

Rating matrix		
Rating	:	Hold
Target	:	₹ 335
Target Period	:	12 months
Potential Upside	:	9%

What's changed?		
Target		Unchanged
EPS FY18E	Changed from ₹ 12.0 to ₹ 11.2	
EPS FY19E	Changed from ₹ 14.5 to ₹ 14.4	
Rating		Unchanged

Quarterly performance					
(₹ Crore)	Q1FY19	Q1FY18	YoY	Q4FY18	QoQ
Revenues	14,775.5	13,128.6	12.5	15,407.8	-4.1
EBITDA	1,412.1	1,186.4	19.0	1,500.1	-5.9
EBITDA (%)	9.6	9.0	52 bps	9.7	-18 bps
Reported PAT	443.1	278.0	59.4	518.4	-14.5

Key financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	42,493	56,293	63,972	73,329
EBITDA	4,284.7	5,122.6	6,645.1	8,038.1
Net Profit	1,554.3	1,597.0	2,359.0	3,041.8
EPS (₹)	7.7	8.2	11.2	14.4

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E (x)	39.9	37.6	27.4	21.2
Target P/E (x)	45.4	44.2	29.9	23.2
EV/EBITDA (x)	16.3	13.9	10.6	8.5
P/BV (x)	7.8	6.5	6.3	5.3
RoNW (%)	19.6	17.4	23.0	24.8
RoCE (%)	16.0	16.3	22.5	27.0

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 64632.4 Crore
Total Debt (FY18) (₹ Crore)	9,477.0
Cash & Investments (FY18) (₹ Crore)	5,093.9
EV (₹ Crore)	69,887.6
52 week H/L (₹)	395 / 279
Equity capital (₹ crore)	₹ 210.5 Crore
Face value (₹)	₹ 1

Price performance				
	1M	3M	6M	12M
Motherson Sumi Systems	2.2	-11.8	-14.2	-10.3
Bosch Ltd	7.4	-2.6	-0.8	-21.6
Wabco India Ltd	-3.1	-15.5	-8.0	18.1

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Motherson Sumi (MOTSUM)

₹ 307

Margin pressure to remain in near term!

- Motherson Sumi's (MSL) consolidated revenues came in at ₹ 14,775 crore (up 12.5% YoY), below our estimate of ₹ 15,825 crore. The Q1FY19 results are as per new 'accounting standard Ind-As 115'. Thus, results are not comparable. The impact of new norms mainly lowered revenue of SMP (~₹ 1318 crore) & standalone (~₹ 90 crore). Thus, adjusted revenues grew 24% YoY to ₹ 16,106 crore
- Net sales from standalone business grew 16.5% YoY to ₹ 2,004 crore. Further, SMR revenue (in constant currency terms) grew 1% YoY to ₹403 million while SMP revenue declined 6.9% YoY to ₹792 million. Revenue from PKC operations grew 17% YoY to ₹296 million
- Consolidated EBITDA margins expanded 52 bps YoY to 9.6%. EBITDA margins of the standalone business declined 119 bps YoY to 17.1% mainly impacted by higher input cost (copper price up 21.3% YoY). EBITDA margins of SMR contracted 10 bps YoY to 11.2% while SMP margin contracted 50 bps YoY to 6.2% (impacted by higher start-up cost). Margins of PKC business expanded 157 bps YoY to 9.5%. Adjusted PAT grew 21.8% YoY to ₹ 443 crore
- The company inaugurated its SMP Tuscaloosa (US) plant while globally its six plants are at different stages of completion. Also, MSL completed the Reydel acquisition on August 2, 2018. Thus, it would be consolidated into financials from Q2FY19E onwards

Strong order book + integration of acquisition to drive performance

MSL has its highest ever order book at ₹17.2 billion (₹ 129,785 crore) as of FY18, to be executed gradually, going forward. Further, its strategy to diversify its customer base is helping it to overcome client concentration risk. It is aiming at '3Cx15' – i.e. no country, customer or component should contribute >15% of sales and will reduce its concentration risk. MSL completed the acquisition of Reydel Automotive (RA), on August 2, 2018 & will be consolidating its financials from Q2FY19E onwards. Though we have not incorporated the RA acquisition in our estimates, we believe RA is expected to contribute (>₹ 1,500 crore & >₹ 100 crore on topline, EBITDA) quarterly. The management retains its overall guidance of \$18 billion by FY20 through a mix of organic, inorganic route (65:35), respectively, and RoCE of >40%. MSL has integrated PKC & will integrate RA from Q2FY19E onwards, driving its performance, going forward.

