

Rating matrix		
Rating	:	Hold
Target	:	₹ 125
Target Period	:	12 months
Potential Upside	:	-4%

What's changed?	
Target	Changed from ₹ 165 to ₹ 125
EPS FY18E	Changed from ₹ 6.2 to ₹ 5.3
EPS FY19E	Changed from ₹ 9 to ₹ 7
Rating	Unchanged

Quarterly performance					
(₹ Crore)	Q3FY19	Q3FY18	YoY	Q2FY19	QoQ
Revenues	16,473.0	14,397.9	14.4	15,105.0	9.1
EBITDA	1,393.4	1,259.5	10.6	1,300.1	7.2
EBITDA (%)	8.5	8.7	-29 bps	8.6	-15 bps
Reported PAT	389.1	364.5	6.7	371.1	4.8

Key financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	42,493	56,293	62,973	71,141
EBITDA	4,284.7	5,122.6	5,628.4	6,827.2
Net Profit	1,554.3	1,597.0	1,672.5	2,209.3
EPS (₹)	4.9	5.1	5.3	7.0

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E (x)	25.3	23.9	24.5	18.6
Target P/E (x)	25.4	24.7	23.6	17.9
EV/EBITDA (x)	10.8	9.3	8.5	6.8
P/BV (x)	5.0	4.2	3.9	3.3
RoNW (%)	19.6	17.4	15.7	18.0
RoCE (%)	16.0	16.3	15.2	18.0

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 41053.1 Crore
Total Debt (FY18) (₹ Crore)	9,477.0
Cash & Investments (FY18) (₹ Crore)	5,093.0
EV (₹ Crore)	47,748.7
52 week H/L (₹)	245 / 128
Equity capital (₹ crore)	₹ 315.8 Crore
Face value (₹)	₹ 1

Price performance				
	1M	3M	6M	12M
Motherson Sumi Systems	-20.1	-21.5	-35.9	-47.0
Bosch Ltd	-4.7	-5.2	-4.0	-4.9
Wabco India Ltd	-3.3	-9.9	-8.5	-15.0

Research Analyst	
Shashank Kanodia, CFA	
shashank.kanodia@icicisecurities.com	
Jaimin Desai	
jaimin.desai@icicisecurities.com	

Motherson Sumi (MOTSUM)

₹ 130

Demand headwinds to persist...

- Motherson Sumi (MSL) reported a steady set of Q3FY19 numbers
- Consolidated revenues in Q3FY19 came in at ₹ 16,473 crore (up 14.4% YoY). Net sales from the standalone business were down 4.0% YoY to ₹ 1,722 crore. Further, among its subsidiaries, SMR revenue grew 1.5% YoY to ₹398 million (~₹ 3,270 crore) while SMP revenue increased 10.7% YoY to ₹993 million (~₹ 8,160 crore)
- Revenue from PKC operations grew 8% YoY to ₹292 million
- Consolidated EBITDA increased 10.6% YoY to ₹ 1,393 crore. EBITDA margins contracted 29 bps YoY & 15 bps QoQ to 8.5%
- EBITDA margins of the standalone business declined 295 bps YoY to 14.5% mainly impacted by negative operating leverage amid a decline in sales. EBITDA margins of SMR expanded 25 bps YoY to 11.55%. Margins of SMP contracted 27 bps YoY to 5.4%. Margins of PKC business expanded ~230 bps YoY to 8.6%
- Consequent PAT increased 6.7% YoY to ₹ 389 crore
- MSL has said its SMP plant at Tuscaloosa in the US has commenced operations. A majority of capex on greenfield projects is now almost over. During Q3FY19, on a consolidated basis, the company reduced its gross debt by ₹ 1,757 crore to ₹ 12,436 crore, while its cash & bank balance was at ₹ 2,731 crore. Thus, its net debt was at ₹ 9,705 crore as of 9MFY19

Global auto slowdown to weigh on demand prospects

Globally, auto OEMs have sounded demand concerns citing muted consumer sentiments amidst macroeconomic uncertainty, trade barriers, Brexit, WLTP, etc. It led to muted auto sales globally with percolation effect being felt by auto ancillary players, including MSL. The management commentary suggests demand headwinds will continue for some more time, which is likely to result in slower than anticipated ramp up of new facilities & consequent lower sales growth. Keeping a cautious stance, we expect sales at MSL to grow at a CAGR of 12.4% in FY18-20E to ₹ 71,141 crore (FY20E). We expect MSL to outperform its peers given its DNA of increasing its wallet share with its customers over a longer period of time. The company is diligently de-risking its business model with the strategy '3Cx15' – i.e. no country/customer/component should contribute >15% of sales.

Year 2020 target not at expense of profitability, return ratios

MSL has stuck to its 2020 target of US\$18 billion of sales. However, it has reiterated that it will not be achieved at the expense of profitability and healthy return ratios. The management commentary suggests a part of it was supported by organic growth with MSL running on schedule on it and a part of it was to be contributed by acquisitions wherein it is hard to find a capital efficient bargain buy. We view this as structurally positive as it will not dampen the healthy return ratios profile at MSL.

