

Rating matrix	
Rating	: Hold
Target	: ₹ 120
Target Period	: 12 months
Potential Upside	: -6%

What's changed?	
Target	Changed from ₹150 to ₹120
EPS FY19E	Changed from ₹ 14.6 to ₹ 15.7
EPS FY20E	Changed from ₹24.3 to ₹22.1
Rating	Unchanged

Quarterly performance					
(₹ Crore)	Q1FY19	Q1FY18	YoY	Q4FY18	QoQ
Revenues	2,439.5	1,806.6	35.0	2,284.0	6.8
EBITDA	325.5	-1.1	NA	329.3	-1.2
EBITDA (%)	13.3	-0.1	NA	14.4	-108 bps
Reported PAT	64.1	-107.7	NA	158.9	-59.6

Key financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	7,689	8,272	9,813	10,732
EBITDA	1,132.4	737.1	1,272.4	1,451.1
Net Profit	375.4	66.0	357.0	501.0
FDEPS (₹)	16.6	2.9	15.7	22.1

Valuation summary				
	FY17	FY17	FY19E	FY20E
P/E (Dil.) (x)	8.9	8.9	7.8	5.8
EV/EBITDA (x)	7.1	7.1	6.0	4.9
Tar. EV/EBITDA (x)	6.9	6.9	5.8	4.8
P/B (x)	1.5	1.5	1.3	1.1
RoNW (%)	16.6	16.6	16.6	18.8
RoCE (%)	11.2	11.2	13.2	15.3

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 2903 Crore
Total Debt (FY18) (₹ Crore)	4,988.7
Cash & Investments (FY18) (₹ Crore)	130.8
EV (₹ Crore)	7,760.9
52 week H/L (₹)	193/128
Equity capital (₹ crore)	₹ 45.4 Crore
Face value (₹)	₹ 2

Price performance				
	1M	3M	6M	12M
JK Tyres	3.0	-10.8	-21.8	-16.4
Apollo Tyres	-3.8	-7.5	2.1	-0.9
CEAT Ltd	13.2	3.1	-11.6	-16.9
MRF Ltd	-1.2	-1.1	3.6	14.4
Balkrishna Industries	18.3	14.6	21.7	79.7

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## JK Tyres and Industries (JKTYRE)

₹ 128

### Strong volume led revenue growth!

- On a consolidated basis, revenues were at ₹ 2,440 crore (up 35% YoY), vs. our estimate of ₹ 2,164 crore. Revenue from India (adjusting excise duty) increased ~36.4% YoY to ₹ 2,137 crore (volume of standalone business grew 35% YoY to ~96,000 MT) while revenue from Mexican operation grew ~21% YoY to ₹ 345 crore (with volume growth of 20% YoY to ~16,000 MT)
- The EBITDA margin came in at 13.3% (down 108 bps QoQ) vs. our estimate of 14.4%. We believe higher crude derivatives raw material impacted gross margin, which declined 45 bps QoQ. Further, other expense also increased 72 bps YoY but the same was partly offset by lower employee expense, down 9 bps QoQ
- It reported exceptional expense of ₹ 24 crore (unfavourable exchange fluctuation of ₹ 22 crore and VRS of ₹ 2 crore)
- Reported PAT (after minority interest) was at ₹ 64 crore (vs. loss of ₹ 108 crore in Q1FY18) against our estimate of ₹ 100 crore
- On the standalone front, revenues grew 44% YoY to ₹ 1887 crore while margin contracted 78 bps QoQ to 11.6%. PAT was at ₹ 68 crore

### Strong demand momentum + stable margin = key for growth!

CV tyre space is seeing a secular radialisation trend with share of radial tyres in CV segment rising from 4% in FY07 to 47% in FY18. JKTIL enjoys leadership position in M&HCV truck bus radial (TBR) segment with market share >30%. Thus, radialisation story stays intact for JKTIL. For Q1FY19, Indian operations saw healthy revenue growth of 36.4% YoY mainly due to 1) strong OEM demand & 2) higher growth in replacement segment that benefitted from anti-dumping duty on Chinese tyres levied in past & Q1FY18 (last year) GST transition restricted tyre demand at the dealer's level. Demand improvement in its Mexico operation is visible in Q1FY19 & is likely to continue, going forward. Thus, we expect JKTIL to report volume driven revenue CAGR of 14% YoY in FY18-20E. On the margin front, higher prices of crude based derivatives have impacted gross margins in Q1FY19 & are likely to continue in the near term. However, apart from passing on higher input cost, we believe strong operating leverage will support margins, going forward. Mexico performance is expected to recover post completion of labour restructuring. Thus, management expects margins in the range of 13-14.5%, going forward.

