November 6, 2018

Wabco India (WABIND)

₹ 6682

Strong all round performance!

Rating matrix

Rating	:	Hold
Target	:	₹ 7200
Target Period	:	12 months
Potential Upside	:	8%

What's Changed?

Target	Unchanged
EPS FY19E	Changed from ₹ 175.3 to ₹ 192
EPS FY20E	Changed from ₹ 205.8 to ₹ 211.9
Rating	Unchanged

Quarterly Performance

(₹ Crore)	Q2FY19	Q2FY18	YoY	Q1FY19	QoQ
Revenues	742.8	609.8	21.8	747.3	-0.6
EBITDA	123.1	102.6	19.9	99.7	23.5
EBITDA (%)	16.6	16.8	-26 bps	13.3	323 bps
PAT	95.5	77.6	23.1	74.7	27.8

Key Financials

₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	1,960	2,436	2,895	3,291
EBITDA	326.4	394.2	476.8	544.9
Net Profit	213.5	272.8	364.2	401.9
EPS (₹)	112.5	143.8	192.0	211.9

Valuation summary

	FY17	FY18	FY19E	FY20E
P/E (x)	59.4	46.5	34.8	31.5
Target P/E (x)	64.0	50.1	37.5	34.0
EV/EBITDA (x)	37.1	30.1	24.7	21.1
P/BV (x)	10.0	8.3	6.9	5.7
RoNW (%)	16.9	17.9	19.7	18.0
RoCE (%)	23.6	25.1	27.6	25.4

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	₹ 12674.2 Crore
Total Debt (FY18) (₹ Crore)	₹ 0 Crore
Cash & Investments (FY18) (₹ Crore)	₹ 801.8 Crore
EV (₹ Crore)	₹ 11872.4 Crore
52 week H/L (₹)	8480/6000
Equity capital (₹ crore)	₹ 9.5 Crore
Face value (₹)	₹ 5
DII Holding (%)	8.7
FII Holding (%)	2.3

Price performance (%)

	1M	3M	6M	12M
Wabco India Ltd	5.3	-0.9	-14.7	-0.3
Bosch Ltd	3.2	1.7	0.4	-7.8
Motherson Sumi Systems	8.2	-15.4	-22.2	-28.5

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- Wabco India's (WIL) revenues grew 21.8% YoY to ₹ 743 crore, above our estimate of ₹ 733 crore. Growth was supported by domestic business, which grew 32.1% YoY to ₹ 533 crore, led by higher M&HCV volume & increase in content per vehicle (better/higher weightage products as required by OEMs), post the new axle norms. In terms of domestic revenue mix, OEM revenue was at ₹ 383 crore (includes ABS revenue of ₹ 69 crore) & spares revenue at ₹ 71 crore. Further, its other operating income was at ₹ 79 crore, as it includes income from merchandise exports from India scheme (MEIS) of ~₹ 36 crore (of which ₹ 25 crore is related to earlier periods). Export revenue remained subdued, up marginally 1.7% YoY to ₹ 210 crore, post discontinuance of models by one of its key OEMs
- EBITDA margins were at 16.6% (down 26 bps YoY but up 323 bps QoQ) above our estimate of 15%. Margins, on a YoY basis, were lower mainly due to higher raw material cost (that impacted gross margins that were down 37 bps YoY) & higher other expense, which increased 10 bps YoY. However, the same was partly offset by lower employee expense, down 21 bps YoY
- Other income increased 84.5% YoY to ₹ 25.7 crore. Subsequently, reported PAT increased 23.1% YoY to ₹ 95.5 crore above our estimate of ₹ 79 crore

Strong domestic demand to continue to drive growth!