Limited scope for expansion in valuation multiples; retain HOLD

MSL is a capital efficient player with core RoICs >20% and has prudently grown over the past decade through the inorganic route. It has a steady balance sheet with absolute debt at ~₹ 10,000 crore and debt: equity at ~1.0x. Given the headwinds over demand prospects and limited scope for margin improvement amid a challenging demand scenario at its key OEM clients, we hold a cautious stance on the stock. Going forward, in FY18-20E, we expect sales, PAT to grow at a CAGR of 12.4%, 17.6%, respectively. We value MSL at ₹ 125 i.e. 18x P/E on FY20E EPS of ₹ 7.0 with a **HOLD** rating on the stock.

Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
Total Operating Income	16,473	16,538	14,398	14.4	15,105	9.1	Topline broadly in line with our estimates
Raw Material Expenses	9,509.5	9,560.3	8,850.1	7.4	8,745.8	8.7	
Employee Expenses	3,706	3,595	2,812	31.8	3,277	13.1	
Other expenses	1,863.7	1,961.1	1,476.6	26.2	1,781.7	4.6	
Operating Profit (EBITDA)	1,393	1,422	1,259	10.6	1,300	7.2	
EBITDA margin (%)	8.5	8.6	8.7	-29 bps	8.6	-15 bps	Margins came in on expected lines tracking higher employee costs and lower other expenses
Other Income	61.0	49.0	15.1	304.3	46.3	31.7	
Depreciation	571	486	394	45.1	488	17.1	Depreciation came in much ahead of our estimates given the commissioning of new facilities at the company
Interest	88	116	103	-14.5	132	-33.0	
PAT	389	446	364	6.7	371	4.8	
Adjusted PAT	389	446	366	6.3	371	4.8	PAT came in lower tracking higher depreciation amid lower interest outgo
EPS	1.2	1.4	1.2	6.7	1.2	4.8	
Key Metrics (as reported in Q3FY19 results)							
Standalone revenue (₹ crore)	1722	1890	1794	-4.0	1995	-13.7	Standalone revenues came in below estimates primarily tracking lower production at auto OEMs given high channel inventory
Standalone margin (%)	14.5	16.4	17.4	-295 bps	16.8	-227 bps	
SMR revenue (€ million)	398	382	392	1.5	380	4.7	SMR revenues came in ahead of our estimates
SMR margin (%)	11.6	11.0	11.3	25 bps	11.1	50 bps	Margins were also better than what we anticipated
SMP revenue (€ million)	993	1052	897	10.7	840	18.2	
SMP margin (%)	5.4	4.2	5.7	-27 bps	4.2	126 bps	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	63,614	62,973	-1.0	71,041	71,141	0.1	Broadly maintained our topline estimates over FY19E & FY20E
EBITDA	6,037	5,628	-6.8	7,723	6,827	-11.6	
EBITDA Margin (%)	9.5	8.9	-55 bps	10.9	9.6	-127 bps	Lowered margin estimates primarily tracking lower operating leverage benefits
PAT	1,695	1,672	-1.3	2,850	2,209	-22.5	
EPS (₹)	6.2	5.3	-14.6	9.0	7.0	-22.3	Decline in margin estimates leads to downward revision in EPS estimates

Source: Company, ICICI Direct Research

Assumptions

	FY17		FY18		Current		Earlier		Comments
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	
Standalone revenues (₹ crore)	6,313	7,478	7,887	8,663	8,306	9,298			Lower standalone estimates primarily tracking muted PV outlook domestically
Standalone margins (%)	19.7	18.5	16.5	16.9	17.7	19.2			
SMR revenues (€ million)	1,576.0	1,575.0	1,593.2	1,720.7	1,597.0	1,788.6			Broadly maintain SMR revenue estimates
SMR margins (%)	10.9	11.5	11.5	12.1	12.0	12.4			
SMP revenues (€ million)	2,986.0	3,451.0	3,564.8	3,849.9	3,594.4	3,969.6			Broadly maintain SMP revenue estimates
SMP margins (%)	7.3	7.2	5.4	6.3	5.8	8.2			

Source: Company, ICICI Direct Research

Company Analysis

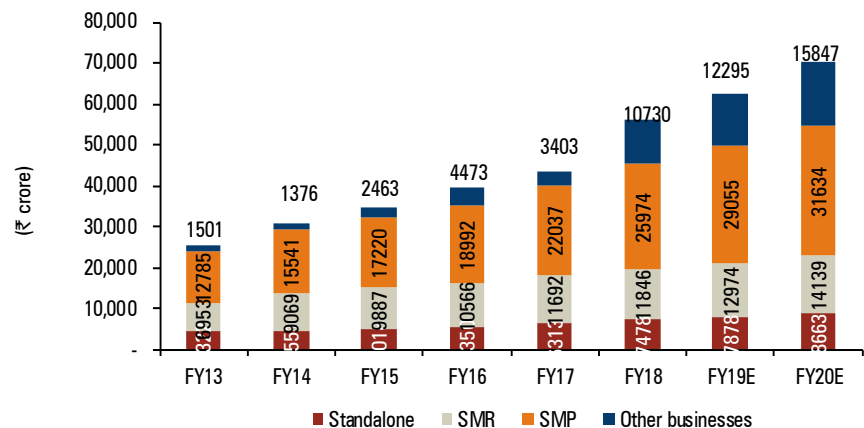
Local business to ride recovery while subsidiaries ramp up aggressively

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 7.6% CAGR in FY18-20E (above PV industry production growth of ~7%). This is in anticipation of 1) a pick-up in demand from OEMs in FY20E, 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 are 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.

