1,370.6	957.6	43.1	1,158.0	18.4
EBITDA (%)	16.0	13.8	-111 bps	15.9	-156 bps
Reported PAT	967.4	717.8	34.8	805.4	20.1

Key financials				
₹ Crore	FY17E	FY18E	FY19E	FY20E
Net Sales	28,475	32,203	37,210	43,420
EBITDA	4,634.8	5,280.2	6,148.2	7,179.5
Net Profit	3,377.1	3,697.4	4,431.7	5,077.2
EPS (₹)	169.1	185.1	221.9	254.2

Valuation summary				
	FY17E	FY18E	FY19E	FY20E
P/E (x)	21.7	19.8	16.5	14.4
Target P/E (x)	25.4	23.2	19.4	16.9
EV/EBITDA (x)	14.8	12.8	10.8	9.0
P/BV (x)	7.2	6.4	5.4	4.6
RoNW (%)	33.4	32.1	32.7	31.7
RoCE (%)	44.0	43.7	43.9	44.0

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹73289.9 Crore
Total Debt (FY17) (₹ Crore)	₹0crore
Cash & Investments (FY17) (₹ Crore)	₹4677.6Crore
EV (₹ Crore)	₹68612.3crore
52 week H/L (₹)	4200 / 3054
Equity capital (₹ crore)	39.9
Face value (₹)	₹ 2

Price performance				
	1M	3M	6M	12M
Bajaj Auto Ltd	5.6	-8.5	-8.5	2.3
Hero MotoCorp Ltd	0.5	1.1	-1.9	9.3
Eicher Motors Ltd	7.9	9.7	-2.0	18.3

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## Hero MotoCorp (HERHON)

₹ 3670

### New model cycle, rural thrust to drive growth

- Hero MotoCorp (HMCL) reported Q4FY18 numbers, which were in line at the operational level. Revenues came in at ₹ 8564 crore, up 23.8% YoY, 17.2% QoQ, below our estimate of ₹ 8641 crore with the miss attributable to lower than estimated realisations. Net blended ASPs were at ₹ 42,786/vehicle vs. our estimate of ₹ 43,172/vehicle
- Total volumes for the quarter were at 2001595 units, up 23.4% YoY. Motorcycle volumes (1767380 units) were up 22.4% YoY while the scooter volumes (234,215 units) were up 32.1% YoY.
- Reported EBITDA came in at ₹ 1371 crore (up 43.1% YoY, 18.4% QoQ) vs. expectation of ₹ 1376 crore. EBITDA margins came in at 16% (up 216 bps YoY & 15 bps QoQ), marginally above our expectation of 15.9%. The positive from the margin numbers was that gross margins just contracted 27 bps in an environment of rising commodity prices. Other expenses were higher than estimates on account of higher marketing & sales expenses
- Reported PAT came in at ₹ 967.4 crore (up 34.8% YoY, 20.1% QoQ) vs. our expectation of ₹ 963.1 crore
- The board of HMCL has approved a final dividend of ₹ 40/share in addition to the interim dividend of ₹ 55/share for FY18

### Government's rural thrust, new models, pre-buying to drive growth

In FY18, growth in HMCL's domestic motorcycle volumes (14.1% YoY) outpaced industry volumes that grew 13.7% YoY. The management has guided for double digit growth for the company in FY19E, which will be supported by: 1) improving rural income levels supported by increasing MSPs & better rural infrastructure, 2) tapping of pent up demand in under-penetrated low income states in northern, central & eastern India where the company has a higher market share (>50%). Cumulatively, these states contribute ~50% of HMCL's volumes, 3) two new launches in FY19E- 'Xtreme' & 'Xpulse' in the 200 cc segment & introduction of 125 cc variants of Duet & Maestro Edge. We expect ~15% growth in scooter segment as the 125 cc segment is growing at ~55-60% vs. growth of ~15-17% in the 110 cc segment & given HMCL has priced its products competitively. Growth in FY20E will come due to pre-buying ahead of BS-VI implementation, post which prices will increase ~10%. We expect HMCL's 2-W volumes to grow at a CAGR of ~10.9% in FY18-20E.

### Margins to remain at elevated levels

HMCL's strong cost control is reflected in improving gross margins in FY12-17. Although expiry of incentives at the Haridwar plant from Q1FY19 onwards can lead to adverse impact of 60 bps, incentives at new plants in Halol & Andhra Pradesh & savings in logistics cost will offset this impact, going ahead. We expect the company to largely hold on to its EBITDA margins at 16%+ (16.5% for both FY19E & FY20E) as we believe the company will maintain their gross margins & operating leverage benefit will play out with increasing volumes.

### Macro factors favourable; maintain BUY!

Long term structural drivers exist in the form of the government's focus on doubling farm income, reducing replacement cycles and low finance penetration. This is expected to be accentuated by pre-buying ahead of regulatory push of mandatory CBS/ABS in all models post March 2019 & BS VI implementation in 2020. Thus, we expect its volumes to grow at a CAGR of 10.9% in FY18-20E while maintaining margins >16%, going forward. Hence, we maintain our **BUY** recommendation. We value HMCL at 17x FY20E EPS to arrive at a target price of ₹ 4300.