WIL enjoys a leadership position in M&HCV air braking systems. The company is one of the key beneficiaries of the ongoing strong M&HCV demand momentum, which is mainly supported by higher infrastructure spending. Additionally, we believe pre-buying ahead of implementation of BS VI norms and scrappage of vehicles will significantly boost demand, going forward. For Q2FY19, WIL has witnessed an increase in content per vehicle not only by value adding or introducing newer products but also due to new axle norms, which has demand for better & higher weightage products that will carry the additional load. According to the management, with this surge in demand for its traditional products, the revenue share of ABS for WIL has come down to 18-19% for Q2FY19 vs. >23% in the past. Export revenue remained subdued for Q2FY19 partly impacted by discontinuation of models by one of its key OEMs. However, the management believes the same will revive in coming quarters. WIL continues to be the preferred sourcing company for its parent. Thus, we estimate overall revenues to report CAGR of 17% in FY18-20E.

Passing of higher input cost remains challenge in near term

For H1FY19, its gross margin contracted ~465 bps YoY, impacted by higher raw material (steel) cost. According to the management, WIL has passed on the first wave of input cost to customers but is yet to make the second pass-on which remains significant. The management believes passing on prices remains a challenge for WIL in the near term. On the flip side, its internal efficiencies & multiple cost reduction initiatives would support margins, going forward. Thus, we expect margins to be in the range of 15-15.5% in FY19E and FY20E.

Margin pressure, valuation stretched; maintain 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 34x FY20E EPS, with a target price of ₹ 7200.

Variance analysis - Standalone							
	Q2FY19	Q2FY19E	Q2FY18	YoY(%)	Q1FY19	QoQ(%)	Comments
Total Operating Income	742.8	732.6	609.8	21.8	747.3	-0.6	Revenue from OEM, exports, spares were at ₹ 383 crore, ₹ 210 crore & ₹ 71 crore, respectively. Further, its other operating income includes income from merchandise exports from India scheme (MEIS) of ~₹ 36 crore (of which ₹ 25 crore is related to earlier periods)
Raw Material Expenses	455.9	462.1	372.0	22.6	494.4	-7.8	WIL passed on the partial rise in commodity cost to consumer. Hence, it looks lower QoQ. However, it remains at elevated n a YoY basis
Employee Expenses	66.5	62.5	55.9	19.0	60.5	9.9	
Other expenses	97.3	102.3	79.2	22.8	92.8	4.9	
Operating Profit (EBITDA)	123.1	109.7	102.6	19.9	99.7	23.5	
EBITDA Margin (%)	16.6	15.0	16.8	-26 bps	13.3	323 bps	
Other Income	25.7	16.7	13.9	84.5	25.1	2.6	Other income run-rate of ₹ 25 crore could be maintained, going forward
Depreciation	17	16	15	11.3	16	5.1	
Interest	0	0	0		0		
Total tax	36	31	24	54.2	34	7.3	
PAT	95.5	78.8	77.6	23.1	74.7	27.8	Higher than estimated revenue and operating performance led to higher than estimated PAT
EPS	50.4	41.5	40.9	23.1	39.4	27.8	
Key Metrics							
Domestic revenues(₹ crore)	533	499	403	32.1	534	-0.2	Strong domestic M&HCV volume (governments infrastructure spending) & increase in content per vehicle and new products has lifted its overall OEM performance
Export revenues(₹ crore)	210	233	206	1.7	213	-1.5	Subdued export revenue in Q2FY19 mainly due to discontinuance of models by its key OEMs

Source: Company, ICICI Direct Research

Change in estimates							
	FY19E			FY20E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	3,075	3,108	1.1	3,518	3,504	-0.4	
EBITDA	456	477	4.6	544	545	0.2	
EBITDA Margin (%)	14.8	15.3	51 bps	15.5	15.5	9 bps	Higher than estimated margin in Q2FY19 is resulting in upward revision of margin estimate for FY19E. We largely maintain FY20E margin estimates
PAT	333	364	9.4	390	402	3.0	Higher margin & higher estimate of other income (according to management WIL would probably maintain quarterly run-rate of ~₹25 crore) is resulting into higher profitability
EPS (₹)	175.6	192.0	9.4	205.6	211.9	3.0	