During H1FY19, the company won new orders worth ₹ 23,810 crore; taking the aggregate order book to ₹ 164,315 crore. These are expected to be executed gradually and are likely to aid overall revenue and profitability, going forward.

Exhibit 1: Growth in revenues – Segment wise



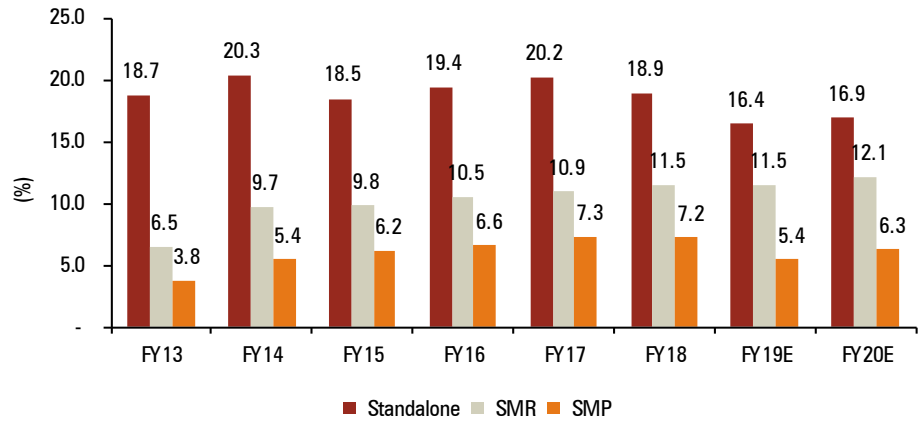
Source: Company, ICICI Direct Research

EBITDA margins structurally expected to move northwards

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%. Even for H1FY19 the margin has remained under pressure mainly due to higher raw material cost & other expense.

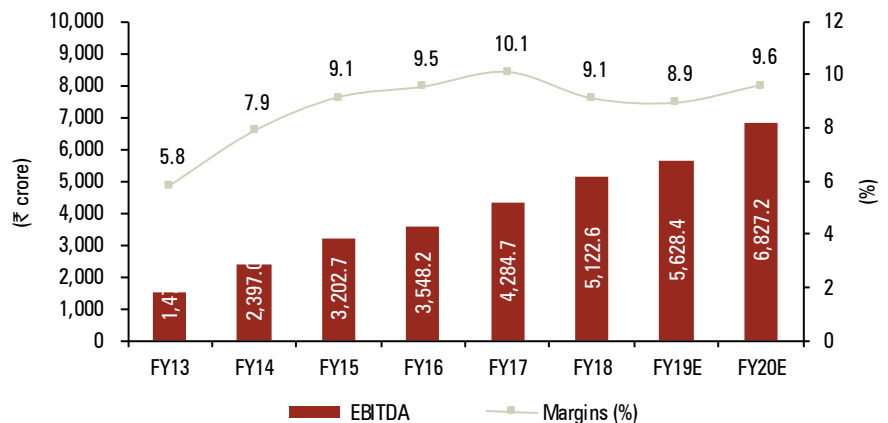
For subsidiaries, a ramp up of new facilities and in-sourcing opportunities are likely to continue to improve operating margins. We believe the initial gestation period of new plants coming in, may increase its overheads cost, thereby impacting margins, to some extent, though the same is structurally likely to move northwards. We expect margins of SMP & SMR to gradually inch up towards 6.3% & 12.1% for FY20E, respectively.

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



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margin trends - Consolidated

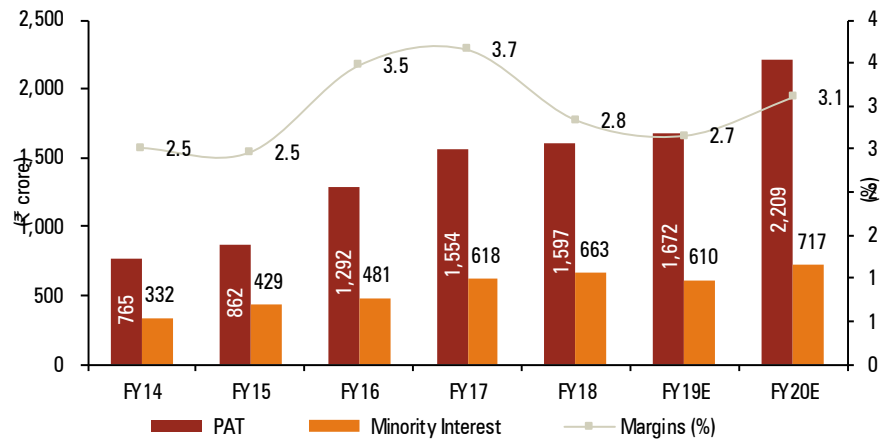


Source: Company, ICICI Direct Research

Profitability to remain elevated!