## Variance analysis

	Q4FY18	Q4FY18E	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
Total Operating Income	8,564	8,641	6,915	23.8	7,305	17.2	Miss on the revenue front is attributable to lower than estimated ASPs
Raw Material Expenses	5,793	5,908	4,736	22.3	4,922	17.7	RM costs were lower this quarter. However, the company operates with a Q1 or Q2 lag, whose impact can be seen in the next quarter
Employee Expenses	381	406	328	16.1	402	-5.2	Lower than estimates as there was no provisioning for gratuity expense
Other expenses	1,020	951	893	14.1	824	23.8	Higher due to higher marketing expenses
Operating Profit (EBITDA)	1,371	1,376	958	43.1	1,158	18.4	
EBITDA Margins (%)	16.0	15.9	13.8	-111 bps	15.9	-156 bps	
Other Income	167	117	118	40.8	110	51.3	
Interest	1.5	1.5	1.5	4.1	1.6	-1.9	
Depreciation	148.3	134.6	135.3	9.6	138.3	7.3	
PBT after Exceptional Items	1,387.2	1,356.5	939.0	47.7	1,128.2	23.0	
Total Tax	419.8	393.4	221.3	89.7	322.7	30.1	
PAT	967.4	963.1	717.8	34.8	805.4	20.1	PAT came almost in line with estimates
EPS (Adjusted)	48.4	48.2	35.9	34.8	40.3	20.1	
<b>Key Metrics</b>							
Motorcycle volumes ('000s)	1,767.4	1,761.8	1,444.3	22.4	1,488.8	18.7	
Scooter volumes ('000s)	234.2	239.8	177.3	32.1	220.3	6.3	
Export volumes('000s)	72.0	72.9	51.4	40.1	43.6	65.0	
Net Blended ASP (₹/unit)	42,787	43,172	42,644	0.3	42,745	0.1	ASP came in higher-than-expected; resulting in higher-than-expected revenue
RM/Vehicle (₹/unit)	28,942	29,519	29,206	-0.9	28,799	0.5	
EBITDA/Vehicle (₹/unit)	7,235	6,875	6,448	12.2	7,576	-4.5	

Source: Company, ICICI Direct Research

## Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	35,787	37,210	4.0	40,307	43,420	7.7	Revenue estimates revised downward to reflect upward revision in volumes
EBITDA	5,891	6,148	4.4	6,682	7,179	7.4	
EBITDA Margin (%)	16.5	16.5	2 bps	16.6	16.5	-6 bps	Margin estimates maintained
PAT	4,422	4,432	0.2	4,938	5,077	2.8	
EPS (₹)	221.4	221.9	0.2	247.3	254.2	2.8	

Source: Company, ICICI Direct Research

## Assumptions

	FY17E		FY18E		Current	FY19E		Earlier	FY20E		Comments
	FY17E	FY18E	FY17E	FY18E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	
Motorcycle volumes ('000s)	5,834	6,677	7,372	8,138	6,962	7,724					
Scooter volumes ('000s)	830	910	1,046	1,201	1,010	1,184					Increased estimates as we expect new models to do well
Export volumes('000s)	180	204	245	292	236	274					
Gross Blended ASP (₹/unit)	45,926	43,276	44,205	46,492	46,691	45,249					Realisation will increase in FY20E due to product mix & due to mandatory implementation of CBS/ABS
RM/Vehicle (₹/unit)	28,530	28,742	30,005	31,621	32,044	30,509					
EBITDA/Vehicle (₹/unit)	7,058	7,325	7,304	7,687	7,596	7,501					

Source: Company, ICICI Direct Research

### Key conference call takeaways

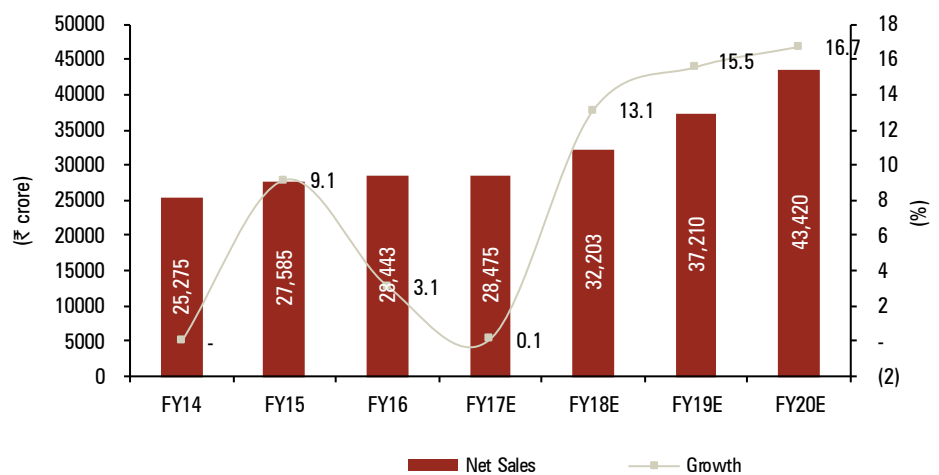
- The management expects the 2-W industry volumes to continue their strong growth momentum while HMCL will consolidate its leadership position, going forward
- The overall industry momentum is good and is supported by rural growth that is up 200 to 300 bps compared to urban growth. The pick-up in motorcycle volume is also attributable to the demand recovery seen in rural areas
- According to the management, HMCL is well prepared for the transition from BS IV to BS VI and will land the cost effectively, going forward
- With the mandatory implementation of CBS in <125 cc and ABS in >125 cc 2-Ws, the overall price is likely to increase by ₹ 500/vehicle and ₹ 4000/vehicle, respectively
- HMCL is likely to launch three new motorcycle viz. - Xtreme, Xpluse and 125 cc refresh of Glamour and two new scooters in the 125 cc category viz. Duet and Maestro Edge in FY19E
- The company in Q4FY18 (January 2018) increased its average price by ₹ 300/vehicle. It further undertook a price hike of ₹ 300/vehicle in April 2018
- Its Andhra Pradesh plant is likely to get commissioned in H2FY20 with an initial capacity in the range of 500,000 to 750,000 and expandable to 10,00,000, going forward.
- The capex for two years (FY19E & FY20E) is at ~₹ 2500 crore, which will be largely towards capacity expansion and new product development
- The management expects the Haridwar fiscal expiry in FY19 to impact margins in the near term. However, the same will be offset by benefits that are likely to accrue from the gradual volume ramp-up from its Halol and Andhra Pradesh plant, going forward
- The management has witnessed a marginal up-tick in the raw material cost and is likely to continue in Q1FY19E as some commodity agreements have a one or two quarter lag effect
- Its LEAP program continues to reap the benefit and resulted in margin expansion of 50-60 bps on an annualised basis
- HMCL's current dealer inventory is at four to six weeks
- Revenue from spares for Q4FY18 and FY18 was at ₹ 774 crore and ₹ 2640 crore, respectively
- The company received CGST related compensation of ₹ 64 crore for the Haridwar plant in Q4FY18