Source: Company, ICICI Direct Research

Assumptions							
			Current		Earlier		Comments
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Revenue (₹ crore)							
OEM	1,068	1,298	1,625	1,843	1,612	1,840	Strong M&HCV demand witnessed in H1FY19 will continue and is expected to drive its OEM revenue
Replacement	317	363	403	450	416	468	
Exports	578	777	868	998	889	1,022	Subdued export revenue in Q2FY19 mainly due to discontinuance of models by its key OEMs will have some impact on revenue for FY19E

Source: Company, ICICI Direct Research

Company Analysis

Monopoly braking systems business to drive sales growth

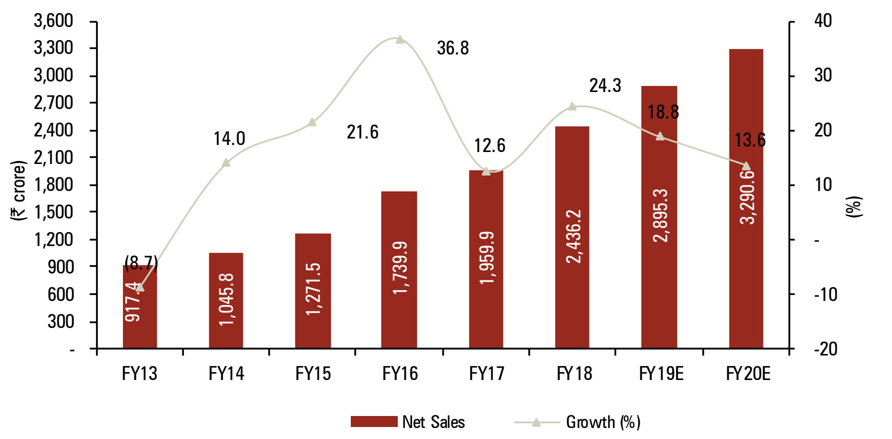
Wabco is an attractive ancillary company due to the near monopoly positioning in braking and advanced safety components, which we believe will remain critical for all OEMs. We believe WIL would witness a better demand scenario in the automotive space in coming years considering that, in the past, demand 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. For H1FY19, M&HCV production grew 68% YoY. 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 nos.), 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.

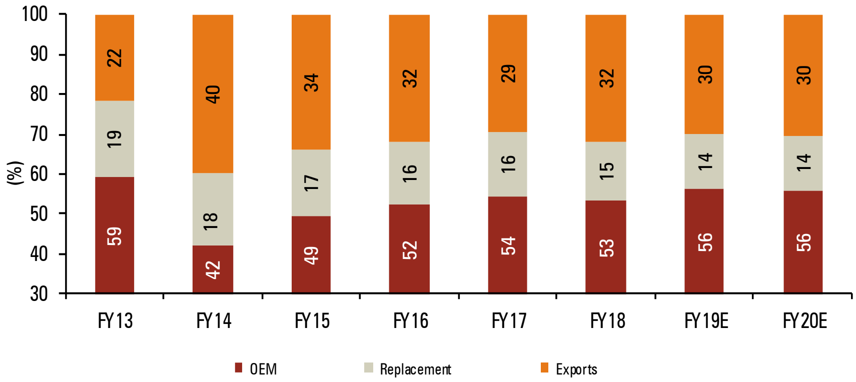
Exhibit 1: Revenue growth trend for WIL



Source: Company, ICICI Direct Research

Growth in OEM share was boosted by addition of ABS from FY15 onwards. ABS is likely to contribute ~₹ 411, ~₹ 452 in FY19E & FY20E, respectively

