

Wabco India (WABIND)

Margins to remain under pressure!

- Wabco India's (WIL) revenues grew 42.2% YoY to ₹ 747 crore, above our estimate of ₹ 716 crore. Revenue from domestic business grew 56.2% YoY to ₹ 534 crore mainly due to low base of last year and ongoing demand drivers (high infrastructure spends, overloading restrictions) in the CV space. In terms of revenue mix, OEM revenue - ₹ 422 crore (includes ABS revenue ~₹ 97 crore), revenue from spares & operating income were ₹ 79 crore & ₹ 34 crore, respectively. Its exports increased 16.1% YoY to ₹ 213 crore driven by strong order from its parent. The company also recorded trading revenue of ~₹ 20 crore of steering products to CV players in India
- EBITDA margins, which were at 13.3% (down 117 bps YoY & 95 bps QoQ), were below our estimate of 16.5%. Margins were lower mainly due to higher raw material cost (that impacted gross margins, down 546 bps YoY, 96 bps QoQ). However, the same was partly offset by lower employee & other expense
- Other income increased 137.5% YoY to ₹ 25.1 crore mainly due to higher MTM gain on foreign exchange & higher dividend and interest on investments. Reported PAT increased 37.8% YoY to ₹ 74.7 crore

Strong demand (domestic + export) to drive growth!

WIL enjoys a leadership position (share of ~85%) in M&HCV air braking systems. The company expects M&HCV industry volumes to grow 9-11% in FY19E, on the back of a low base of (Q1FY18) last year and supported by ongoing demand triggers viz. stricter enforcement of overloading. This has resulted in fleet operators preferring higher tonnage trucks and higher infrastructure spending. Further, pre-buying ahead of implementation of BS VI norms and scrappage of vehicle of >20 years will significantly boost demand, going forward. Thus, we believe WIL is one of the major beneficiaries of an improvement in M&HCV volumes. Further, it is increasing the overall (braking related) content per vehicle in India, which is at \$500/vehicle vs. Europe, US, which are at \$3200, \$1500, respectively. According to WIL, new axle norms may create a hiccup in the near term. However, they expect the situation to normalise soon. The new axle norms will demand higher weight lifting category of braking related products that are already in place and will increase its content per vehicle. On the export front, WIL remains a preferred sourcing company for its parent, with ~50% probability of awarding new orders and is expected to continue its strong momentum.

Higher input cost + poor product mix = to impact margins!

The EBITDA margin is likely to remain under pressure in the near term mainly as 1) the company is yet to pass on the full rise in commodity cost to consumers; 2) poor product mix with higher share of revenue from trading (of steering products) & export business. On the flip side, the management is working on its internal efficiencies and has taken multiple cost reduction initiatives, which would support its margins, going forward. Thus, we reduce our margin estimate to 14.8% and 15.5% in FY19E and FY20E, respectively.

Margin pressure + valuation stretched; recommend HOLD

With the government focusing more on safety norms, WIL is well placed to capture this growth opportunity, going forward. Though we believe the revenue growth opportunity does persist, it will face some pressure on margins in the near term. Thus, we maintain our **HOLD** rating valuing the stock at 35x FY20E EPS, with a target price of ₹ 7200.

Rating matrix		
Rating	:	Hold
Target	:	₹ 7200
Target Period	:	12 months
Potential Upside	:	6%

What's Changed?	
Target	Changed from ₹ 7700 to ₹ 7200
EPS FY19E	Changed from ₹ 174.2 to ₹ 175.3
EPS FY20E	Changed from ₹ 213.9 to ₹ 205.8
Rating	Unchanged

Quarterly Performance					
(₹ Crore)	Q1FY19	Q1FY18	YoY	Q4FY18	QoQ
Revenues	747.3	525.6	42.2	784.9	-4.8
EBITDA	99.7	79.1	26.1	112.2	-11.1
EBITDA (%)	13.3	15.0	-171 bps	14.3	-95 bps
PAT	74.7	54.2	37.8	77.2	-3.2

Key Financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	1,960	2,436	2,916	3,330
EBITDA	326.4	394.2	456.1	544.0
Net Profit	213.5	272.8	332.5	390.4
EPS (₹)	112.5	143.8	175.3	205.8

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E (x)	60.3	47.2	38.7	33.0
Target P/E (x)	64.0	50.1	41.1	35.0
EV/EBITDA (x)	37.7	30.6	26.3	21.6
P/BV (x)	10.2	8.4	7.1	5.9
RoNW (%)	16.9	17.9	18.3	17.9
RoCE (%)	23.6	25.1	25.8	24.9