## Company Analysis

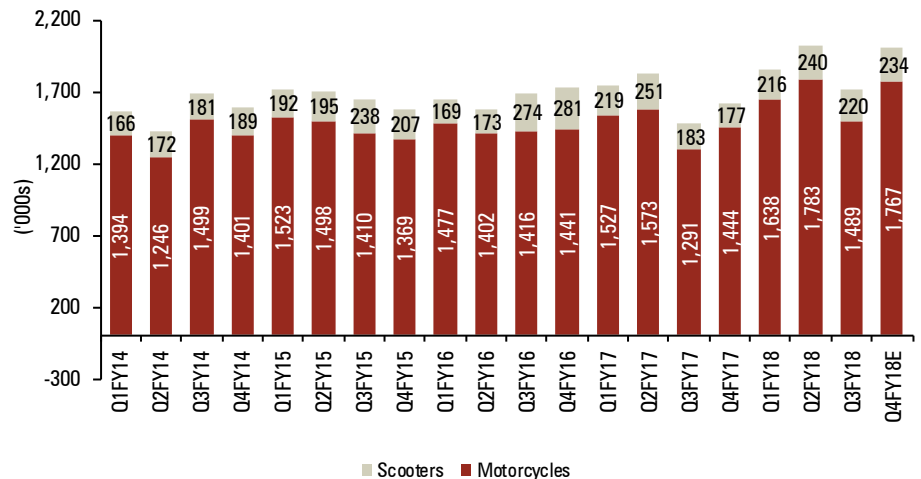
### Pent up demand + revival in rural economy = to drive volume growth

In FY18, growth in HMCL's domestic motorcycle volumes (14.1% YoY) outpaced industry volumes that grew 13.7% YoY. The management has guided for double digit growth for the company in FY19E, which will be supported by 1) improving rural income levels supported by increasing MSPs & better rural infrastructure, 2) tapping of pent up demand in under-penetrated low income states in northern, central & eastern India where the company has a higher market share (>50%) and cumulatively these states contribute ~50% of HMCL's volumes. 3) Two new launches in FY19E- 'Xtreme' & 'Xpulse' in the 200 cc segment and introduction of 125 cc variants of Duet & Maestro Edge. We expect ~15% growth in scooter segment as the 125 cc segment is growing at ~55-60% vs. growth of ~15-17% in the 110 cc segment & given that HMCL has priced its products competitively. Growth in FY20E is expected to come due to pre-buying ahead of BS-VI implementation, post which prices may increase ~10%. We expect HMCL's 2-W volumes to grow at a CAGR of ~10.9% in FY18-20E. We expect revenues to grow at 16% CAGR in FY17-20E to ₹ 43,420 crore.