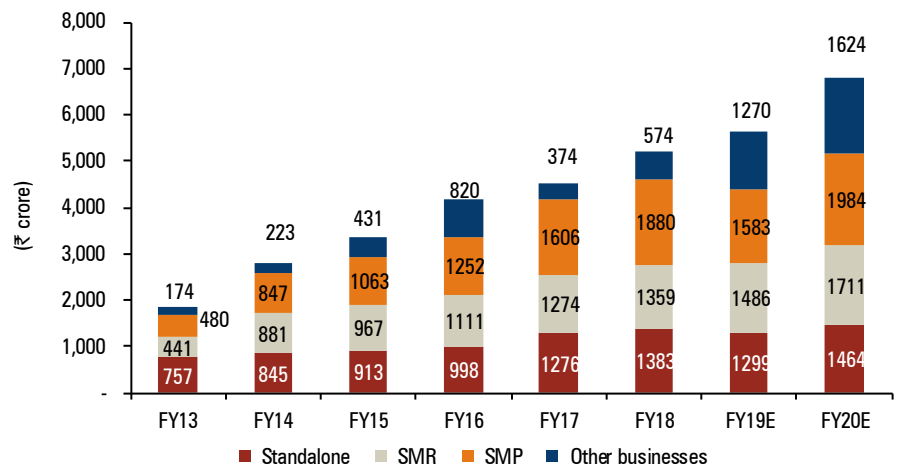
With an increase in revenues and operating margins, we expect profit to increase at ~17.6% CAGR in FY18-20E to ~₹ 2209 crore. The standalone business is likely to generate growth in profits (2% CAGR in FY18-20E) to ~₹ 910 crore in FY20E.

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

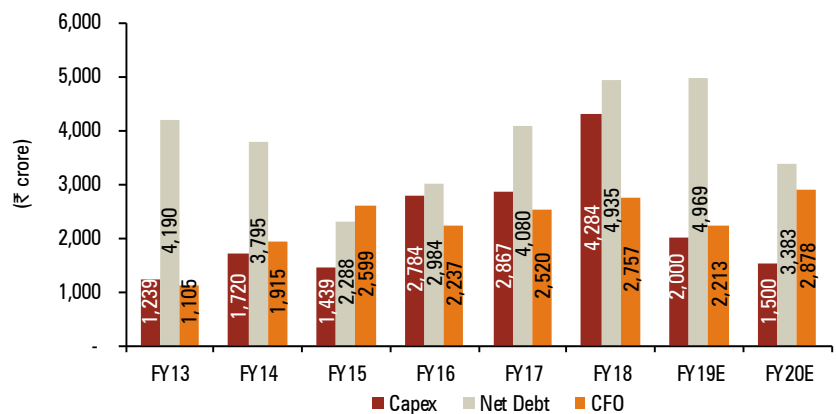


Source: Company, ICICI Direct Research

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 0.7x in FY20E.