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 12879 Crore
Total Debt (FY18) (₹ Crore)	₹ 0 Crore
Cash & Investments (FY18) (₹ Crore)	₹ 801.8 Crore
EV (₹ Crore)	₹ 12077.2 Crore
52 week H/L (₹)	8480/5164
Equity capital (₹ crore)	₹ 9.5 Crore
Face value (₹)	₹ 5

Price performance (%)				
	1M	3M	6M	12M
Wabco India Ltd	-3.8	-14.7	-12.5	26.8
Bosch Ltd	6.3	-2.7	-3.0	-21.5
Motherson Sumi Systems	4.0	-15.3	-19.2	-7.4

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Variance analysis - Standalone

	Q1FY19	Q1FY19E	Q1FY18	YoY(%)	Q4FY18	QoQ(%)	Comments
Total Operating Income	747.3	715.8	525.6	42.2	784.9	-4.8	Revenue from OEM, exports, spares were at ₹ 422 crore, ₹ 213 crore & ₹ 79 crore, respectively. Revival in domestic M&HCV demand & strong export order lifted overall performance for Q1FY19. The quarter also included new sale of steering for CV (trading activity) worth ~₹ 20 crore
Raw Material Expenses	494.4	436.4	319.1	54.9	509.4	-3.0	WIL passed on the partial rise in commodity cost to consumer. Hence, it looks lower on a QoQ basis. However, it remains at elevated levels on a YoY basis
Employee Expenses	60.5	65.0	52.0	16.4	63.4	-4.5	
Other expenses	92.8	101.5	75.5	22.9	99.9	-7.1	
Operating Profit (EBITDA)	99.7	117.9	79.1	26.1	112.2	-11.1	Lower gross margin impacted the operational profitability of WIL
EBITDA Margin (%)	13.3	16.5	15.0	-171 bps	14.3	-95 bps	
Other Income	25.1	15.4	10.6	137.5	20.0	25.0	Higher other income is mainly due to MTM gain on foreign exchange and higher dividend & interest income from its investments
Depreciation	16	18	15	5.8	16	0.5	
Interest	0	0	0		1		
Total tax	34	32	20	68.7	38	-10.2	
PAT	74.7	83.0	54.2	37.8	77.2	-3.2	Higher than estimated revenue and lower-than-expected operating performance led PAT to come in largely in line with our estimates
EPS	39.4	43.8	28.6	37.8	40.7	-3.2	
Key Metrics							
Domestic revenues(₹ crore)	534	505	342	56.2	583	-8.4	Low base of last year in addition to a revival in domestic M&HCV volume (due to overloading restriction & governments infrastructure spending) in addition to increase in content per vehicle and new products has lifted its overall OEM performance
Export revenues(₹ crore)	213	211	184	16.1	202	5.5	The company continues to receive strong export order from its parent

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,952	3,075	4.2	3,371	3,518	4.4	Considering strong Q1FY19, we revise our revenue estimates upwards. We factor in moderate growth in Q2FY19E on account of new axle norms
EBITDA	465	456	-1.9	564	544	-3.6	
EBITDA Margin (%)	15.8	14.8	-92 bps	16.7	15.5	-127 bps	According to the management, raw material cost continues to impact WIL's gross margin. Higher trading business is also likely to impact its margins. Hence, its margins are likely to get impacted in the near term
PAT	330	333	0.8	406	390	-3.8	
EPS (₹)	174.2	175.3	0.7	213.9	205.8	-3.8	

Source: Company, ICICI Direct Research

Assumptions

	FY17	FY18E	Current FY19E	FY20E	Earlier FY19E	FY20E	Comments
Revenue (₹ crore)							
OEM	1,068	1,298	1,612	1,840	1,493	1,704	Higher M&HCV demand in addition to the company's focus on increasing content per vehicle is expected to drive its OEM revenue. Further, WIL reported strong Q1FY19 revenue driving the overall performance
Replacement	317	363	416	468	409	460	
Exports	578	777	889	1,022	893	1,027	