### Re-calibration of capacity; disappoints us!

JKTIL has re-cast its existing capacity, which negatively surprised us. Its overall tyre capacity as of FY17 was at 35 million units & 2,110 tonnes/day, which as of 9MFY18 declined to 31.8 million units (down 10%) & 1,709 tonnes/day (down 19%). The major re-work is on the acquired CIL plant where its production capacity is now lowered by 15% & 39% in unit & tonnage terms, respectively. JKTIL reassessed old plant/machinery & made the necessary shifting of some machinery. With lower effective capacity, it is now adding TBR capacity of 0.6 million tyres at a cost of ₹ 275 crore. Thus, overall capex (maintenance & new capacity) is likely to be ₹ 350 crore vs. earlier estimate of <₹ 100 crore, further disallowing JKTIL from reducing its overall debt as expected in the past.

### Debt led heavy balance sheet overweighs growth; maintain HOLD!

JKTIL is well placed to benefit from the demand recovery thereby driving its revenue in coming months. Further, we await clarity on fund raising plans (via debt or equity as the former will result in higher interest outgo while the later will dilute earnings). Thus, we value JKTIL at 4.8x FY20E EV/EBITDA with a target price of ₹ 120 and a **HOLD** recommendation.

### Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Total Operating Income	2,440	2,164	1,807	35.0	2,284	6.8	The revenue growth is largely volume driven across its business (India + Mexico)
Raw Material Expenses	1,462	1,288	1,220	19.9	1,359	7.6	JKTIL witnessed some pressure of high crude derivatives raw material, which impacted its gross margins on a QoQ basis
Employee Expenses	228	223	221	3.3	216	5.8	
Other expenses	424	342	367	15.4	381	11.4	
Operating Profit (EBITDA)	325	311	-1	-30,806.6	329	-1.2	
EBITDA Margin (%)	13.3	14.4	-0.1	1340 bps	14.4	-108 bps	The company in Q1FY18 had reported an operational loss mainly impacted by high raw material cost
Interest	121	105	117	3.6	115	5.2	
Depreciation	77.4	82.0	71.6	8.1	77	0.7	
PBT before Exceptional Items	133.7	143.0	-178.3	-175.0	250.6	-46.6	
Less: Exceptional Items	23.7	0.0	0.5	4,827.1	0	NA	The company reported exceptional expense of ₹ 23.7 crore (includes unfavourable foreign exchange fluctuation of ₹ 21.5 crore & VRS of ₹ 2.2 crore) vs. expense of ₹ 0.5 crore in Q1FY18
PBT after Exceptional Items	110.1	143.0	-178.8	-161.6	250.1	-56.0	
Total Tax	42.7	42.9	-60.9	-170.1	90.3	-52.7	
Profit from Associates	-3.1	0.0	0.7	-544.3	-0.9	245.6	
PAT	64.1	100.1	-107.7	-159.5	158.9	-59.6	Higher revenue growth and margin expansion on YoY basis, resulted in better profitability
EPS	2.8	4.4	-4.8	-159.5	7.0	-50.6	

Key Metrics							
India sales (₹ crore)	2137.1		1567.0	36.4	2014.6	6.1	Indian operations reported strong revenue growth, mainly backed by strong volume growth of 35% YoY to ~96,000 MT in its standalone operations
Mexico sales (₹ crore)	344.6		284.8	21.0	296.0	16.4	The revenue growth of 21% YoY was backed by volume growth of 20% YoY to ~16,000 MT
EBIT - India	227.3		-66.1	-443.7	334.5	-32.1	High cost raw material inventory severely impacted the operating performance in Q1FY18. Thus, YoY margins looks stronger
EBIT - Mexico	27.5		5.1	434.2	31.3	-12.2	Labour restructuring in the past helped Mexican operations to report strong performance on a YoY basis. However, higher operational expenditure impacted its QoQ performance