High input cost & start-up cost to impact margins in near term

Over the years, MSL's European subsidiaries (SMR + SMP) posted a strong operating performance. EBITDA margins of SMR improved from >5% in FY12 to 11.6% in FY18 while SMP's margins improved from ~2% in FY12 to 7.7% in FY18. However, new expansion, particularly in SMP, is resulting in high start-up cost of ₹62 million impacting its margins (179 bps YoY in FY18). For Q1FY19, the standalone margin was impacted by higher raw material cost while SMP margins continues to get impacted by higher start-up cost. We believe the start-up cost will sustain in the near term thereby impacting margins for FY19E.

Challenging target (inorganic growth + margin expansion); HOLD!

MSL's competence in turning around businesses & strong focus on RoCE is evident from the success of SMR, SMP. However, its inorganic way of expansion looks challenging. MSL is currently facing high start-up cost pressure that could be absorbed as volume picks up. However, any slowdown in demand (due to regulatory, geopolitical issues) will further result in higher overhead cost. Thus, we value MSL at 23x its FY20E EPS of ₹ 14.4/share with target price of ₹ 335 and **HOLD** rating on the stock.

Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Total Operating Income	14775	15825	13129	12.5	15408	-4.1	The reported Q1FY19 results are as per new accounting standard, which has an impact on the revenues. Thus, results are not comparable on a like-to-like basis. According to the company's presentation, adjusted consolidated revenue grew 24% YoY to ₹ 16,106 crore
Raw Material Expenses	8,509	9,902	7,987	6.5	9,338	-8.9	
Employee Expenses	3,230	2,695	2,581	25.1	3,016	7.1	
Other expenses	1,624	1,692	1,374	18.2	1,553	4.6	
Forex Loss/(Gain)	0	0	0	NA	0	NA	
Operating Profit (EBITDA)	1,412	1,536	1,186	19.0	1,500.1	-5.9	
Adjusted EBITDA	1,412	1,536	1,186	19.0	1,500	-5.9	
Adj. EBITDA Margin (%)	9.6	9.7	9.0	52 bps	9.7	-18 bps	EBITDA margins contracted on a QoQ basis impacted by higher raw material cost in standalone business & higher start-up cost in SMP business
Other Income	44.7	23.5	3.9	1,060.5	61.5	-27.4	
Depreciation	447	433	377	18.6	407	9.9	
Interest	100.5	107.6	117.6	-14.5	113.0	-11.1	
PAT	443.1	522.5	278.0	59.4	518.4	-14.5	
Adjusted PAT	443.1	522.5	363.7	21.8	533.2	-16.9	PAT (after minority interest of ₹ 175.3 crore) increased 21.8% YoY to ₹ 443 crore. Further, in Q1FY18 (last year), the company also reported an exceptional expense of ₹ 150 crore
EPS	2.1	2.5	1.3	59.4	2.5	-14.5	
Key Metrics (as reported in Q1FY19 results)							
Standalone revenue (₹ crore)	2004	1979	1721	16.5	2107	-4.9	Standalone revenue witnessed strong growth and was well above our estimates
Standalone margin (%)	17.1	18.6	18.3	-119 bps	18.5	-141 bps	Higher raw material (copper prices up 21.3% YoY) impacted standalone margins
SMR revenue (€ million)	403	403	399	1.0	406	-0.7	SMR's topline de-grew mainly after we believe subdued growth of its key OEM - Hyundai and Kia Motors
SMR margin (%)	11.2	12.0	11.3	-10 bps	13.1	-188 bps	
SMP revenue (€ million)	792	945	851	-6.9	895	-11.5	Reported constant currency de-grew 6.9% YoY was below our estimates. However, adjusted for the new accounting standard, revenues grew 12.5% YoY to €957 mn
SMP margin (%)	6.2	6.9	6.7	-50 bps	8.9	-274 bps	SMP margins contracted 50 bps YoY & 274 bps QoQ mainly on account of higher start-up cost (€ 15 mn)

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	66,822	63,972	-4.3	76,392	73,329	-4.0	We reduce our revenue estimates mainly after slower expected growth of its SMR & SMP business
EBITDA	7,035	6,645	-5.5	8,371	8,038	-4.0	
EBITDA Margin (%)	10.5	10.4	-14 bps	11.0	11.0	0 bps	Higher commodity cost in India & start-up cost in its European business is likely to impact its margins in near term (thus, we lower FY19E estimates but we maintain our margin estimates for FY20E)
PAT	2,520	2,359	-6.4	3,044	3,042	-0.1	Adjusted for depreciation & other income; our PAT estimates remain largely unchanged
EPS (₹)	12.0	11.2	-6.4	14.5	14.4	-0.1	