Source: Company, ICICI Direct Research

Company Analysis

Monopoly braking systems business to drive sales growth

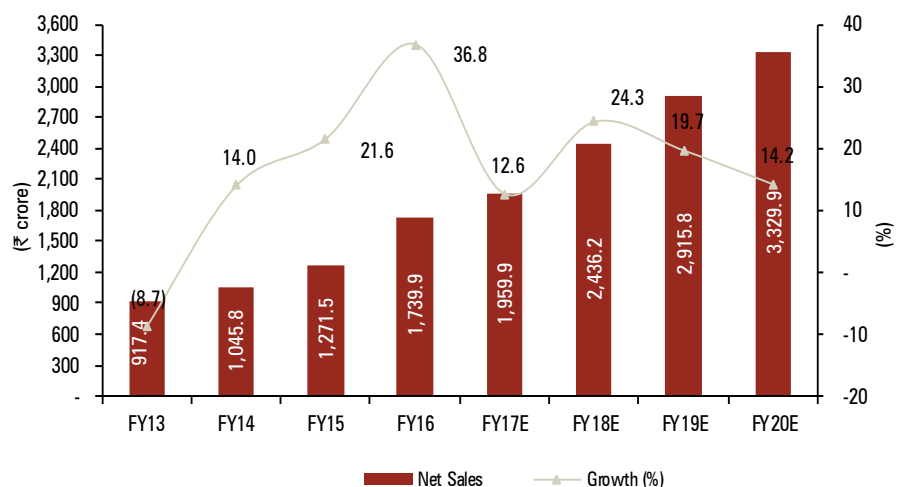
Wabco is an attractive ancillary company due to the near monopoly positioning in braking and advanced safety components, which we believe will remain critical for all OEMs. We believe WIL would witness a better demand scenario in the automotive space in coming years considering that, in the past, demand conditions were weak. According to Siam, production volumes of M&HCV declined 28% and 21% in FY13 and FY14, respectively. However, it improved registering strong growth of 21% & 27% in FY15 & FY16, respectively. The high base effect of two years coupled with demonetisation further impacted M&HCV production, which reported modest growth of 0.4% YoY in FY17.

Implementation of BS IV emission norms and GST impacted Q1FY18 where M&HCV production declined 45.3% YoY, thereby impacting WIL's domestic – OEM operations, which account for ~54% of overall revenue. However, M&HCV volumes have sharply bounced back. For Q2FY18, Q3FY18 & Q4FY18, industry production volumes increased 11%, 21%, 18% YoY, respectively. Growth was supported by stricter implementation of overloading resulting in demand for higher tonnage vehicle & government's focus on infra development. We expect the demand momentum to continue in FY19E while we expect pre-buying ahead of implementation of BS VI norms that will drive volumes for FY20E.

Further additional volume kicker is expected from the scrappage policy, going forward. WIL is also increasing the overall (braking related) content per vehicle in India, which is at \$500/vehicle and is very low compared to Europe, US, which are at \$3200, \$1500, respectively. The Motor Vehicles (Amendment), Bill 2016 emphasises on road safety, through retrofitting safety equipment in accordance with prescribed standard & specification by government. Thus, if ABS gets mandated for all on-road M&HCV vehicles ~25 lakh, it has an incremental revenue potential of ₹ 3,000 crore.

Thus, we believe, M&HCV production volume will grow at a CAGR of 12-13% over the next couple of years. WIL is a unique proxy to a CV revival. Thus, we estimate overall revenues to report CAGR of 17% in FY18-20E.

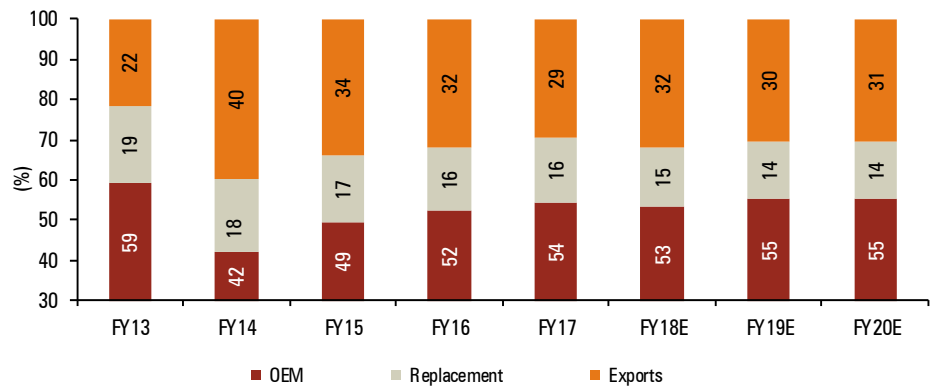
Exhibit 1: We build modest revenue growth at ~17% CAGR in FY18-20E



Source: Company, ICICI Direct Research

Growth in OEM share was boosted by addition of ABS from FY15 onwards. ABS is likely to contribute ~₹ 446, ~₹ 508 in FY19E & FY20E, respectively