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

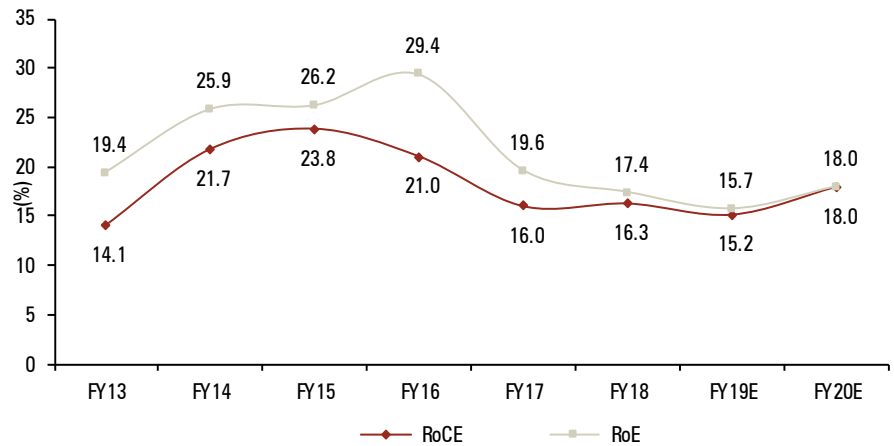


Source: Company, ICICI Direct Research

Return ratio improvement reflects overall improvement in financials

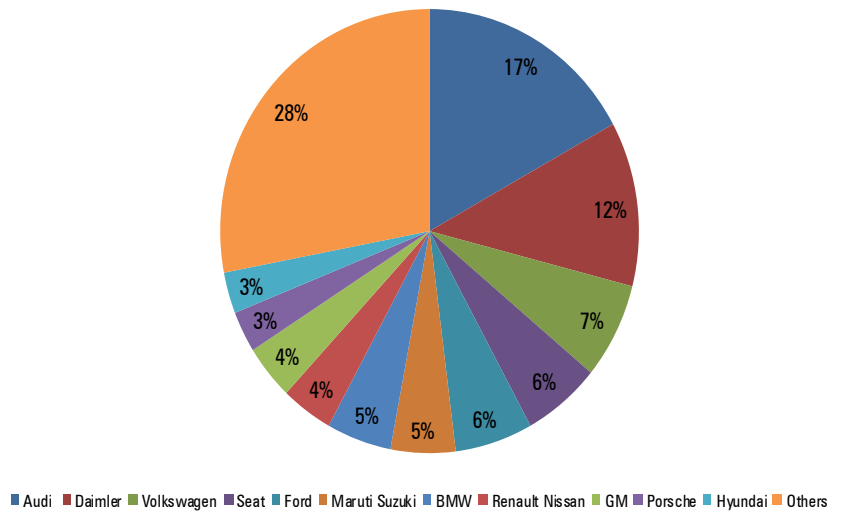
Over the years, return ratios have remained on an uptrend as the margin profile for SMR and SMP has improved while the standalone business withstood the slowdown in OE demand by increasing content per car. The dips in return ratios in FY17 were mainly due to equity dilution of ~6% post the QIP. After FY17, the balance sheet includes PKC's financial though the same is not reflected in the P&L account. We expect an improvement of return ratio from here on to > 15% for FY20E.

Exhibit 7: Return ratios on uptrend...



Source: Company, ICICI Direct Research

Exhibit 8: MSL – Revenue Mix – Customer Wise – FY18 (%)



Source: Company, ICICI Direct Research

Outlook & valuation

Globally, auto OEMs have sounded demand concerns citing muted consumer sentiments amid macroeconomic uncertainty, trade barriers, Brexit, WLTP, etc. It has led to muted auto sales globally with percolation effect being felt by auto ancillary players including MSL. The management commentary suggests demand headwinds will continue for some more time. This is likely to result in slower than anticipated ramp up of new facilities & consequent lower sales growth. Keeping a cautious stance, we expect sales to grow at a CAGR of 12.4% in FY18-20E to ₹ 71,141 crore (FY20E). We expect MSL to outperform its peers given its DNA of increasing its wallet share with its customers over a long period of time. The company is diligently de-risking its business model with the strategy '3Cx15' – i.e. no country/customer/component should contribute >15% of sales

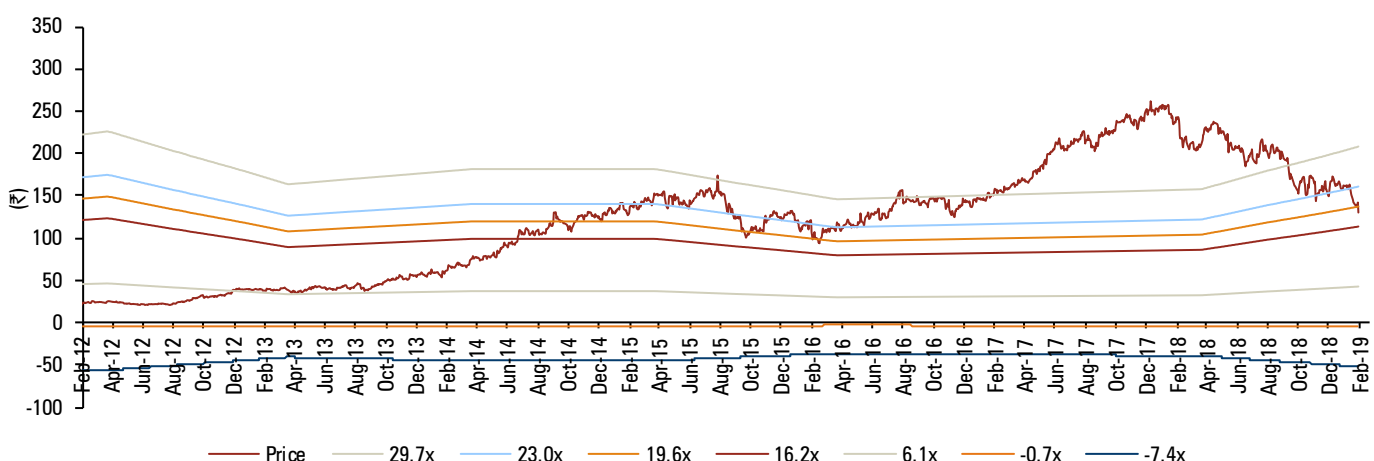
MSL is a capital efficient player with core RoICs >20% and has prudently grown over past the decade through the inorganic route. It has a steady balance sheet with absolute debt at ~₹ 10,000 crore and debt: equity at ~1.0x. Given the headwinds over demand prospects and limited scope for margin improvement amid a challenging demand scenario at its key OEM clients, we have a cautious stance on the stock. Going forward, over FY18-20E, we expect sales, PAT to grow at a CAGR of 12.4% & 17.6% respectively. We value MSL at ₹ 125 i.e. 18x P/E on FY20E EPS of ₹ 7.0 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	4.9	(19.3)	26.4	10.8	19.6	16.0
FY18	56,293	32.5	5.1	2.7	25.7	9.3	17.4	16.3
FY19E	62,973	11.9	5.3	4.7	24.5	8.5	15.7	15.2
FY20E	71,141	13.0	7.0	32.1	18.6	6.8	18.0	18.0