Source: Company, ICICI Direct Research

Assumptions

	Current				Earlier		Comments
	FY17	FY18E	FY19E	FY20E	FY19E	FY20E	
Standalone revenues (₹ crore)	6,313	7,478	8,638	9,931	8,596	9,885	Assuming the strong OEM demand in the domestic market, we revise our revenue estimates higher
Standalone margins (%)	19.7	18.5	18.8	19.9	19.2	20.0	Margin estimate lowered assuming higher input cost
SMR revenues (€ million)	1,576.0	1,575.0	1,634.0	1,879.1	1,701.0	1,956.0	Slower sales to its key OEM client - Hyundai and Kia Motors is impacting its revenue
SMR margins (%)	10.9	11.5	12.0	12.4	12.1	12.4	Margin estimate for SMR unchanged
SMP revenues (€ million)	2,986.0	3,451.0	3,652.0	4,199.8	4,003.0	4,603.6	We revise our estimates lower, mainly after moderation of growth in Q1FY19
SMP margins (%)	7.3	7.2	7.6	8.5	7.9	8.5	Margin estimate reduced due to start-up cost of its facilities, which will impact its FY19E performance

Source: Company, ICICI Direct Research

Company Analysis

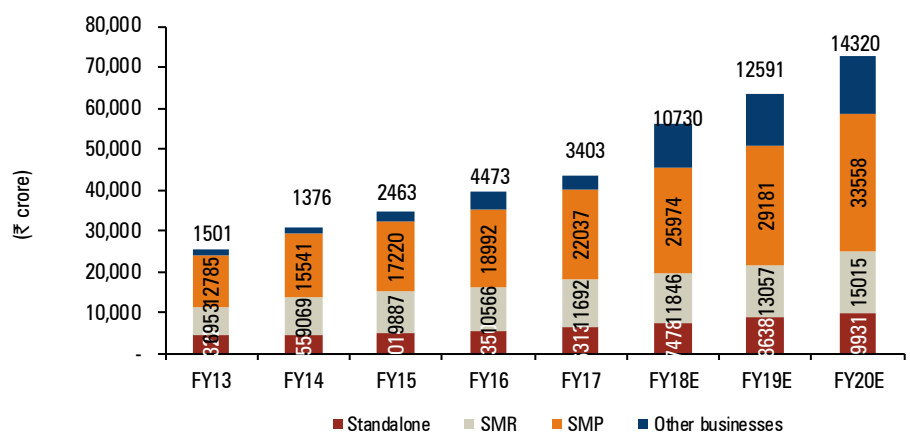
Local business to ride recovery while subsidiaries ramp up aggressively

MSL managed to increase its domestic revenues by ~18% in FY18 above the industry (passenger vehicle – production), which grew 5.5% YoY. Going forward also, we expect MSL's domestic performance to outpace industry performance, as we expect its domestic revenue to post 15% CAGR in FY18-20E (above PV industry production growth of ~10%). This is in anticipation of 1) a 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 impact 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 orders, recovery in Europe and entry into North American car market 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.

MSL overall bagged new orders worth ₹ 35,464 crore in FY18, taking the overall book to ₹ 129,785 crore as of FY18. 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 FY15-20E.

Exhibit 1: Growth in revenues – Segment wise



Source: Company, ICICI Direct Research

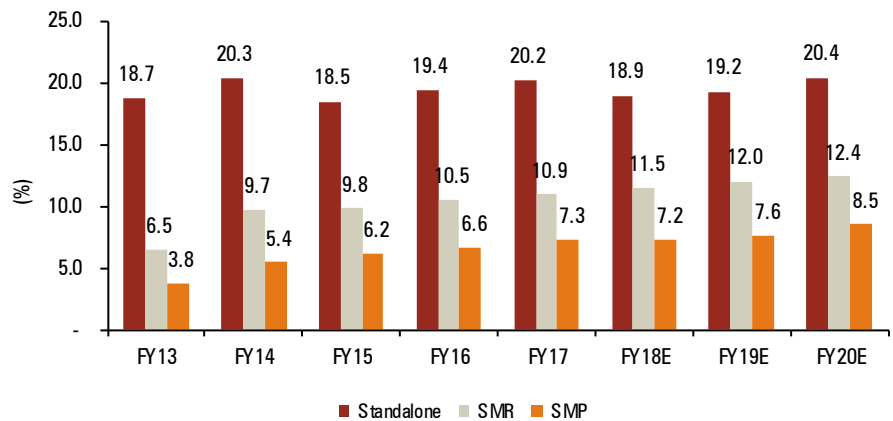
EBITDA margins to remain strong as overall performance improves

Historically, the standalone business has continued to deliver strong operating margins even with the slowdown hitting OEMs hard. EBITDA margins improved 46 bps YoY to 18.7% in FY16 and expanded 156 bps YoY to 20.2% in FY17. We believe higher copper prices and its inability to pass them on immediately to consumers (passes on the price with a lag of three to six months) impacted its margins in FY18, down 172 bps YoY

to 18.5%. Further, with expectations of an improvement in production of OEMs, we believe standalone margins may improve with benefits arriving from operating leverage, going forward.