Exhibit 2: Revenue break-up across segments



Source: Company, ICICI Direct Research

Remains preferred source for its parent

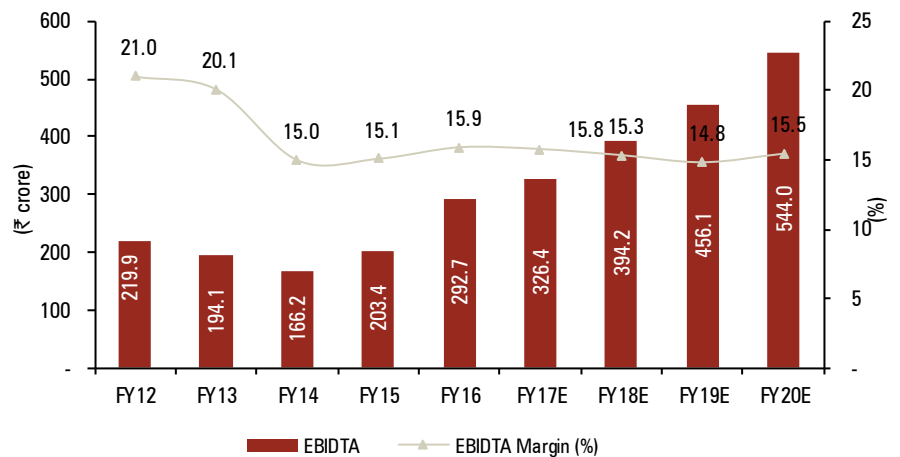
Of total export revenues, US, Europe, Asia account for 40%, 40%, 20%, respectively. WIL's parent's strategy is to source from the low cost country (includes India, China, Brazil & Poland). Contribution from these countries improved from ~10% in 2000 to 44% in 2015, thus benefiting WIL. The management expects WIL to remain a preferred sourcing company for its parent, with ~50% probability of awarding new orders & expects exports revenue to touch ₹ 1,000 crore in next three to four years.

Higher royalty to impact margins

WIL's margins had remained largely stable till FY13 despite the slowdown in the CV industry. However, in FY14, with the industry witnessing worsening conditions, WIL's margins have seen a downturn falling to 15% as the second year of the downturn has hit fleet operators hard. However, with the revival in M&HCV demand during FY15 & FY16, margins expanded gradually boosting profitability. Further, WIL's strategy of increasing content per vehicle (the implementation of ABS) further lifted the operating profit.

However, in April 2016, the board of WIL decided to hike its royalty payment from ~1% to 4% for using licensed intangibles and technical know-how from its parent. The royalty is applicable only on the domestic business and would not be levied on exports that are largely to its parent and other related group entities. However, the negative effect of higher royalty was cushioned by other margin levers like a better product mix, focus on cost efficiencies and localisations efforts. Thus, its margins witnessed a moderate decline of 10 bps to 15.8% in FY17. Also, revenues from ABS & other products in the domestic market are localised. Hence, they are not applicable to any kind of royalty. In FY18, higher raw material cost dented WIL margins as it was unable to pass on the same. In Q1FY19, poor product mix and higher raw material continued to dent margins, which declined 117 bps YoY & 95 bps QoQ. Thus, we believe near term margin pressure could be seen. Thus, we lower our margin estimates to 14.8% and 15.5% in FY19E and FY20E, respectively.

Exhibit 3: EBITDA margin to remain under pressure in FY19E, steadily move up...