Source: Company, ICICI Direct Research

### Change in estimates

	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	9,490	9,813	3.4	10,363	10,732	3.6	Revenue estimates revised upwards, post strong Q1FY19 performance. The management remains confident on the demand front, going forward also
EBITDA	1,132	1,272	12.4	1,402	1,451	3.5	
EBITDA Margin (%)	11.9	13.0	104 bps	13.5	13.5	-1 bps	Largely maintained the margin estimates for FY20E
PAT	332	357	7.5	551	501	-9.1	Higher interest cost is likely to impact its profitability
FDEPS (₹)	14.6	15.7	7.5	24.3	22.1	-9.1	

Source: Company, ICICI Direct Research;

### Assumptions

	FY17		FY18E		Current		Earlier		Comments
	FY17	FY18E	FY19E	FY20E	FY19E	FY20E			
India									
Tonnage Sales (MT) (Standalone + CIL)	381,211	442,658	501,020	540,851	479,496	518,251			We revise our volume estimates, post strong Q1FY19 volumes & positive demand outlook
Mexico									
Tonnage Sales (MT)	70,563	71,903	76,568	81,927	76,936	82,332			

Source: Company, ICICI Direct Research;

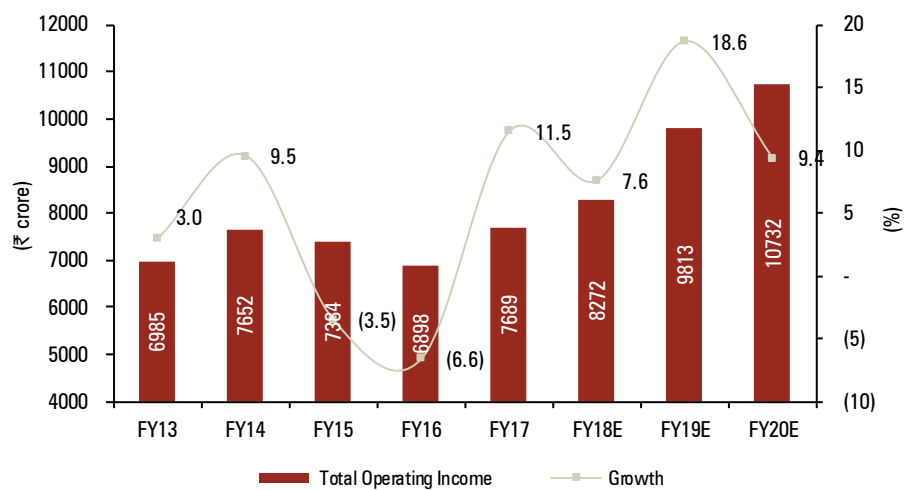
## Company Analysis

### Demand revival to drive revenue growth

JKTIL's revenues largely comprise domestic (Indian) operations, which account for ~86% of revenue while the remaining 14% comes from its Mexican subsidiary Tornel. Further, the customer wise revenue mix is OEM: replacement: export at 33%: 57%: 10%, respectively. Segment wise, CV & PV tyres account for 74% & 21% of its overall revenue, respectively, while 5% is contributed by other segments. Product wise radial: bias mix is at 66:33, respectively. The company had faced headwinds in terms of revenue growth in the past two years (FY15 & FY16), mainly on account of a slowdown in the demand environment and stiff competition from Chinese tyres. Capacity constraints on the radial side of the truck and bus segment, to some extent, had restricted growth in the rising trend of radialisation in India.

However, it has expanded its TBR capacity in the past, helping the company to register decent growth in FY17. Apart from its regular quality tyres, JKTIL has launched the *Challenger* brand in the TBB segment. It has created a slightly lower quality brand, which competes well against imported cheaper Chinese tyres. The acquisition of Cavendish Industries (CIL) has further taken the overall capacity (including Mexico) to ~31.8 million tyres per annum. There are nine plants in India, three in Mexico while it is all set to cater to the rising industry demand. Thus, we believe revenues are likely to register CAGR of 14% CAGR in FY18-20E.