Exhibit 2: Revenue break-up across segments



Source: Company, ICICI Direct Research

Remains preferred source for its parent

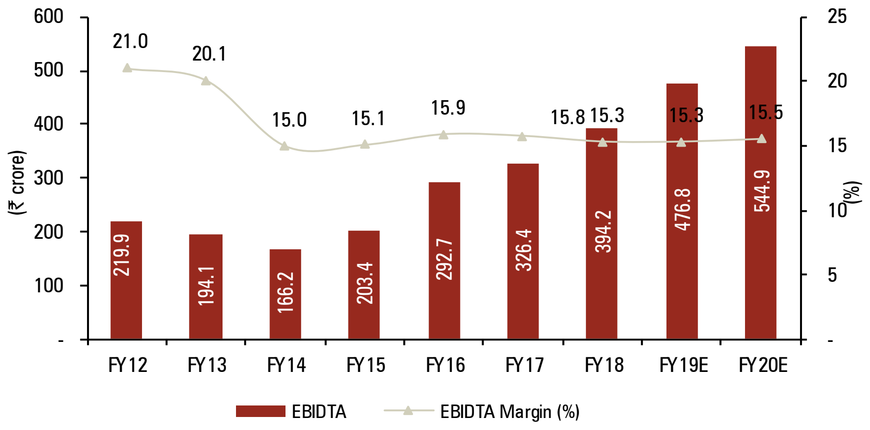
Of total export revenues, US, Europe, Asia account for 40%, 40%, 20%, respectively. WIL's parent's strategy is to source from the low cost country (includes India, China, Brazil & Poland). Contribution from these countries improved from ~10% in 2000 to 44% in 2015, thus benefiting WIL. The management 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 second year of downturn, WIL's margins fell to 15%. However, with the revival in M&HCV demand during FY15 & FY16, margins expanded and gradually boosted profitability. Further, WIL's strategy of increasing content per vehicle (the implementation of ABS) aided in lifting 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. Even in H1FY19 its gross margin contracted ~465 bps YoY, impacted by higher raw material (steel) cost. According to the management, WIL has passed on the first wave of input cost to customers but is yet to make the second pass-on, which remains significant. The management believes passing on prices remains a challenge for WIL in the near term. Thus, we expect margins to be in the range of 15-15.5% in FY19E and FY20E.