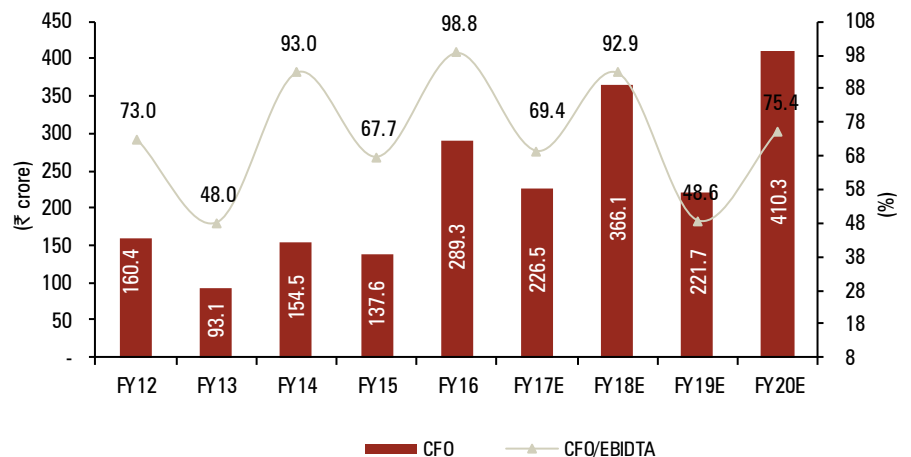


Source: Company, ICICI Direct Research

Strong CFOs; robust return ratios; "zero-debt" ancillary

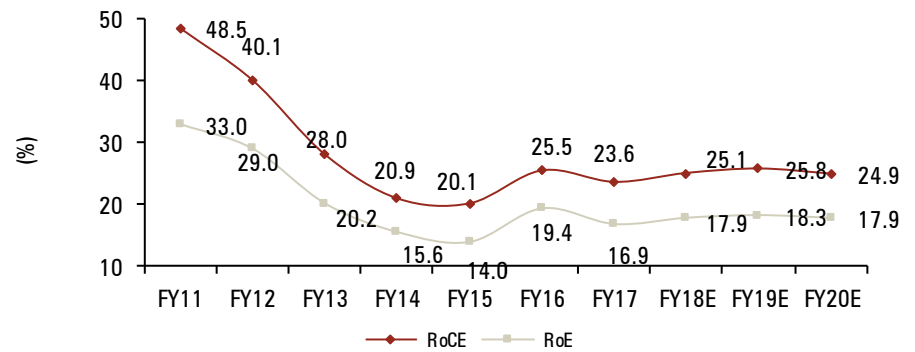
WIL's financials speak volumes about the strength of the company as it is debt-free and generates strong cash flow from its operations every year. With a lean working capital cycle, WIL's balance sheet strength remains unfettered. The company has been reporting strong return ratios >20% prior to FY13. The weakness in the domestic M&HCV industry had led to a reduction in these return ratios in FY13 and FY14. However, the same has again moved northwards from FY15 onwards and is expected to continue its trend, going forward. Thus, for FY20E, we expect its RoE & RoCE at 18% & 25%, respectively.

Exhibit 4: Healthy CFO/EBITDA



Source: Company, ICICI Direct Research

Exhibit 5: Return ratio profile improves

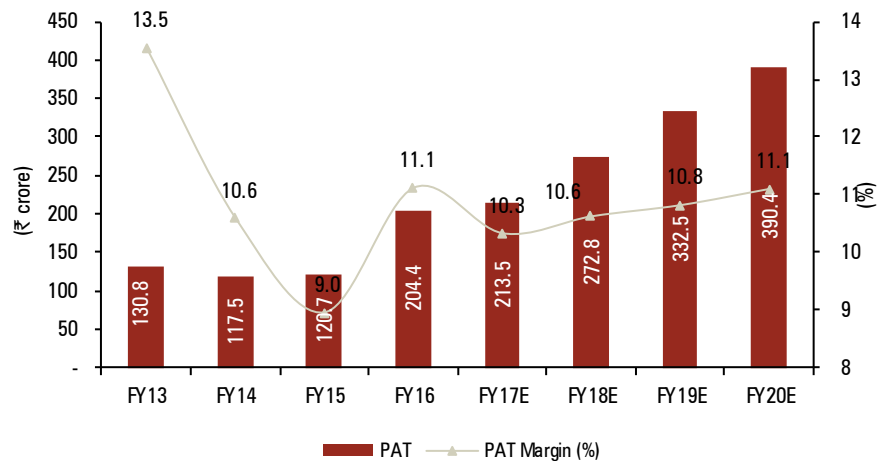


Source: Company, ICICI Direct Research

Profitability to remain at elevated level

We believe higher revenue growth will aid profitability. We expect a major improvement in PAT margins from 9% in FY15 to 11.1% (up 210 bps) in FY20E. We expect PAT to post a CAGR of 20% in FY18-20E to ₹ 390 crore.

Exhibit 6: Profitability to improve, going forward



Source: Company press release, ICICI Direct Research

Outlook and valuation

With profitability expected to grow at 20% CAGR in FY18-20E and the company in low capex mode over the next two or three years, FCFs are likely to remain strong. With Wabco managing strong return ratios even when the truck industry was under severe duress, we believe the strength of the balance sheet and the healthy return ratio profile is commendable. WIL's strong monopoly position in braking components is likely to sustain in both the OEM and after-market segments. We feel the government and road transport authorities are finally waking up to the much needed regulation changes with BS IV being implemented from April 2017 and BS VI (skipping BS V) likely to be implemented by FY20E across India. This would aid stronger than usual revenue growth and margin for Wabco. In addition, a debt-free balance sheet, strong MNC parent, exports growth and market dominant position in the domestic market is justifying its premium valuation.