**Exhibit 1: Revenue growth likely to recover!**

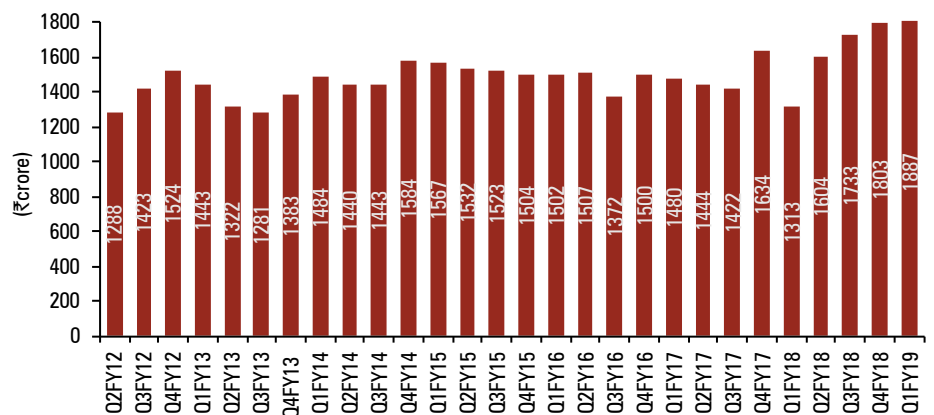


Source: Company, ICICI Direct Research

**Exhibit 2: JKTIL combined capacity (JKTIL + CIL + Tornel) – as of 9MFY18**

Combined Capacity (million no .pa)						
Sr no	Particulars	JKTIL	CIL	Total India	Tornel Mexico	Total India + Mexico
1	Truck Bias	1.50	0.70	2.20	0.30	2.50
2	Truck Radial	2.30	0.70	3.00	0.00	3.00
	Total Truck	3.80	1.40	5.20	0.30	5.50
3	Passenger Radial	9.90	0.00	9.90	5.20	15.10
4	2-W & 3-W	0.00	6.3	6.34	0.00	6.34
5	Others (LCV, Farm, OTR)	1.70	0.7	2.43	2.40	4.83
	Total (Lakh pa)	15.40	8.5	23.87	7.90	31.77
7	Total Tonnes per day (TPD)	1026.0	383.0	1409.0	300.0	1709.0

Source: Company, ICICI Direct Research

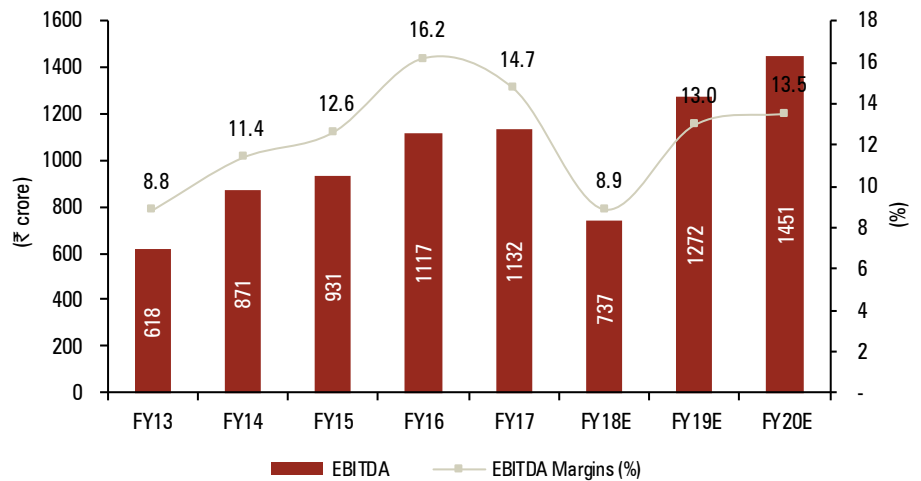
**Exhibit 3: Over last three to four quarters sales witness pick up (YoY basis)**