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

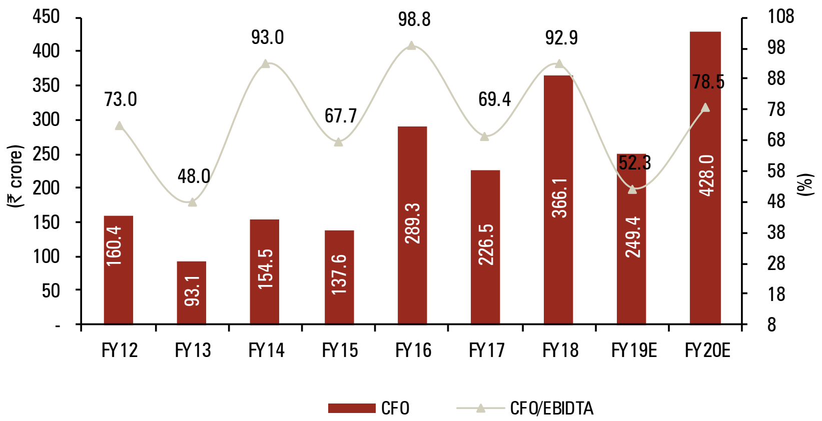


Source: Company, ICICI Direct Research

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

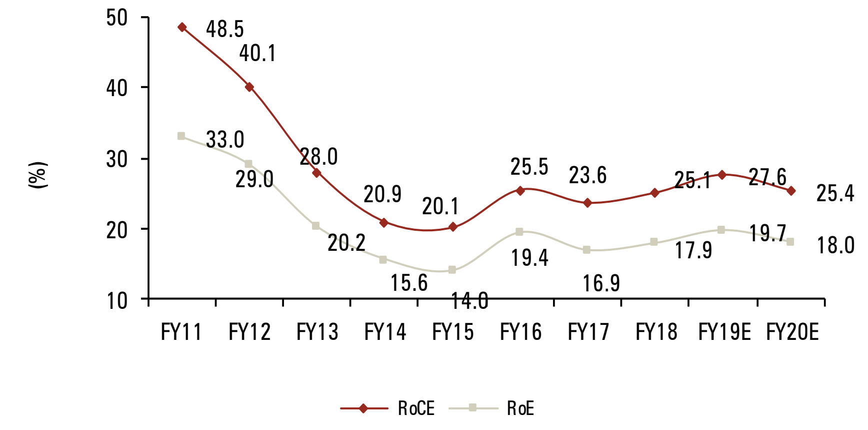
WIL's financials speak volumes about the strength of the company as it is debt-free and generates strong cash flow from its operations every year. With a lean working capital cycle, WIL's balance sheet strength remains unfettered. The company has been reporting strong return ratios >20% prior to FY13. 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/EBIDTA



Source: Company, ICICI Direct Research

Exhibit 5: Return ratio profile improves

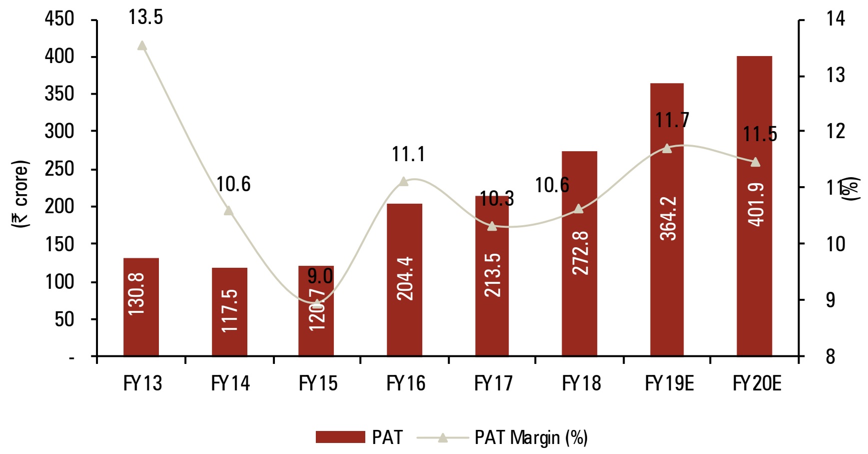


Source: Company, ICICI Direct Research

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 11.5% (up 250 bps) in FY20E. We expect PAT to post a CAGR of 21% in FY18-20E to ₹ 402 crore.

Exhibit 6: Profitability to improve, going forward



Source: Company press release, ICICI Direct Research

Outlook and valuation

With profitability expected to grow at 21% 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) being 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.