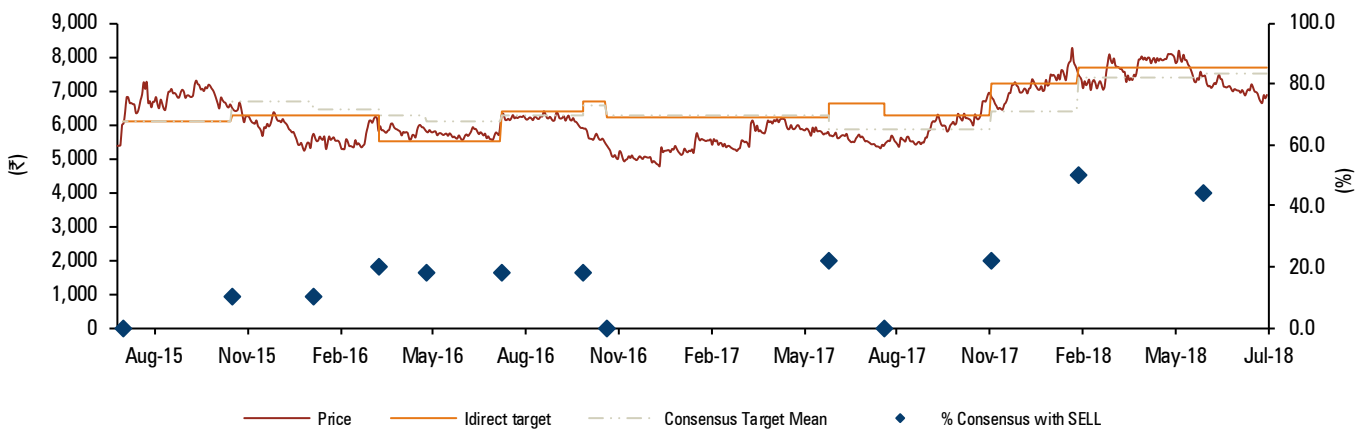
WIL's business has been largely stable even when the CV industry, in the past, had gone through its downturns. Further with the government focusing more on safety norms, we believe WIL, being the market leader, is well placed to capture this growth opportunity, going forward. Though we believe that revenue growth opportunity does persist, it will face pressure on margins in the near term. Thus, we maintain our **HOLD** rating valuing the stock at 35x FY20E EPS, with a target price of ₹ 7200.

Exhibit 7: Valuation

	Revenues (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	2067.5	12.5	112.5	4.5	60.3	37.7	16.9	23.6
FY18E	2568.9	24.3	143.8	27.8	47.2	30.6	17.9	25.1
FY19E	3074.9	19.7	175.3	21.9	38.7	26.3	18.3	25.8
FY20E	3517.9	14.4	205.8	17.4	33.0	21.6	17.9	24.9

Source: Company, ICICI Direct Research

Recommended history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Jan-10	Wabco India expands into vehicle control systems
May-10	Venu Srinivasan steps down as Chairman of the company
Jul-11	Changes the name to Wabco India from Wabco TVS
Sep-12	Wabco unveils manufacturing facility at Chennai's Mahindra World City aiming at exports
Jan-13	Weakness in OEM volumes starts showing impact as topline de-grows
May-13	Media reports state possibility of notification of mandatory ABS implementation for commercial vehicles
Oct-13	Q2FY14 marred by lowest operating profit in nearly three years at ~13%
Dec-13	Expectation of improvement in M&HCV segment volumes in fourth quarter on the back of a sequential improvement in volumes
Jun-14	Government notification for mandatory ABS implementation in medium & heavy truck bus segment in FY16E
Dec-14	Wabco India equity shares get delisted from Madras Stock Exchange

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)	Shareholding Pattern	(in %)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
1	Wabco Asia Pvt. Ltd.	30-Jun-18	0.75	14.2	0.00	Promoter	75.0	75.0	75.0	75.0	75.0	75.0
2	Axis Asset Management Company Limited	30-Jun-18	0.038	0.7	0.02	FII	2.6	2.6	2.7	2.7	2.7	2.7
3	Franklin Templeton Asset Management (India) Pvt. Ltd.	30-Jun-18	0.0113	0.2	-0.01	DII	12.2	12.7	12.9	12.9	12.9	12.9
4	Sundaram Asset Management Company Limited	31-May-18	0.0101	0.2	0.00	Others	10.1	9.7	9.4	9.4	9.4	9.4
5	UTI Asset Management Co. Ltd.	30-Jun-18	0.0084	0.2	0.00							
6	Aditya Birla Sun Life AMC Limited	30-Jun-18	0.0059	0.1	0.00							
7	The Vanguard Group, Inc.	30-Jun-18	0.0059	0.1	0.00							
8	Tata Asset Management Limited	30-Jun-18	0.0049	0.1	0.00							
9	Motilal Oswal Asset Management Company Ltd.	31-May-18	0.0036	0.1	0.00							
10	Dimensional Fund Advisors, L.P.	30-Jun-18	0.0033	0.1	0.00							