**Exhibit 1: Growth in revenues**



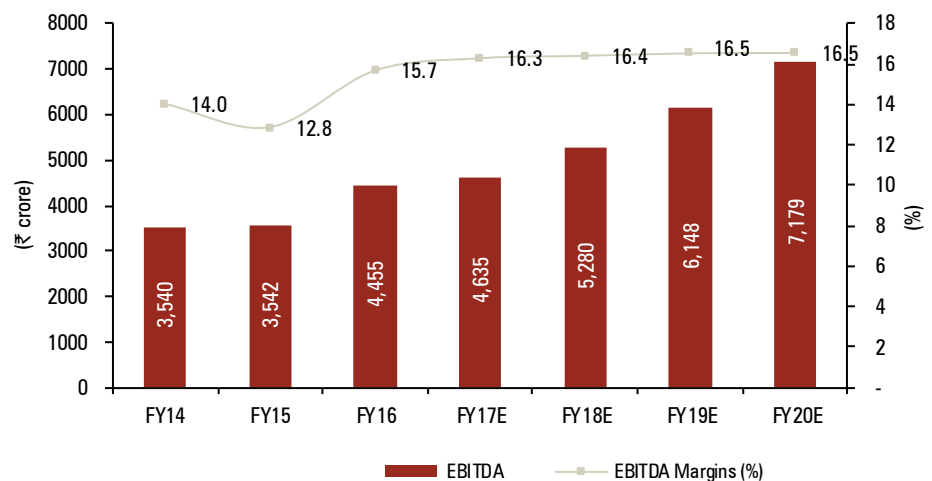
Source: Company, ICICI Direct Research

**Exhibit 2: Product mix**


Source: Company, ICICI Direct Research

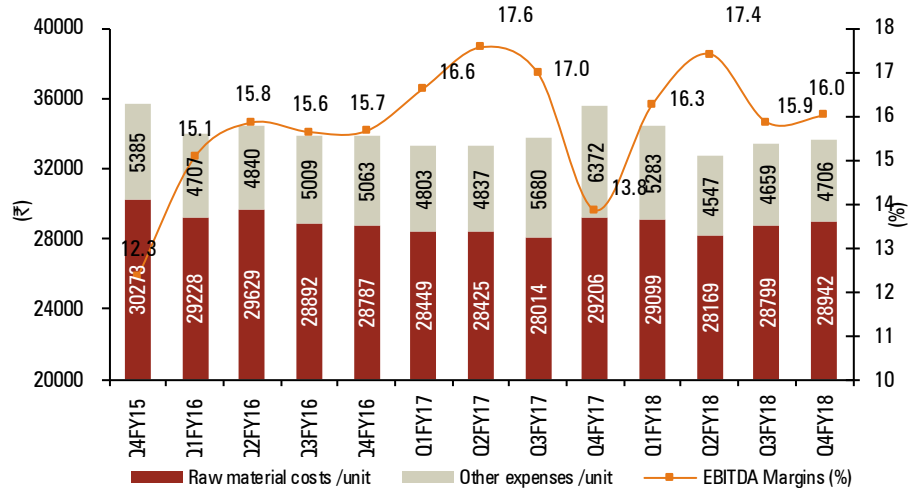
### Margins expected to sustain, going forward

HMCL's margins remained under pressure in FY13 & FY14 as the product mix deteriorated. However, with the launch of the LEAP programme, HMCL has managed to show a significant cost reduction. Annual savings through LEAP have been ₹ 169 crore in FY14, ₹ 329 crore in FY15 and ₹ 283 crore in FY16. HMCL's strong cost control is reflected in the improving gross margins in FY12-17. Although expiry of incentives at the Haridwar plant from Q1FY19 onwards can lead to an adverse impact of 60 bps, incentives at the new plants in Halol & Andhra Pradesh along with savings in logistics cost will offset this impact, going ahead. We expect the company to largely hold on to its EBITDA margins at 16%+ (16.5% for both FY19E & FY20E) as we believe it will maintain its gross margins & operating leverage benefit will play out with increasing volumes.

**Exhibit 3: Margins trend**


Source: Company, ICICI Direct Research

**Exhibit 4: Raw material costs, other expenses hit margins**

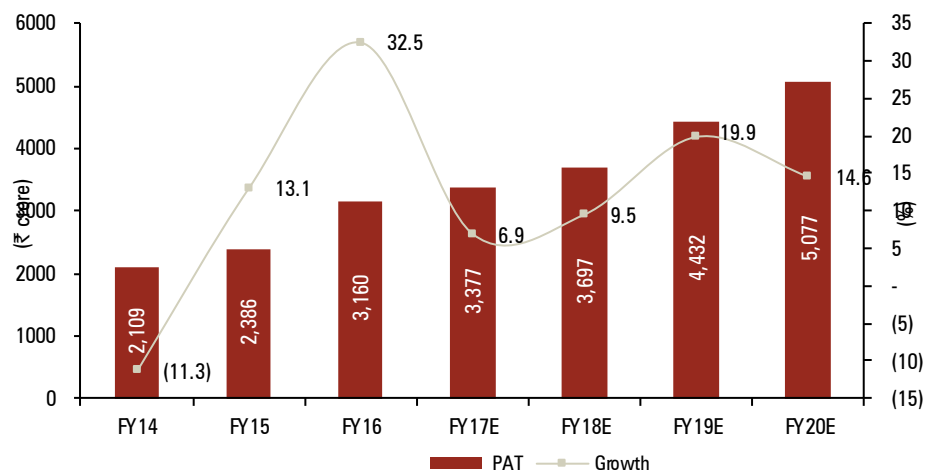


Source: Company, ICICI Direct Research

### Profitability to remain at elevated levels

With expected revenue CAGR of ~16% in FY18-20E, and operating margins at elevated levels of > 16%, we expect profit to increase at ~17% CAGR in FY18-20E to ~₹ 5077 crore.

**Exhibit 5: Trend in profitability**

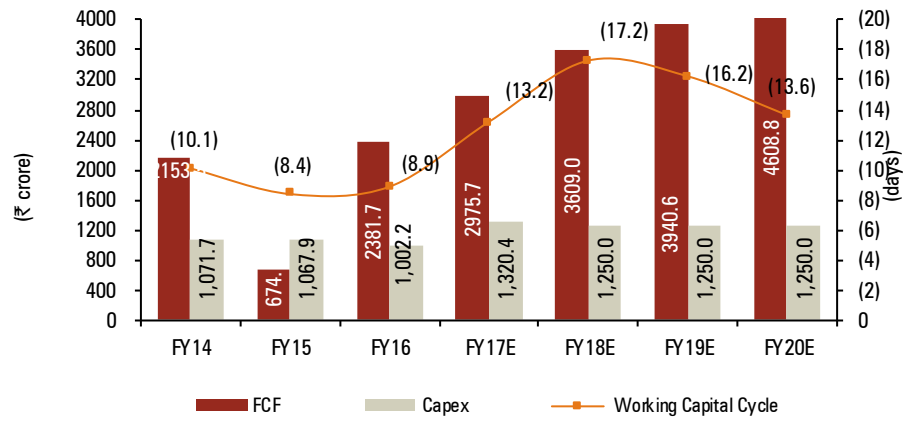


Source: Company, ICICI Direct Research

### Strong FCFs as working capital cycle continues to remain impressive

HMCL continues to boast of a negative working capital cycle even as the industry faces a slowdown. Even with fairly aggressive capex planned; FCF generation is likely to be strong as the working capital management remains strong. We believe FY20E will witness an FCF of ~₹ 4609 crore.