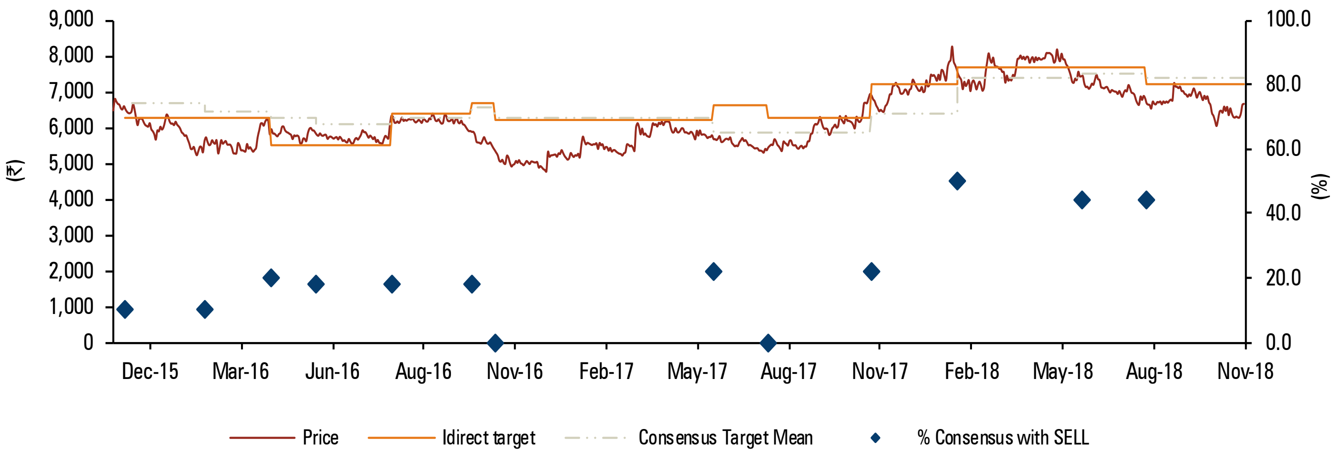
WIL's business has been largely stable even when the CV industry, in the past, had gone through its downturns. Further with the government focusing more on safety norms, we believe WIL, being the market leader, is well placed to capture this growth opportunity, going forward. Though we believe that revenue growth opportunity does persist, it will face pressure on margins in the near term. Thus, we maintain our **HOLD** rating valuing the stock at 34x 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	59.4	37.1	16.9	23.6
FY18	2568.9	24.3	143.8	27.8	46.5	30.1	17.9	25.1
FY19E	3107.6	21.0	192.0	33.5	34.8	24.7	19.7	27.6
FY20E	3504.4	12.8	211.9	10.3	31.5	21.1	18.0	25.4

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 implelmentation 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)
1	Wabco Asia Pvt. Ltd.	30-Sep-18	0.75	14.2	0.00
2	Axis Asset Management Company Limited	30-Sep-18	0.0381	0.7	0.00
3	Franklin Templeton Asset Management (India) Pvt. Ltd.	30-Sep-18	0.0113	0.2	0.00
4	Sundaram Asset Management Company Limited	30-Sep-18	0.0098	0.2	0.00
5	UTI Asset Management Co. Ltd.	30-Sep-18	0.0085	0.2	0.00
6	Aditya Birla Sun Life AMC Limited	30-Sep-18	0.0059	0.1	0.00
7	The Vanguard Group, Inc.	30-Sep-18	0.0059	0.1	0.00
8	Tata Asset Management Limited	30-Sep-18	0.0049	0.1	0.00
9	Motilal Oswal Asset Management Company Ltd.	31-Aug-18	0.0041	0.1	0.00
10	Dimensional Fund Advisors, L.P.	30-Sep-18	0.0034	0.1	0.00

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	75.0	75.0	75.0	75.0	75.0
FII	2.6	2.7	2.6	2.7	2.8
DII	12.7	12.9	13.1	13.0	13.1
Others	9.7	9.4	9.3	9.3	9.1

Recent Activity

Buys			Sells		
Investor name	Value ($mn)	Shares (mn)	Investor name	Value ($mn)	Shares (mn)
Stanley-Laman Group, Ltd.	2.386	0.025	L&T Investment Management Limited	-1.549	-0.015
Baroda Pioneer Asset Management Company Limited	0.475	0.005	Union Asset Management Company Private Limited	-0.606	-0.006
Axis Asset Management Company Limited	0.247	0.003	IDBI Asset Management Limited	-0.258	-0.003
The Vanguard Group, Inc.	0.163	0.002	Julius Baer International Ltd.	-0.154	-0.002
IDFC Asset Management Company Private Limited	0.103	0.001	UTI Asset Management Co. Ltd.	-0.103	-0.001