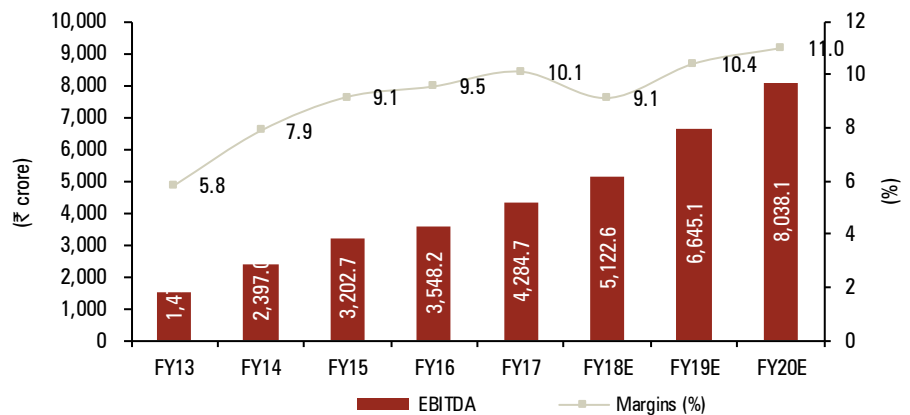
For subsidiaries, a ramp up of new facilities and in-sourcing opportunities are likely to continue to improve operating margins. We believe the initial gestation period of new plants coming in, may increase its overheads cost, thereby impacting margins, to some extent, though the same is structurally likely to move northwards. We expect SMP's margins to gradually inch up towards 7.6% & 8.5% while SMR margins are expected at 12% & 12.4% for FY19E & FY20E, respectively.

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



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margin trends - Consolidated

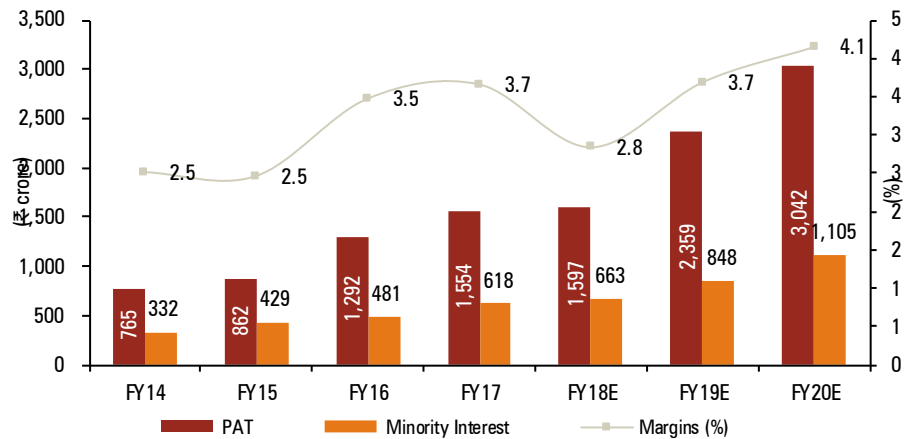


Source: Company, ICICI Direct Research

Profitability to remain at elevated levels!

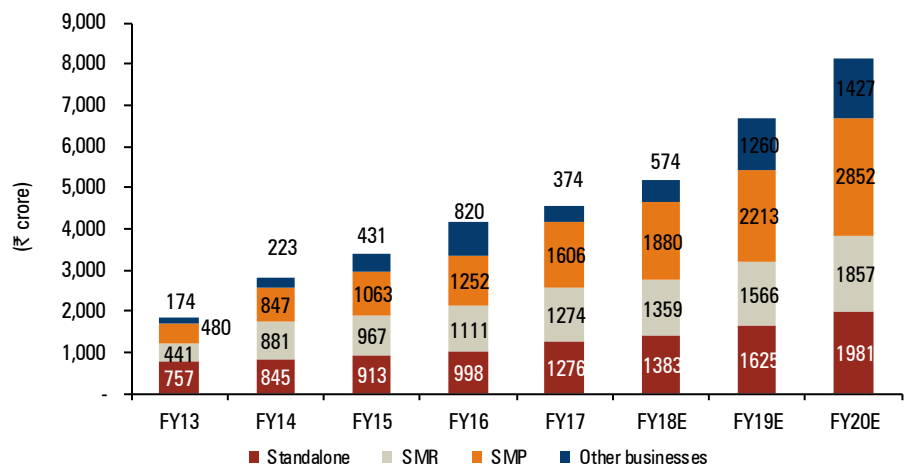
With an increase in revenues and operating margins, we expect profit to increase at ~38% CAGR in FY18-20E to ~₹ 3,042 crore. The standalone business is likely to generate healthy growth in profits (21.5% CAGR in FY18-20E) to ~₹ 1300 crore in FY20E. Samvardhana Motherson Automotive Systems profits (MSSL's share of profits after considering minority interest) may increase at ~31% CAGR in FY18-20E to ~₹ 1728 crore.