**Exhibit 6: Negative working capital cycle fuels strong FCFs; capex withstanding**

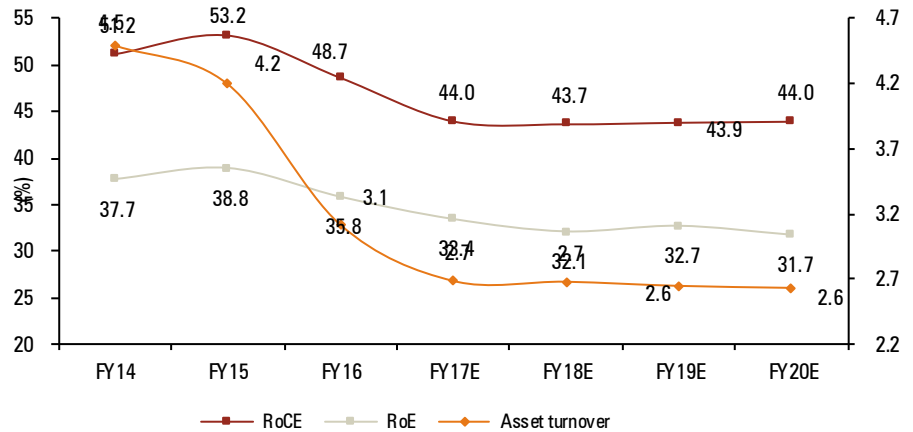


Source: Company, ICICI Direct Research

### Return ratios to remain at elevated levels

With a strong asset turnover and high dividend payout, return ratios are expected to remain strong, which is one of the major reasons why we are comfortable with HMCL.

**Exhibit 7: Return ratios to remain high**

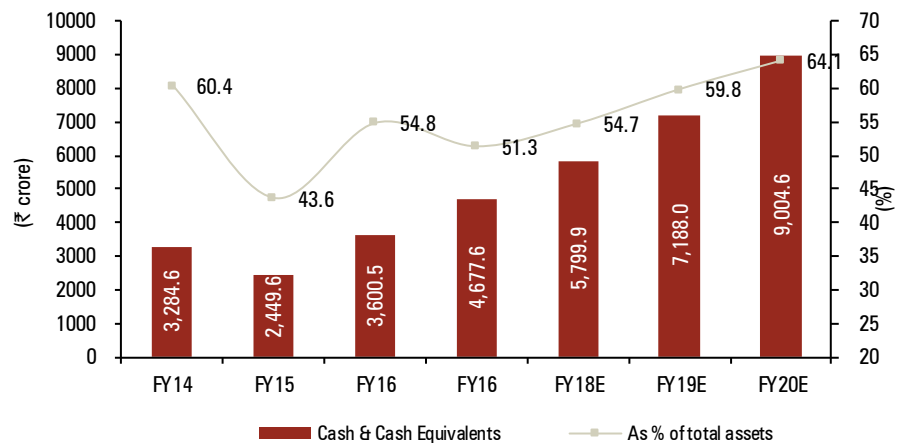


Source: Company, ICICI Direct Research

### Decent dividend payout policy, net debt negative profile

With strong CFO generation meeting most capex needs, HMCL has maintained a healthy balance sheet. This has led to a strong dividend payout policy as investment requirements in two-wheelers remain low vis-à-vis other automotive segments. Accumulated profits (ex-appropriations) have largely added to the huge liquid investment portfolio. Thus, the company has a strong balance sheet with negative net debt while the cash & cash equivalents including investment comprise >50% of the asset side. Going ahead, we expect strong cash flow generation to further lead to an increase in cash & cash equivalents to ~₹ 9005 crore by FY19E.

**Exhibit 8: Net debt negative as strong cash, equivalents form ~44% of total assets**

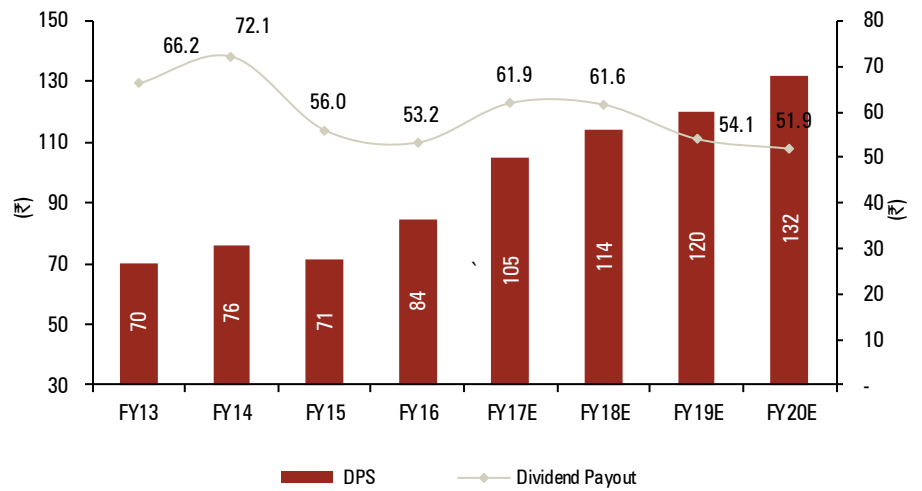


Source: Company, ICICI Direct Research

HMCL has also been a decent dividend payer with payouts at ~45% on an average (FY07-15, excluding FY10, FY11 that saw special dividends taking payouts ~100%). Going ahead, we expect dividend payouts to stay at decent levels.