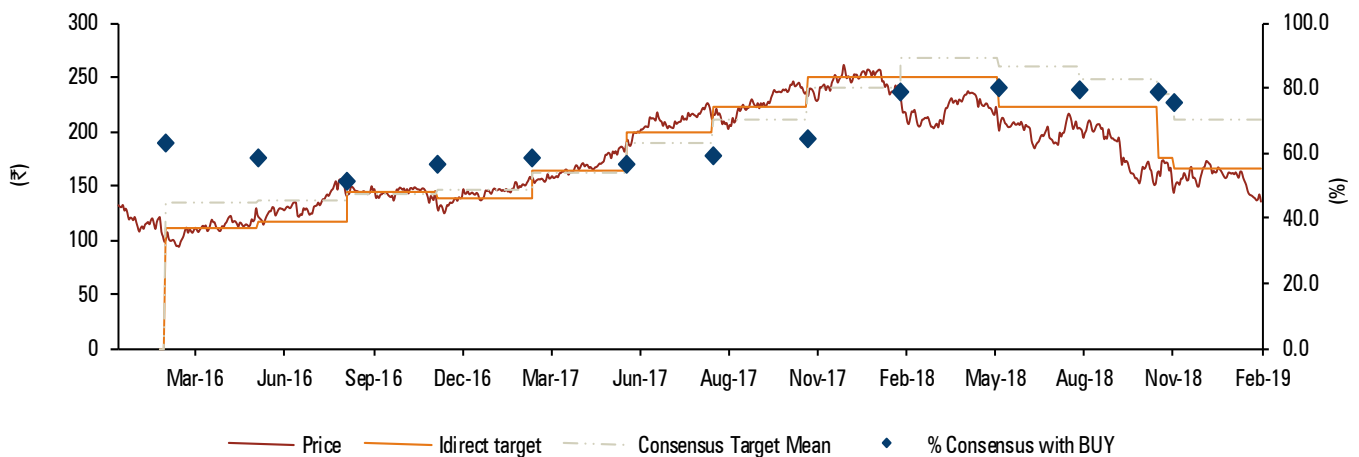
Source: EPS adjusted for bonus, Company, ICICI Direct Research

Exhibit 10: One year forward P/E (MSS currently trading at 18.6x)



Source: Reuters, ICICI Direct Research

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research; Adjusted for Bonus issue

Key events

Date	Event
Jan-09	Motherson Sumi buys Visiocrp, 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.	31-Dec-18	33.4	1,055.8	0.00
2	Sumitomo Electric Industries Ltd	31-Dec-18	25.1	792.6	0.00
3	ICICI Prudential Asset Management Co. Ltd.	31-Dec-18	3.4	107.0	-2.13
4	Sehgal (Vivek Chaand)	31-Dec-18	2.3	73.2	0.00
5	Axis Asset Management Company Limited	31-Dec-17	1.5	47.6	3.71
6	SBI Funds Management Pvt. Ltd.	31-Dec-18	1.3	40.5	-5.67
7	Capital Research Global Investors	31-Dec-18	1.2	38.9	-14.59
8	The Vanguard Group, Inc.	31-Dec-18	1.1	33.4	-0.38
9	Capital World Investors	31-Dec-18	1.1	33.2	-14.59
10	Hermes Investment Management Ltd.	30-Nov-18	0.9	28.3	-0.41

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	61.7	61.7	61.7	61.7	61.7
FII	20.1	18.8	18.3	17.1	17.5
DII	8.4	9.5	9.7	10.3	9.9
Others	9.7	10.1	10.3	10.8	10.9