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	2,067.5	2,568.9	3,107.6	3,504.4
Growth (%)	12.5	24.3	21.0	12.8
Raw Material Expenses	1,238.1	1,601.9	1,939.9	2,161.9
Employee Expenses	191.1	229.1	268.2	294.6
Other Expenses	311.9	343.7	379.8	411.3
Total Operating Expenditure	1,741.1	2,174.7	2,630.8	2,959.5
EBITDA	326.4	394.2	476.8	544.9
Growth (%)	11.5	20.8	21.0	14.3
Depreciation	61.6	61.7	65.3	82.4
Interest	0.5	1.6	0.1	0.2
Other Income	36.2	51.0	99.8	103.7
PBT	300.5	381.8	511.2	566.0
Exceptional items	0.0	0.0	0.0	0.0
Total Tax	87.0	109.0	146.9	164.1
PAT	213.5	272.8	364.2	401.9
Growth (%)	4.5	27.8	33.5	10.3
EPS (₹)	112.5	143.8	192.0	211.9

Source: Company, ICICI Direct Research

Cash flow statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	213.5	272.8	364.2	401.9
Add: Depreciation	61.6	61.7	65.3	82.4
(Inc)/dec in Current Assets	-53.6	-137.3	-175.4	-134.0
Inc/(dec) in CL and Provisions	4.6	167.2	-4.8	77.6
CF from operating activities	226.5	366.1	249.4	428.0
(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	-6.0	-4.4
CF from investing activities	-171.1	-262.0	-367.1	-412.6
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	-20.6	-0.2
CF from financing activities	-1.3	-14.9	-41.3	-22.0
Net Cash flow	54.2	89.2	-159.0	-6.6
Opening Cash	212.7	266.9	356.1	197.1
Closing Cash	266.9	356.1	197.1	190.5

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	9.5	9.5	9.5	9.5
Reserve and Surplus	1,256.9	1,516.4	1,839.5	2,219.6
Total Shareholders funds	1,266.4	1,525.9	1,849.0	2,229.1
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	1,879.3	2,259.4
Assets				
Gross Block	649.8	752.5	894.9	994.9
Less: Acc Depreciation	331.9	393.6	458.9	541.2
Net Block	317.9	358.9	436.1	453.7
Capital WIP	61.7	52.4	10.0	10.0
Total Fixed Assets	379.6	411.3	446.1	463.7
Investments	298.1	445.7	695.7	995.7
Inventory	145.3	132.4	170.3	192.0
Debtors	518.0	648.3	766.3	864.1
Loans and Advances	70.9	87.3	105.6	119.0
Other current assets	2.7	6.3	7.6	8.5
Cash	266.9	356.1	197.1	190.5
Total Current Assets	1,003.9	1,230.4	1,246.8	1,374.2
Creditors	341.9	532.4	510.8	576.1
Provisions	16.5	26.5	26.5	26.5
Other Current Liabilities	92.9	80.0	96.7	109.1
Total Current Liabilities	451.4	638.9	634.1	711.7
Net Current Assets	552.5	591.4	612.6	662.5
Other non-current Assets	20	53	64	72
Application of Funds	1,291.6	1,556.3	1,879.3	2,259.4