**Exhibit 9: Decent dividend payout despite continuing capex plan....**



Source: Company, ICICI Direct Research

## Outlook & valuation

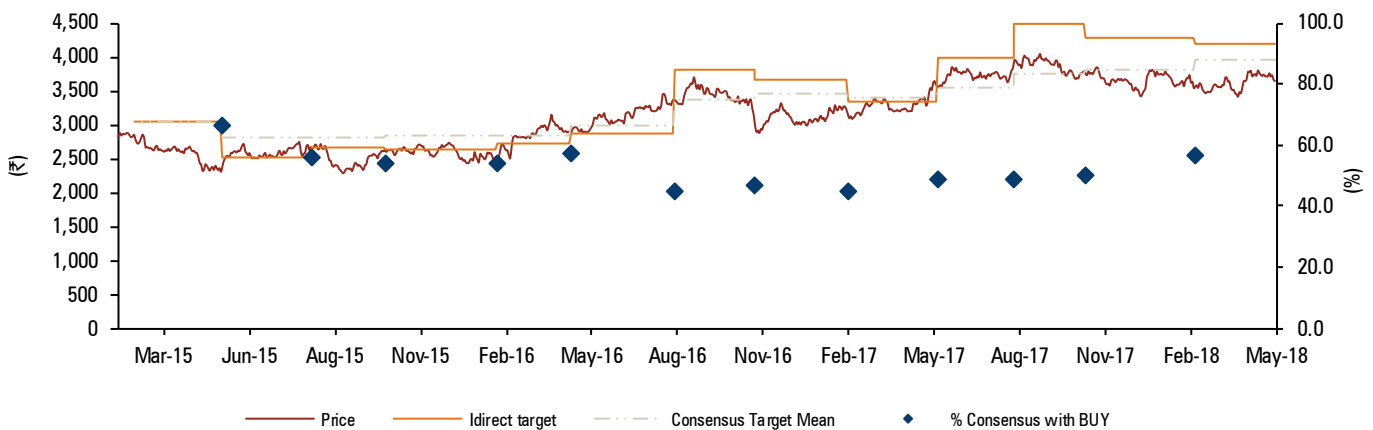
Long term structural drivers exist in the form of the government's focus on doubling farm income, reducing replacement cycles & low finance penetration. This is expected to be accentuated by pre-buying ahead of regulatory push of mandatory CBS/ABS in all models post March 2019 & BS VI implementation in 2020. Thus, we expect its volumes to grow at CAGR of 10.9% in FY18-20E while maintaining margins >16%, going forward. Hence, we maintain our **BUY** recommendation. We value HMCL at 17x FY20E EPS to arrive at a target price of ₹ 4300.

**Exhibit 10: Valuations**

	Sales (₹ cr)	Growth (%)	EPS (₹ cr)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17E	28,475.0	3.0	169.1	31.3	21.7	14.8	33.4	44.0
FY18E	32,203.1	13.1	185.1	9.5	19.8	12.8	32.1	43.7
FY19E	37,209.6	15.5	221.9	19.9	16.5	10.8	32.7	43.9
FY20E	43,419.6	16.7	254.2	14.6	14.4	9.0	31.7	44.0

Source: Company, ICICI Direct Research

## Recommended history vs. consensus estimate



Source: Bloomberg, Company, ICICI Direct Research

## Key events

Date	Event
Mar-10	Hero MotoCorp looking to add fourth plant on rural demand growth; capacity of 0.85 mn units
Dec-10	Hero Honda and Honda announce break-up of JV after more than two decades. The solo journey of Hero MotoCorp begins
Feb-11	Honda Motor Co. plans to enter into 100 cc segment intensifying competition against Hero MotoCorp
Apr-11	Hero MotoCorp announces dividend payout, which disappoints investors
Nov-11	Hero MotoCorp announces big long term plans of sales for 10 mn units and revenue \$10 billion by 2018
Mar-12	Hero looks at various options to gain technology including Ducati. Investors give a thumbs down
May-12	Hero MotoCorp announces plans to spend ₹ 2,500 crore towards plants in Rajasthan, Gujarat along with R&D centre by 2014
Sep-12	Hero MotoCorp reports weakest monthly volumes since April 2010 as rural demand slows down on weak monsoon
Feb-13	Company continues to report YoY volume declines as 2-W industry faces demand slump, competition intensifies
Apr-13	The management pushes a new five-year warranty strategy. The market response is very favourable
May-14	Hero MotoCorp's new strategy of LEAP starts to show marginal benefits
Jun-14	US based PE firm, Bain Capital sells 2.81% stake in the company for ~₹1481 crore
Jul-14	HMCL forms subsidiary in Columbia as part of its vision of expanding global footprint
Sep-14	Company plans to set up manufacturing plant in Chittoor, Andhra Pradesh with investment of ~₹ 1600 crore and capacity of 1.8 million units
Oct-14	HMCL Neemrana plant in Rajasthan goes on stream, taking the combined installed capacity of four plants at 7.65 million per annum
Dec-14	Tiger Woods becomes brand endorser for HMCL
Mar-15	HMCL JV with Magnetti Marelli, HMC-MM inaugurates its first production and development centre at Manesar, Haryana