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Axis Asset Management Company Limited	2.359	0.023	L&T Investment Management Limited	-3.891	-0.038
Baroda Pioneer Asset Management Company Limited	0.579	0.006	Franklin Templeton Asset Management (India) Pvt. Ltd.	-1.232	-0.012
Wasatch Advisors, Inc.	0.292	0.002	Degroff Petercam Asset Services SA	-0.241	-0.002
The Vanguard Group, Inc.	0.094	0.001	Motilal Oswal Asset Management Company Ltd.	-0.145	-0.001
Taurus Asset Management Co. Ltd.	0.055	0.001	BlackRock Institutional Trust Company, N.A.	-0.118	-0.001

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement ₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Total operating Income	2,067.5	2,568.9	3,074.9	3,517.9
Growth (%)	12.5	24.3	19.7	14.4
Raw Material Expenses	1,238.1	1,601.9	1,924.4	2,167.2
Employee Expenses	191.1	229.1	265.3	298.2
Other Expenses	311.9	343.7	368.0	416.2
Total Operating Expenditure	1,741.1	2,174.7	2,618.8	2,973.9
EBITDA	326.4	394.2	456.1	544.0
Growth (%)	11.5	20.8	15.7	19.3
Depreciation	61.6	61.7	64.6	82.7
Interest	0.5	1.6	0.2	0.2
Other Income	36.2	51.0	77.9	84.9
PBT	300.5	381.8	469.3	546.0
Exceptional items	0.0	0.0	0.0	0.0
Total Tax	87.0	109.0	136.7	155.6
PAT	213.5	272.8	332.5	390.4
Growth (%)	4.5	27.8	21.9	17.4
EPS (₹)	112.5	143.8	175.3	205.8

Source: Company, ICICI Direct Research

Balance sheet ₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Liabilities				
Equity Capital	9.5	9.5	9.5	9.5
Reserve and Surplus	1,256.9	1,516.4	1,807.8	2,176.5
Total Shareholders funds	1,266.4	1,525.9	1,817.3	2,185.9
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	25.1	30.3	30.3	30.3
Total Liabilities	1,291.6	1,556.3	1,847.7	2,216.3
Assets				
Gross Block	649.8	752.5	894.9	994.9
Less: Acc Depreciation	331.9	393.6	458.2	540.8
Net Block	317.9	358.9	436.7	454.1
Capital WIP	61.7	52.4	10.0	10.0
Total Fixed Assets	379.6	411.3	446.7	464.1
Investments	298.1	445.7	695.7	995.7
Inventory	145.3	132.4	168.5	192.8
Debtors	518.0	648.3	758.2	867.4
Loans and Advances	70.9	87.3	104.4	119.5
Other current assets	2.7	6.3	7.5	8.6
Cash	266.9	356.1	170.4	144.6
Total Current Assets	1,003.9	1,230.4	1,209.0	1,332.9
Creditors	341.9	532.4	505.5	578.3
Provisions	16.5	26.5	26.5	26.5
Other Current Liabilities	92.9	80.0	95.7	109.5
Total Current Liabilities	451.4	638.9	627.7	714.3
Net Current Assets	552.5	591.4	581.3	618.6
Other non-current Assets	20	53	63	72
Application of Funds	1,291.6	1,556.3	1,847.7	2,216.3

Source: Company, ICICI Direct Research

Cash flow statement ₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Profit after Tax	213.5	272.8	332.5	390.4
Add: Depreciation	61.6	61.7	64.6	82.7
(Inc)/dec in Current Assets	-53.6	-137.3	-164.4	-149.6
Inc/(dec) in CL and Provisions	4.6	167.2	-11.2	86.7
CF from operating activities	226.5	366.1	221.7	410.3
(Inc)/dec in Investments	-77.9	-147.5	-250.0	-300.0
(Inc)/dec in Fixed Assets	-67.9	-93.5	-100.0	-100.0
Others	-35.0	6.3	-5.7	-5.0
CF from investing activities	-171.1	-262.0	-366.1	-414.1
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-16.1	-18.3	-20.6	-21.8
Others	14.8	3.4	-20.7	-0.2
CF from financing activities	-1.3	-14.9	-41.3	-22.0
Net Cash flow	54.2	89.2	-185.7	-25.8
Opening Cash	212.7	266.9	356.1	170.4
Closing Cash	266.9	356.1	170.4	144.6