Recent Activity

Buys			Sells		
Investor name	Value (M)	Shares (M)	Investor name	Value(M)	Shares (M)
FIL Investment Management (Singapore) Ltd.	+5.44M	+2.30M	Capital Research Global Investors	-34.99M	-14.59M
Nuveen LLC	+3.83M	+1.59M	Capital World Investors	-34.99M	-14.59M
Pictet Asset Management Ltd.	+1.95M	+0.88M	SBI Funds Management Pvt. Ltd.	-13.60M	-5.67M
Invesco Asset Management (India) Private Limited	+1.84M	+0.77M	ICICI Prudential Asset Management Co. Ltd.	-5.11M	-2.13M
RWC Partners Limited	+1.77M	+0.75M	Kotak Mahindra Asset Management Company Ltd.	-3.87M	-1.61M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	42,493.4	56,293.3	62,973.2	71,141.1
Growth (%)	14.2	32.5	11.9	13.0
Raw Material Expenses	25,750.7	34,312.1	36,294.1	40,827.3
Employee Expenses	8,090.9	11,067.8	13,980.3	15,496.4
FX (gain)/loss	0.0	0.0	0.0	0.0
Other expenses	4,367.1	5,790.8	7,070.5	7,990.2
Total Operating Expenditure	38,208.7	51,170.7	57,344.8	64,313.8
EBITDA	4,284.7	5,122.6	5,628.4	6,827.2
Growth (%)	20.8	19.6	9.9	21.3
Depreciation	1,059.0	1,575.2	2,078.1	2,347.7
Interest	374.9	410.8	421.9	400.8
Other Income	146.3	170.1	206.0	231.3
PBT	2,997.1	3,306.7	3,334.5	4,310.1
Others	0.0	0.0	0.0	0.0
Total Tax	910.3	1,007.1	1,161.4	1,465.4
Reported PAT	1,554.3	1,597.0	1,672.5	2,209.3
Growth (%)	20.3	2.7	4.7	32.1
EPS (₹)	4.9	5.1	5.3	7.0

Source: Company, ICICI Direct Research

Cash flow statement				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	1,554.3	1,597.0	1,672.5	2,209.3
Add: Depreciation	1,059.0	1,575.2	2,078.1	2,347.7
(Inc)/dec in Current Assets	-3,156.5	-3,157.3	-2,995.8	-3,610.1
Inc/(dec) in CL and Provisions	3,063.4	2,742.4	1,458.5	1,930.8
CF from operating activities	2,520.2	2,757.4	2,213.3	2,877.6
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-2,866.9	-4,284.1	-2,000.0	-1,500.0
Others	-3,260.0	72.5	658.2	776.6
CF from investing activities	-6,127.0	-4,211.6	-1,341.8	-723.4
Issue/(Buy back) of Equity	8.1	70.2	105.3	0.0
Inc/(dec) in loan funds	4,400.3	-664.8	500.0	-1,000.0
Dividend paid & dividend tax	-331.6	-559.4	-568.4	-757.9
Inc/(dec) in Sec. premium	-37.6	2,644.8	503.3	-336.6
Others	2,682.4	-2,141.5	-945.2	526.1
CF from financing activities	6,721.5	-650.7	-405.0	-1,568.4
Net Cash flow	3,114.8	-2,105.0	466.4	585.7
Opening Cash	1,771.7	4,886.5	2,781.5	3,248.0
Closing Cash	4,886.5	2,781.5	3,248.0	3,833.7

Source: Company, ICICI Direct Research

Balance sheet				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	140.4	210.5	315.8	315.8
Reserve and Surplus	8,132.3	9,673.2	10,335.3	11,976.2
Total Shareholders funds	8,272.7	9,883.7	10,651.1	12,292.0
Total Debt	10,141.8	9,477.0	9,977.0	8,977.0
Deferred Tax Liability	426.0	523.6	585.7	661.7
Minority Interest / Others	2,232.2	2,960.0	3,569.6	4,286.7
Total Liabilities	21,684.7	24,070.1	26,154.6	27,766.4
Assets				
Gross Block	10,898.6	14,532.6	17,617.5	19,417.5
Less: Acc Depreciation	2,820.9	4,396.1	6,474.2	8,821.8
Net Block	8,077.7	10,136.6	11,143.3	10,595.7
Capital WIP	1,934.8	2,584.9	1,500.0	1,200.0
Total Fixed Assets	10,012.5	12,721.4	12,643.3	11,795.7
Investments	3,352.6	4,071.8	4,071.8	4,071.8
Goodwill	1937.6	2264.3	2264.3	2264.3
Inventory	3,071.6	4,013.2	5,175.9	6,237.0
Debtors	4,655.2	5,623.6	6,901.2	8,770.8
Loans and Advances	66.0	42.6	47.7	53.8
Other Current Assets	3,368.6	4,639.3	5,189.8	5,862.9
Cash	4,886.4	2,781.5	3,248.0	3,833.7
Total Current Assets	16,047.8	17,100.2	20,562.4	24,758.3
Creditors	7,300.3	9,064.0	10,006.7	11,304.6
Provisions	140.2	132.9	146.7	165.7
Other current liabilities	3244	4230	4732	5346
Total Current Liabilities	10,684.9	13,427.3	14,885.9	16,816.6
Net Current Assets	5,362.9	3,672.9	5,676.6	7,941.6
Other non-current Asset	516.6	713.6	798.3	901.9
Deferred Tax Asset	502.4	626.1	700.3	791.2
Application of Funds	21,684.7	24,070.1	26,154.6	27,766.4