Exhibit 4: Increase in profitability, minority interest continues as subsidiaries scale up margins



Source: Company, ICICI Direct Research

Exhibit 5: Share of operating profit - Segmental

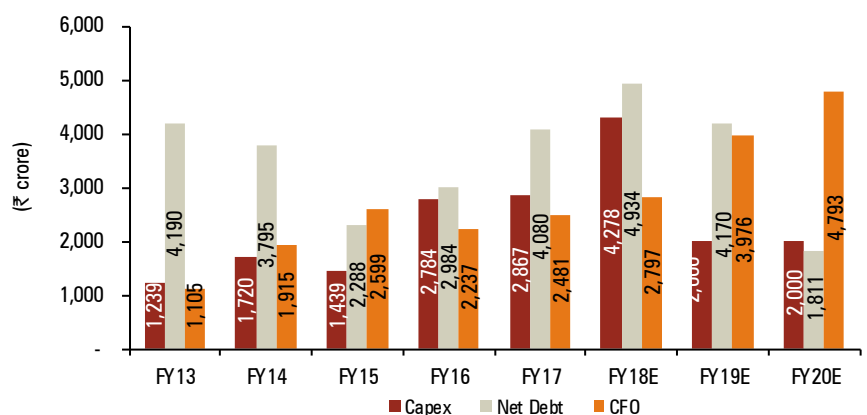


Source: Company, ICICI Direct Research

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 1x in FY18 to 0.5x in FY20E.

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

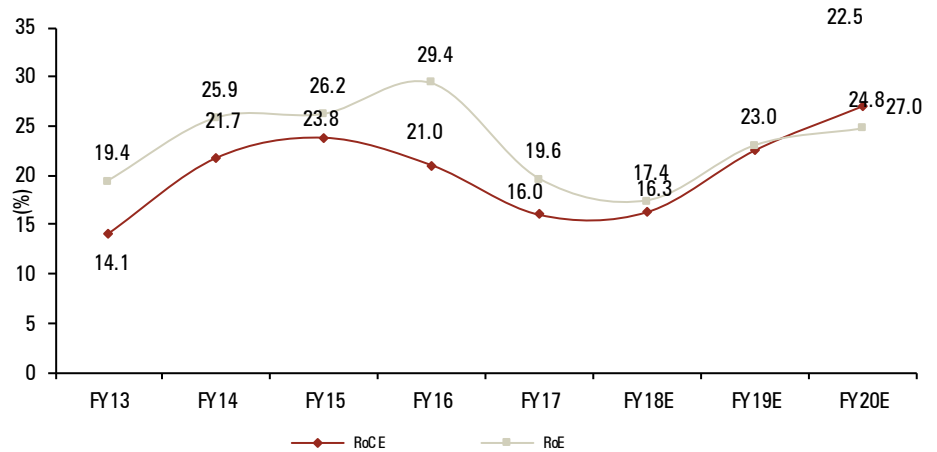


Source: Company, ICICI Direct Research

Return ratio improvement reflects overall improvement in financials

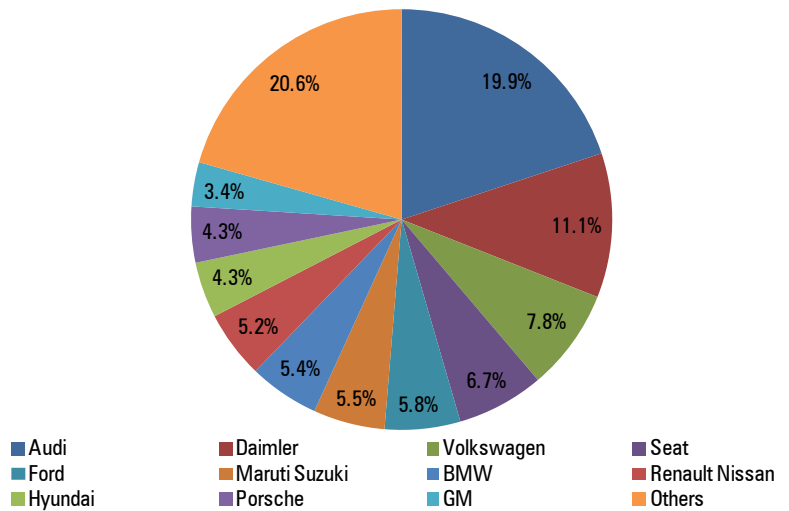
Over the years, return ratios have remained on an uptrend as the margin profile for SMR and SMP has improved while the standalone business withstood the slowdown in OE demand by increasing content per car. The dips in return ratios in FY17 were mainly due to equity dilution of ~6% post the QIP. After FY17, the balance sheet includes PKC's financial though the same is not reflected in P&L account. However, thereafter, RoEs and RoCEs have again bounced back from FY18 onwards.