Source: Company, ICICI Direct Research

## Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Hero Group	31-Dec-17	0.20	40.8	0.00
2	Brijmohan Lall Om Prakash Partnership Firm	31-Dec-17	0.14	27.9	0.00
3	OppenheimerFunds, Inc.	31-Mar-18	0.04	8.4	0.00
4	Life Insurance Corporation of India	31-Dec-17	0.03	5.9	0.00
5	Aberdeen Asset Management (Asia) Ltd.	31-Mar-18	0.03	5.4	0.00
6	Lazard Asset Management, L.L.C.	31-Mar-18	0.02	4.9	0.00
7	Templeton Investment Counsel, L.L.C.	28-Feb-18	0.02	4.4	-0.07
8	Aberdeen Asset Managers Ltd.	31-Mar-18	0.02	3.7	0.00
9	The Vanguard Group, Inc.	31-Mar-18	0.02	3.4	-0.02
10	SBI Funds Management Pvt. Ltd.	31-Dec-17	0.02	3.2	0.48

Source: Reuters, ICICI Direct Research

## Shareholding Pattern

(in %)	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Promoter	34.6	34.6	34.6	34.6	34.6
FII	43.0	42.9	43.1	42.3	42.5
DII	15.0	15.2	15.2	15.7	15.5
Others	7.3	7.3	7.1	7.4	7.4

## Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
SBI Funds Management Pvt. Ltd.	+28.4M	+0.5M	Principal Global Investors (Equity)	-28.2M	-0.5M
Norges Bank Investment Management (NBIM)	+18.3M	+0.3M	Grantham Mayo Van Otterloo & Co LLC	-24.1M	-0.4M
ICICI Prudential Life Insurance Company Ltd.	+16.4M	+0.3M	William Blair Investment Management, LLC	-9.6M	-0.2M
Fidelity Management & Research Company	+5.6M	+0.1M	LSV Asset Management	-9.1M	-0.2M
Templeton Asset Management Ltd.	+4.4M	+0.1M	HSBC Global Asset Management (Hong Kong) Limited	-7.6M	-0.1M

Source: Reuters, ICICI Direct Research

## Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17E	FY18E	FY19E	FY20E	
Total operating Income	28,475.0	32,203.1	37,209.6	43,419.6	
Growth (%)	0.1	13.1	15.5	16.7	
Raw Material Expenses	19,011.8	21,807.3	25,256.5	29,532.0	
Employee Expenses	1,396.0	1,540.1	1,711.9	1,932.0	
Other expenses	3,432.4	3,575.5	4,093.1	4,776.2	
Total Operating Expenditure	23,840.2	26,922.9	31,061.4	36,240.1	
EBITDA	4,634.8	5,280.2	6,148.2	7,179.5	
Growth (%)	4.5	13.9	16.4	16.8	
Depreciation	492.7	555.6	632.6	738.1	
Interest	6.1	6.3	6.1	6.1	
Other Income	522.4	525.8	646.9	810.4	
PBT	4,658.5	5,244.2	6,156.5	7,245.7	
Total Tax	1,281.3	1,546.8	1,923.2	2,203.3	
PAT	3,377.1	3,697.4	4,431.7	5,077.2	
Growth (%)	6.9	9.5	19.9	14.6	
EPS (₹)	169.1	185.1	221.9	254.2	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17E	FY18E	FY19E	FY20E	
Profit after Tax	3,377.1	3,697.4	4,431.7	5,077.2	
Add: Depreciation	492.7	555.6	632.6	738.1	
(Inc)/dec in Current Assets	-224.8	-268.5	-473.5	-769.4	
Inc/(dec) in CL and Provisions	645.0	868.3	593.8	806.8	
CF from operating activities	4,290.0	4,852.8	5,184.5	5,852.7	
(Inc)/dec in Investments	-1,071.7	-1,000.0	-1,000.0	-1,000.0	
(Inc)/dec in Fixed Assets	-1,320.4	-1,250.0	-1,250.0	-1,250.0	
Others	51.0	-200.0	-150.0	-150.0	
CF from investing activities	-2,341.2	-2,450.0	-2,400.0	-2,400.0	
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0	
Dividend paid & dividend tax	-2,091.1	-2,276.6	-2,396.4	-2,636.0	
Inc/(dec) in Sec. premium	-	-	-	-	
CF from financing activities	-1,949.6	-2,286.7	-2,402.5	-2,642.1	
Net Cash flow	5.3	122.3	388.1	816.7	
Opening Cash	131.4	136.7	259.0	647.1	
Closing Cash	136.7	259.0	647.1	1,463.8	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY17E	FY18E	FY19E	FY20E	
Liabilities					
Equity Capital	39.9	39.9	39.9	39.9	
Reserve and Surplus	10,071.3	11,488.2	13,523.5	15,964.6	
Total Shareholders funds	10,111.3	11,528.2	13,563.4	16,004.6	
Total Debt	0.0	0.0	0.0	0.0	
Deferred Tax Liability	414.3	414.3	414.3	414.3	
Others	75.3	75.3	75.3	75.3	
Total Liabilities	10,600.9	12,017.8	14,053.1	16,494.3	
Assets					
Gross Block	6,773.2	8,023.2	9,273.2	10,523.2	
Less: Acc Depreciation	2,462.4	3,018.0	3,650.6	4,388.7	
Net Block	4,310.7	5,005.1	5,622.6	6,134.4	
Capital WIP	270.7	270.7	270.7	270.7	
Total Fixed Assets	4,581.4	5,275.8	5,893.3	6,405.1	
Investments	5,889.9	7,089.9	8,239.9	9,389.9	
Inventory	656.3	738.7	857.6	1,070.6	
Debtors	1,561.9	1,678.1	1,939.0	2,379.2	
Loans and Advances	21.7	24.6	28.4	33.1	
Cash	136.7	259.0	647.1	1,463.8	
Total Current Assets	2,682.1	2,912.3	3,303.1	4,164.7	
Creditors	3,247.3	3,937.1	4,447.3	5,070.5	
Provisions	39.0	47.3	53.4	60.9	
Total Current Liabilities	3,448.3	4,093.3	4,961.6	5,555.4	
Net Current Assets	-766.2	-1,181.0	-1,658.5	-1,390.7	
Application of Funds	10,600.9	12,017.8	14,053.1	16,494.3	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY17E	FY18E	FY19E	FY20E	
Per share data (₹)					
EPS	169.1	185.1	221.9	254.2	
Cash EPS	193.8	213.0	253.6	291.2	
BV	506.3	577.3	679.2	801.4	
DPS	104.7	114.0	120.0	132.0	
Cash Per Share	6.8	13.0	32.4	73.3	
Operating Ratios (%)					
EBITDA Margin	16.3	16.4	16.5	16.5	
PBT / Net sales	14.5	14.7	14.8	14.8	
PAT Margin	8.3	8.6	11.1	11.9	
Inventory days	8.4	8.4	8.4	9.0	
Debtor days	20.0	19.0	19.0	20.0	
Creditor days	41.6	44.6	43.6	42.6	
Return Ratios (%)					
RoE	33.4	32.1	32.7	31.7	
RoCE	44.0	43.7	43.9	44.0	
RoIC	86.8	91.0	94.2	97.9	
Valuation Ratios (x)					
P/E	21.7	19.8	16.5	14.4	
EV / EBITDA	14.8	12.8	10.8	9.0	
Market Cap / Sales	2.6	2.3	2.0	1.7	
Price to Book Value	7.2	6.4	5.4	4.6	
Solvency Ratios					
Current Ratio	0.8	0.7	0.7	0.8	
Quick Ratio	0.6	0.5	0.5	0.6	