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	112.5	143.8	192.0	211.9
Cash EPS	145.0	176.4	226.4	255.3
BV	667.7	804.5	974.8	1,175.2
DPS	7.0	8.0	9.0	9.5
Cash Per Share	140.7	187.7	103.9	100.4
Operating Ratios (%)				
EBITDA Margin	15.8	15.3	15.3	15.5
PBIT / Net sales	12.8	12.9	13.2	13.2
PAT Margin	10.3	10.6	11.7	11.5
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	19.7	18.0
RoCE	23.6	25.1	27.6	25.4
RoIC	37.7	47.5	42.2	43.6
Valuation Ratios (x)				
P/E	59.4	46.5	34.8	31.5
EV / EBITDA	37.1	30.1	24.7	21.1
EV / Net Sales	5.9	4.6	3.8	3.3
Market Cap / Sales	6.1	4.9	4.1	3.6
Price to Book Value	10.0	8.3	6.9	5.7
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 (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18	EPS (₹) FY19E	EPS (₹) FY20E	P/E (x) FY18	P/E (x) FY19E	P/E (x) FY20E	EV/EBITDA (x) FY18	EV/EBITDA (x) FY19E	EV/EBITDA (x) FY20E	RoCE (%) FY18	RoCE (%) FY19E	RoCE (%) FY20E	RoE (%) FY18	RoE (%) FY19E	RoE (%) FY20E
Amara Raja (AMARAJ)	791	875	Hold	13507	27.6	32.8	41.6	28.7	24.1	19.0	15.9	13.3	10.7	23.3	23.5	25.3	16.0	16.3	17.5
Apollo Tyre (APOTYR)	215	325	Buy	12310	12.7	19.5	25.0	17.0	11.0	8.6	8.4	8.4	7.2	7.8	10.7	12.6	7.4	10.4	12.0
Ashok Leyland (ASHLEY)	121	135	Buy	34098	5.3	6.6	8.2	22.6	18.3	14.8	10.2	8.8	6.8	28.5	31.2	33.0	21.9	23.4	24.2
Bajaj Auto (BAAUTO)	2673	2410	Hold	77336	140.6	153.3	169.5	17.6	16.2	14.6	11.8	10.4	8.9	22.9	22.4	22.3	21.5	20.7	20.4
Balkrishna Ind. (BALIND)	1069	1250	Hold	20663	38.2	50.2	59.2	31.2	23.8	20.2	21.0	14.8	12.1	22.4	25.8	25.9	18.1	25.8	25.9
Bharat Forge (BHAFOR)	599	700	Buy	27878	16.2	23.3	28.0	37.0	25.7	21.4	17.6	14.5	12.2	18.2	22.9	25.7	17.3	23.3	23.9
Bosch (MICO)	19408	20500	Hold	60942	449.1	593.7	661.5	43.2	32.7	29.3	27.0	21.9	19.2	14.4	16.4	16.3	21.4	24.4	24.3
Eicher Motors (EICMOT)	22552	32900	Buy	60914	725.5	989.1	1214.6	31.1	22.8	18.6	26.5	20.6	16.4	39.1	37.0	35.1	29.9	28.7	27.1
Escorts (ESCORT)	678	735	Hold	8305	28.1	38.1	46.0	23.9	17.7	14.6	14.3	10.7	8.5	18.8	20.9	21.1	13.5	15.6	16.0
Exide Industries (EXIIND)	249	300	Buy	21203	8.2	10.1	12.3	30.3	24.7	20.3	18.3	14.7	12.2	19.1	20.7	22.2	13.0	14.2	15.4
Hero Moto (HERHON)	2848	3350	Buy	56871	185.1	186.6	209.6	15.4	15.3	13.6	9.5	9.2	7.9	42.4	41.0	41.3	31.4	29.0	29.1
JK Tyre & Ind (JKIND)	109	100	Hold	2461	2.9	12.9	21.9	37.3	8.4	5.0	9.8	6.0	4.6	7.7	12.6	15.4	3.6	15.0	18.6
Mahindra CIE (MAHAUT)	263	280	Buy	9954	9.5	14.5	17.7	27.8	18.2	14.9	13.7	9.9	8.2	9.8	12.9	13.7	11.2	15.0	17.1
Maruti Suzuki (MARUTI)	7177	7250	Hold	215892	255.6	291.0	329.7	26.0	22.9	20.2	13.8	12.2	10.3	21.1	21.1	21.1	18.5	18.6	18.6
Motherson (MOTSUM)	174	335	Hold	36532	7.6	11.2	14.4	22.9	15.5	12.0	14.0	10.7	8.5	16.3	22.5	27.0	17.4	23.0	24.8
Tata Motors (TELCO)	190	200	Hold	56873	26.8	2.3	17.0	6.9	79.0	10.9	2.7	3.2	2.6	9.1	6.1	8.2	10.3	4.3	8.5
Wabco India (WABTVS)	6682	7200	Hold	12697	143.8	192.0	211.9	46.5	34.8	31.5	30.1	24.7	21.1	17.9	19.7	18.0	25.1	27.6	25.4

Source: Company, ICICI Direct Research

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