Exhibit 7: Return ratios on uptrend...



Source: Company, ICICI Direct Research

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



Source: Company, ICICI Direct 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 €17.2 bn (₹ 129,785 crore) as of FY18, 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 target of the management of achieving 40% RoCE by 2020 looks challenging and largely depends on the inorganic route of expansion, going forward.

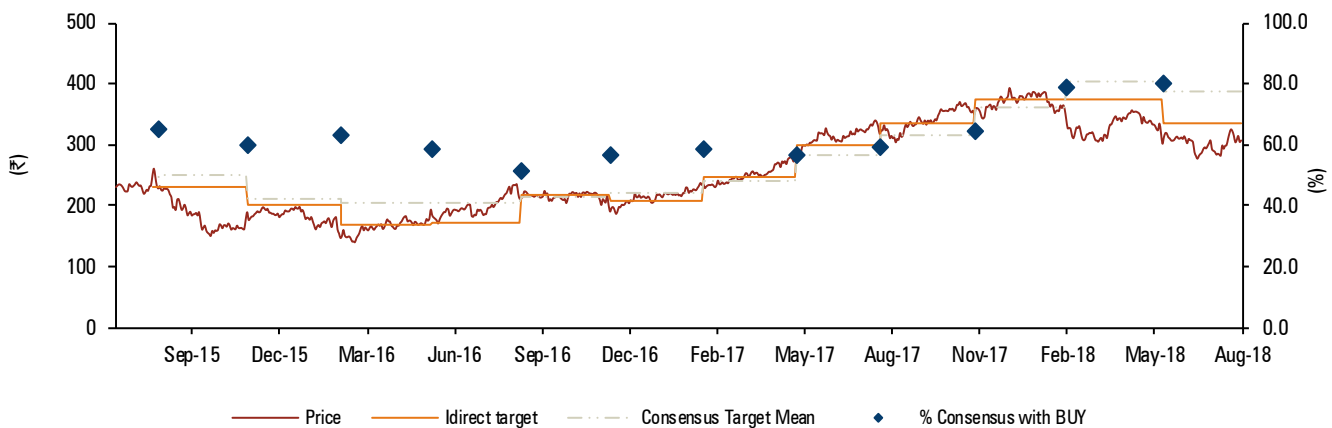
MSL's competence in turning around businesses & strong focus on RoCE is evident from the success of SMR & SMP. However, its inorganic way of expansion looks challenging. Also, any slowdown in demand, while its new plants get commissioned will result into higher overhead cost. Thus, we continue to value MSL at 23x its FY20E EPS of ₹ 14.4/share with a target price of ₹ 335/share with a **HOLD** rating on the stock.

Exhibit 9: Valuations

	Revenues (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	42,493	14.2	7.4	21.0	41.6	16.3	19.6	16.0
FY18E	56,293	32.5	7.6	2.7	40.5	13.9	17.4	16.3
FY19E	63,972	13.6	11.2	47.7	27.4	10.6	23.0	22.5
FY20E	73,329	14.6	14.4	28.9	21.2	8.5	24.8	27.0

Source: EPS adjusted for bonus, Company, ICICI Direct Research

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research; Adjusted for Bonus issue (July 2017)

Key events

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

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Samvardhan Motherson International, Ltd.	30-Jun-18	0.33	703.8	0.00
2	Sumitomo Electric Industries Ltd	30-Jun-18	0.251	528.4	0.00
3	ICICI Prudential Asset Management Co. Ltd.	30-Jun-18	0.031	65.3	17.17
4	Sehgal (Vivek Chaand)	30-Jun-18	0.0232	48.8	0.00
5	Capital World Investors	30-Jun-18	0.0159	33.4	0.00
6	Axis Asset Management Company Limited	30-Jun-18	0.0151	31.7	0.47
7	SBI Funds Management Pvt. Ltd.	30-Jun-18	0.0149	31.3	6.78
8	The Vanguard Group, Inc.	30-Jun-18	0.0103	21.8	-0.55
9	BlackRock Institutional Trust Company, N.A.	31-Jul-18	0.0083	17.5	0.19
10	Hermes Investment Management Ltd.	31-May-18	0.0067	14.0	0.58

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoter	63.1	63.1	61.7	61.7	61.7
FII	20.2	20.0	20.4	20.4	20.4
DII	9.5	9.8	10.7	10.7	10.7
Others	7.1	7.1	7.2	7.2	7.2