Source: Company, ICICI Direct 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		FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Amara Raja (AMARAJ)	865	875	Hold	14782	29.0	35.5	41.6	29.8	24.4	20.8	15.6	13.1	11.3	23.8	24.9	25.0	16.5	17.3	17.3
Apollo Tyre (APOTYR)	290	300	Buy	16566	12.5	21.2	25.0	23.2	13.7	11.6	7.6	7.6	6.5	8.9	12.8	13.8	7.7	11.7	12.4
Ashok Leyland (ASHLEY)	163	150	Buy	46118	5.3	7.1	8.6	30.7	23.1	18.9	12.6	10.0	8.1	29.9	33.4	34.9	22.6	25.2	25.6
Bajaj Auto (BAAUTO)	2978	3400	Hold	86179	143.4	172.5	204.1	22.2	18.4	15.6	17.3	13.9	11.6	29.9	31.8	32.6	21.9	22.8	23.3
Balkrishna Ind. (BALIND)	1238	1150	Hold	23929	39.8	51.5	63.9	28.6	22.1	17.8	18.8	14.0	11.2	23.6	26.7	27.9	18.3	26.7	27.9
Bharat Forge (BHAFOR)	763	860	Buy	35523	15.0	19.3	27.3	50.9	39.5	27.9	28.5	19.1	14.3	16.7	23.2	29.5	15.4	19.0	23.1
Bosch (MICO)	19452	21500	Hold	61079	455.8	562.0	632.1	43.2	35.0	31.1	28.1	23.0	20.2	14.7	16.6	16.8	22.0	24.7	25.1
Eicher Motors (EICMOT)	27890	32300	Buy	81395	655.9	839.0	1102.4	45.9	35.9	27.3	25.7	19.6	15.2	39.2	39.8	38.4	36.0	33.8	32.6
Exide Industries (EXIIND)	249	250	Buy	21135	8.0	9.8	11.9	31.1	25.4	20.9	14.9	12.3	10.1	17.6	19.7	21.7	12.6	14.1	15.4
Hero Moto (HERHON)	3669	4300	Buy	73263	185.1	221.9	254.2	19.8	16.5	14.4	12.8	10.8	9.0	43.7	43.9	44.0	32.1	32.7	31.7
JK Tyre & Ind (JKIND)	153	175	Hold	3459	-1.2	15.4	24.4	-126	9.9	6.3	12.8	6.7	5.1	5.2	11.8	15.0	-1.1	16.0	20.9
Mahindra CIE (MAHAUT)	240	280	Buy	9058	9.5	12.8	15.3	25.3	18.7	15.7	12.3	10.0	8.4	9.8	11.6	12.3	11.2	13.4	15.1
Maruti Suzuki (MARUTI)	8784	10850	Buy	230511	275.5	349.4	415.6	34.8	27.5	23.1	23.1	18.4	15.4	27.4	29.9	30.5	20.1	21.8	22.2
Motherson (MOTSUM)	347	375	Hold	73075	7.6	12.4	15.0	45.6	27.9	23.1	14.7	10.7	8.7	17.8	24.7	28.2	19.2	24.9	25.0
Tata Motors (TELCO)	335	475	Buy	100594	22.3	29.8	44.3	17.3	12.9	8.7	5.6	5.4	3.8	11.6	11.1	15.9	15.0	13.8	20.2
Wabco India (WABTVS)	8150	7700	Hold	15485	145.9	180.4	219.7	55.9	45.2	37.1	34.8	28.9	23.4	18.3	18.7	18.7	24.9	25.2	25.2

Source: Company, ICICI Direct Research

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