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Per share data (₹)				
EPS	112.5	143.8	175.3	205.8
Cash EPS	145.0	176.4	209.4	249.4
BV	667.7	804.5	958.1	1,152.5
DPS	7.0	8.0	9.0	9.5
Cash Per Share	140.7	187.7	89.8	76.3
Operating Ratios (%)				
EBITDA Margin	15.8	15.3	14.8	15.5
PBIT / Net sales	12.8	12.9	12.7	13.1
PAT Margin	10.3	10.6	10.8	11.1
Inventory days	25.7	18.8	20.0	20.0
Debtor days	60.4	75.7	60.0	60.0
Creditor days	91.4	92.1	90.0	90.0
Return Ratios (%)				
RoE	16.9	17.9	18.3	17.9
RoCE	23.6	25.1	25.8	24.9
RoIC	37.7	47.5	40.4	43.4
Valuation Ratios (x)				
P/E	60.3	47.2	38.7	33.0
EV / EBITDA	37.7	30.6	26.3	21.6
EV / Net Sales	6.0	4.7	3.9	3.3
Market Cap / Sales	6.2	5.0	4.2	3.7
Price to Book Value	10.2	8.4	7.1	5.9
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	2.1	1.6	2.1	2.1
Quick Ratio	1.7	1.4	1.7	1.7

Source: Company, ICICI Direct Research

ICICI Direct 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)	790	875	Hold	13493	27.6	32.8	41.0	28.6	24.1	19.2	15.5	13.2	10.6	23.3	23.4	25.0	16.0	16.3	17.3
Apollo Tyre (APOTYR)	282	325	Buy	16129	12.7	19.9	25.0	22.3	14.2	11.3	7.9	7.9	6.5	7.8	11.1	12.6	7.4	10.6	12.0
Ashok Leyland (ASHLEY)	112	135	Buy	31640	5.3	6.6	8.2	21.0	16.9	13.7	10.2	8.8	6.8	28.5	31.2	33.0	21.9	23.4	24.2
Bajaj Auto (BAAUTO)	2635	2550	Hold	76252	140.6	142.3	161.7	19.1	18.9	16.6	14.9	14.0	12.2	29.6	27.7	28.5	21.5	19.6	20.1
Balkrishna Ind. (BALIND)	1201	1215	Hold	23217	38.2	52.3	63.9	30.1	22.0	18.0	20.2	14.5	11.9	22.4	26.5	27.4	18.1	26.5	27.4
Bharat Forge (BHAFOR)	632	800	Buy	29401	16.2	24.7	29.0	39.0	25.6	21.8	18.1	14.4	12.1	23.0	27.5	26.6	17.5	24.2	22.2
Bosch (MICO)	18727	19500	Hold	58804	449.1	573.8	645.4	40.1	31.4	27.9	24.9	20.2	17.7	14.4	15.9	16.1	21.4	23.7	24.0
Eicher Motors (EICMOT)	27990	35600	Buy	75601	725.5	1114.9	1325.3	38.6	25.1	21.1	28.2	21.3	16.9	39.1	36.9	34.6	29.9	31.3	28.1
Exide Industries (EXIIND)	273	300	Buy	23180	8.2	10.1	12.4	33.1	27.0	22.0	17.7	14.8	12.2	19.1	20.1	21.9	13.0	14.2	15.5
Hero Moto (HERHON)	3092	3700	Buy	61747	185.1	195.7	231.3	16.7	15.8	13.4	10.6	9.5	7.8	43.7	42.7	43.8	32.1	30.0	30.7
JK Tyre & Ind (JKIND)	123	120	Hold	2799	2.9	15.7	22.1	42	7.8	5.6	10.3	5.9	4.8	7.8	13.2	15.3	3.7	16.6	18.8
Mahindra CIE (MAHAUT)	250	280	Buy	9452	9.5	13.4	16.5	26.4	18.7	15.2	13.0	10.1	8.2	9.8	12.0	13.0	11.2	13.9	16.1
Maruti Suzuki (MARUTI)	9396	9875	Hold	256989	255.6	317.8	379.8	36.8	29.6	24.7	23.4	19.3	16.2	25.9	27.1	27.6	18.5	19.9	20.4
Motherson (MOTSUM)	307	335	Hold	64550	7.6	12.0	14.5	40.4	25.6	21.2	13.9	10.0	8.1	16.3	23.5	27.0	17.4	24.2	24.5
Tata Motors (TELCO)	262	355	Buy	78545	26.8	32.2	39.8	10.0	8.4	6.8	2.8	2.7	2.4	10.5	10.7	11.3	10.3	12.6	13.1
Wabco India (WABTVS)	6790	7200	Hold	13140	143.8	175.3	205.8	48.1	39.4	33.6	30.6	26.3	21.6	17.9	18.3	17.9	25.1	25.8	24.9

Source: Company, ICICI Direct Research

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