Recent Activity

Buys			Sells		
Investor name	Value (M)	Shares (M)	Investor name	Value (M)	Shares (M)
ICICI Prudential Asset Management Co. Ltd.	71.40	17.17	Baron Capital Management, Inc.	-12.39	-2.98
SBI Funds Management Pvt. Ltd.	28.21	6.78	Driehaus Capital Management, LLC	-9.17	-1.81
American Century Investment Management, Inc.	9.18	2.21	Principal Global Investors (Equity)	-7.56	-1.49
Reliance Nippon Life Asset Management Limited	2.78	0.67	Florida State Board of Administration	-6.54	-1.37
Hermes Investment Management Ltd.	2.66	0.58	Carnegie Fonder AB	-5.32	-1.28

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				
₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Total operating Income	42,493.4	56,293.3	63,971.6	73,329.2
Growth (%)	14.2	32.5	13.6	14.6
Raw Material Expenses	25,750.7	34,312.1	38,931.1	45,107.4
Employee Expenses	8,090.9	11,067.8	11,510.9	12,342.5
FX (gain)/loss	0.0	0.0	0.0	0.0
Other expenses	4,367.1	5,790.8	6,884.6	7,841.1
Total Operating Expenditure	38,208.7	51,170.7	57,326.5	65,291.1
EBITDA	4,284.7	5,122.6	6,645.1	8,038.1
Growth (%)	20.8	19.6	29.7	21.0
Depreciation	1,059.0	1,575.2	1,791.2	1,906.6
Interest	374.9	410.8	373.7	357.7
Other Income	146.3	170.1	142.1	159.7
PBT	2,997.1	3,306.7	4,622.3	5,933.5
Others	0.0	0.0	0.0	0.0
Total Tax	910.3	1,007.1	1,534.0	1,923.8
Reported PAT	1,554.3	1,597.0	2,359.0	3,041.8
Growth (%)	20.3	2.7	47.7	28.9
EPS (₹)	7.7	8.2	11.2	14.4

Source: Company, ICICI Direct Research

Cash flow statement				
₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Profit after Tax	1,554.3	1,597.0	2,359.0	3,041.8
Add: Depreciation	1,059.0	1,575.2	1,791.2	1,906.6
(Inc)/dec in Current Assets	-3,196.2	-3,117.6	-1,868.2	-2,367.8
Inc/(dec) in CL and Provisions	3,063.4	2,742.4	1,694.6	2,212.0
CF from operating activities	2,480.5	2,797.1	3,976.5	4,792.5
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-2,866.9	-4,278.2	-2,000.0	-2,000.0
Others	-3,220.3	32.8	786.3	560.1
CF from investing activities	-6,087.3	-4,245.4	-1,213.7	-1,439.9
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	4,400.3	-664.8	-1,500.0	-1,500.0
Dividend paid & dividend tax	0.0	0.0	0.0	0.0
Inc/(dec) in Sec. premium	-37.6	2,313.2	933.5	-1,003.7
Others	2,358.9	-2,304.1	-2,931.7	9.1
CF from financing activities	6,721.6	-655.7	-3,498.2	-2,494.5
Net Cash flow	3,114.8	-2,104.0	-735.4	858.1
Opening Cash	1,771.7	4,886.5	2,782.5	2,047.1
Closing Cash	4,886.5	2,782.5	2,047.1	2,905.2

Source: Company, ICICI Direct Research

Balance sheet				
₹ Crore				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Liabilities				
Equity Capital	140.4	210.5	210.5	210.5
Reserve and Surplus	8,132.3	9,668.3	10,029.0	12,076.3
Total Shareholders funds	8,272.7	9,878.8	10,239.6	12,286.8
Total Debt	10,141.8	9,477.0	7,977.0	6,477.0
Deferred Tax Liability	426.0	523.6	595.0	682.1
Minority Interest / Others	2,232.2	2,960.0	3,363.7	3,855.7
Total Liabilities	21,684.7	24,065.2	23,568.3	24,898.3
Assets				
Gross Block	10,898.6	14,526.7	17,611.6	19,911.6
Less: Acc Depreciation	2,820.9	4,396.1	6,187.3	8,093.8
Net Block	8,077.7	10,130.7	11,424.3	11,817.8
Capital WIP	1,934.8	2,584.9	1,500.0	1,200.0
Total Fixed Assets	10,012.5	12,715.5	12,924.3	13,017.8
Investments	3,352.6	4,071.8	4,071.8	4,071.8
Goodwill	1937.6	2264.3	1937.6	1937.6
Inventory	3,071.6	4,013.2	4,556.9	5,223.4
Debtors	6,606.5	5,623.6	6,309.5	7,232.5
Loans and Advances	66.0	42.6	48.4	55.5
Other Current Assets	1,457.0	4,639.3	5,272.1	6,043.2
Cash	4,886.5	2,782.5	2,047.1	2,905.2
Total Current Assets	16,087.6	17,101.1	18,234.0	21,459.9
Creditors	7,316.9	9,064.0	10,165.4	11,652.3
Provisions	140.2	132.9	149.0	170.8
Other current liabilities	3228	4230	4807	5511
Total Current Liabilities	10,684.9	13,427.3	15,121.9	17,333.9
Net Current Assets	5,402.7	3,673.8	3,112.1	4,126.0
Other non-current Asset	476.9	713.6	811.0	929.6
Deferred Tax Asset	502.4	626.1	711.5	815.5
Application of Funds	21,684.7	24,065.2	23,568.3	24,898.3