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	4.9	5.1	5.3	7.0
Cash EPS	8.3	10.0	11.9	14.4
BV	26.2	31.3	33.7	38.9
DPS	2.0	2.3	1.5	2.0
Cash Per Share	15.5	8.8	10.3	12.1
Operating Ratios				
EBITDA Margin (%)	10.1	9.1	8.9	9.6
PBIT / Net sales (%)	7.6	6.3	5.6	6.3
PAT Margin (%)	3.7	2.8	2.7	3.1
Inventory days	26.4	26.0	30.0	32.0
Debtor days	40.0	36.5	40.0	45.0
Creditor days	62.7	58.8	58.0	58.0
Return Ratios (%)				
RoE	19.6	17.4	15.7	18.0
RoCE	16.0	16.3	15.2	18.0
RoIC	33.2	27.7	23.2	27.2
Valuation Ratios (x)				
P/E	25.3	23.9	24.5	18.6
EV / EBITDA	10.8	9.3	8.5	6.8
EV / Net Sales	1.1	0.8	0.8	0.6
Market Cap / Sales	1.0	0.7	0.7	0.6
Price to Book Value	5.0	4.2	3.9	3.3
Solvency Ratios				
Debt/EBITDA	2.4	1.9	1.8	1.3
Debt / Equity	1.2	1.0	0.9	0.7
Current Ratio	1.0	1.1	1.2	1.2
Quick Ratio	0.8	0.8	0.8	0.9

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		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Amara Raja (AMARAJ)	740	700	Hold	12647	27.6	30.2	39.8	26.8	24.5	18.6	14.8	13.1	10.2	23.3	22.0	24.7	16.0	15.2	17.1
Apollo Tyre (APOTYR)	200	225	Buy	11647	12.7	14.2	22.5	16.1	14.3	9.1	6.7	6.7	5.7	7.8	9.1	11.0	7.4	9.1	11.1
Ashok Leyland (ASHLEY)	82	115	Hold	23278	5.3	7.1	8.9	15.4	11.6	9.3	10.2	8.3	6.2	28.1	32.1	34.6	21.9	25.1	26.2
Bajaj Auto (BAAUTO)	2822	2380	Hold	81660	140.6	149.7	167.2	17.8	16.7	14.9	11.9	11.3	9.3	22.9	21.1	21.7	21.5	20.3	20.2
Balkrishna Ind. (BALIND)	805	820	Hold	15604	38.2	42.5	49.8	21.1	19.0	16.2	14.2	11.6	9.5	22.4	21.0	22.4	18.1	21.0	22.4
Bharat Forge (BHAFOR)	484	700	Buy	22534	16.2	23.3	28.0	29.9	20.8	17.3	17.6	14.5	12.2	18.2	22.9	25.7	17.3	23.3	23.9
Bosch (MICO)	18600	20500	Hold	58404	449.1	593.7	661.5	41.4	31.3	28.1	27.0	21.9	19.2	14.4	16.4	16.3	21.4	24.4	24.3
Eicher Motors (EICMOT)	21000	21250	Hold	57246	718.9	848.4	1112.9	29.2	24.8	18.9	19.0	16.7	12.3	39.1	34.6	35.3	29.9	26.0	26.4
Escorts (ESCORT)	635	700	Hold	7786	28.1	40.7	44.1	23.8	16.5	15.2	14.2	10.6	9.3	18.8	20.9	20.8	13.5	16.5	15.3
Exide Industries (EXIIND)	212	235	Hold	18054	8.2	8.4	9.8	25.8	25.4	21.7	15.2	14.1	12.0	19.1	17.6	19.1	13.0	12.2	13.1
Hero Moto (HERHON)	2849	3000	Buy	56889	185.1	174.5	199.9	15.4	16.3	14.3	8.7	9.0	7.7	42.4	38.0	39.0	31.4	26.9	27.4
JK Tyre & Ind (JKIND)	89	100	Hold	2013	2.9	12.9	21.9	30.5	6.9	4.1	9.8	6.0	4.6	7.7	12.6	15.4	3.6	15.0	18.6
Mahindra CIE (MAHAUT)	226	280	Buy	8559	9.5	14.5	17.7	23.9	15.6	12.8	13.7	9.9	8.2	9.8	12.9	13.7	11.2	15.0	17.1
Maruti Suzuki (MARUTI)	7203	6000	Hold	216663	255.6	250.3	284.4	25.5	26.0	22.9	13.5	13.8	11.8	21.1	17.8	18.8	18.5	16.3	16.6
Motherson (MOTSUM)	130	125	Hold	41179	5.1	5.3	7.0	25.8	24.6	18.6	9.3	8.5	6.8	16.3	15.2	18.0	17.4	15.7	18.0
Tata Motors (TELCO)	152	145	Hold	45571	26.8	-83.4	16.6	5.6	NA	9.1	2.4	3.3	2.6	9.1	5.1	9.9	10.3	5.9	12.6
Wabco India (WABTVS)	6160	6800	Hold	11704	143.8	172.2	212.3	42.8	35.8	29.0	28.0	24.1	19.1	17.9	17.8	18.2	25.1	25.7	26.0

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruhi Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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