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Per share data (₹)				
EPS	7.4	7.6	11.2	14.4
Cash EPS	12.4	15.1	19.7	23.5
BV	39.3	46.9	48.6	58.4
DPS	0.0	0.3	0.2	0.2
Cash Per Share	23.2	13.2	9.7	13.8
Operating Ratios				
EBITDA Margin (%)	10.1	9.1	10.4	11.0
PBIT / Net sales (%)	7.6	6.3	7.6	8.4
PAT Margin (%)	3.7	2.8	3.7	4.1
Inventory days	26.4	26.0	26.0	26.0
Debtor days	56.7	36.5	36.0	36.0
Creditor days	62.8	58.8	58.0	58.0
Return Ratios (%)				
RoE	19.6	17.4	23.0	24.8
RoCE	16.0	16.3	22.5	27.0
RoIC	33.0	27.8	34.1	41.4
Valuation Ratios (x)				
P/E	39.9	37.6	27.4	21.2
EV / EBITDA	16.3	13.9	10.6	8.5
EV / Net Sales	1.6	1.3	1.1	0.9
Market Cap / Sales	1.5	1.1	1.0	0.9
Price to Book Value	7.8	6.5	6.3	5.3
Solvency Ratios				
Debt/EBITDA	2.4	1.9	1.2	0.8
Debt / Equity	1.2	1.0	0.8	0.5
Current Ratio	1.0	1.1	1.1	1.1
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP			M Cap	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)	820	875	Hold	14011	27.6	32.8	41.0	29.7	25.0	20.0	15.5	13.2	10.6	23.3	23.4	25.0	16.0	16.3	17.3
Apollo Tyre (APOTYR)	276	325	Buy	15763	12.7	19.5	25.0	21.8	14.1	11.0	8.4	8.4	7.2	7.8	10.7	12.6	7.4	10.4	12.0
Ashok Leyland (ASHLEY)	125	135	Buy	35214	5.3	6.6	8.2	23.3	18.9	15.3	10.2	8.8	6.8	28.5	31.2	33.0	21.9	23.4	24.2
Bajaj Auto (BAAUTO)	2666	2550	Hold	77137	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)	1247	1215	Hold	24106	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)	637	800	Buy	29634	16.2	24.7	29.0	39.3	25.8	22.0	18.1	14.4	12.1	23.0	27.5	26.6	17.5	24.2	22.2
Bosch (MICO)	19135	19500	Hold	60084	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)	27442	35600	Buy	74120	725.5	1114.9	1325.3	37.8	24.6	20.7	28.2	21.3	16.9	39.1	36.9	34.6	29.9	31.3	28.1
Exide Industries (EXIIND)	286	300	Buy	24285	8.2	10.1	12.3	34.7	28.3	23.2	18.3	14.7	12.2	19.1	20.7	22.2	13.0	14.2	15.4
Hero Moto (HERHON)	3305	3700	Buy	66000	185.1	195.7	231.3	17.9	16.9	14.3	10.6	9.5	7.8	43.7	42.7	43.8	32.1	30.0	30.7
JK Tyre & Ind (JKIND)	131	120	Hold	2965	2.9	15.7	22.1	45	8.3	5.9	10.3	5.9	4.8	7.8	13.2	15.3	3.7	16.6	18.8
Mahindra CIE (MAHAUT)	260	280	Buy	9847	9.5	13.4	16.5	27.5	19.5	15.8	13.0	10.1	8.2	9.8	12.0	13.0	11.2	13.9	16.1
Maruti Suzuki (MARUTI)	9396	9875	Hold	244852	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	64687	7.6	11.2	14.4	40.5	27.4	21.3	14.0	10.7	8.5	16.3	22.5	27.0	17.4	23.0	24.8
Tata Motors (TELCO)	257	290	Hold	77232	26.8	17.1	31.8	9.9	15.5	8.3	2.7	3.0	2.6	10.5	8.6	10.5	10.3	9.1	11.8
Wabco India (WABTVS)	6768	7712	Hold	12859	143.8	177.6	214.2	47.1	38.1	31.6	31.4	26.0	21.3	17.9	18.5	18.4	25.1	26.2	25.7

Source: Company, ICICI Direct Research

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