Source: Company, ICICI Direct Research

### Margin to stabilise!

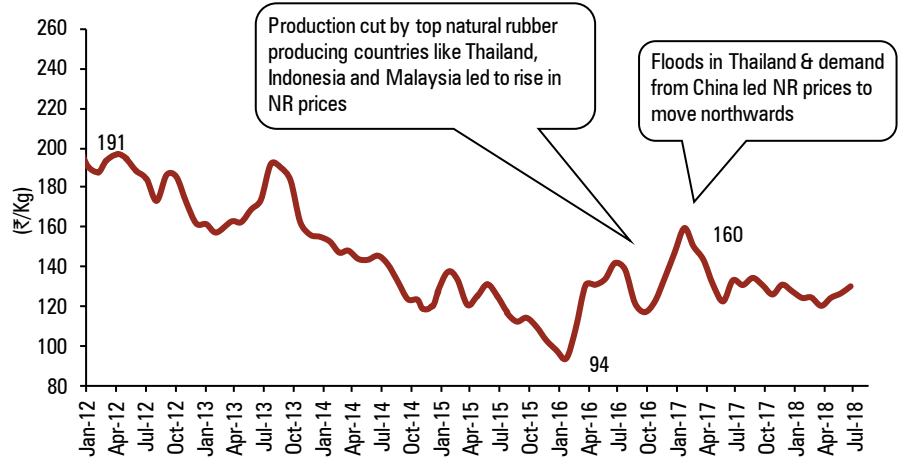
Average natural rubber (NR) prices surged from lows of ₹ 94/kg in February 2016 to a high of ₹ 159/kg in February 2017 and are now trading at ₹ 130/kg in July 2018. In Q1FY18, JKTIL posted an operational loss due to high cost raw material inventory, which was procured in the past. The margin, as expected, recovered sharply QoQ in Q2FY18 and Q3FY18 mainly after 1) high cost inventory was consumed in the past and 2) lower employee and other expense. The margin was expected to be soft in Q4FY18 mainly after average crude derivatives prices increased. However, against expectation, the company positively surprised with strong margin expansion of 512 bps YoY & 439 bps QoQ. The strong operational performance in Q4FY18 also supported the overall FY18 profitability. JKTIL's performance has been volatile in the past. Further, we believe the company would continue to face some pressure of the rising crude derivatives raw material, going forward. A gradual price hike and better product mix (higher share of radial) may cushion its margin, to some extent. Thus, the management expects margins to be in the range of 13-14.5%, going forward.

**Exhibit 4: Margins to moderate, going forward**



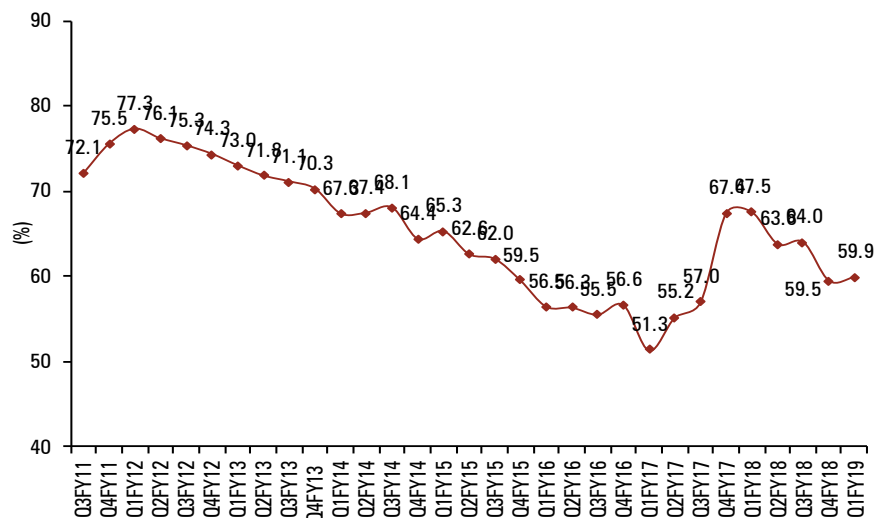
Source: Company, ICICI Direct Research

**Exhibit 5: Natural rubber price has been volatile in past**



Source: Company, ICICI Direct Research

**Exhibit 6: Net raw material expense trend of domestic business**

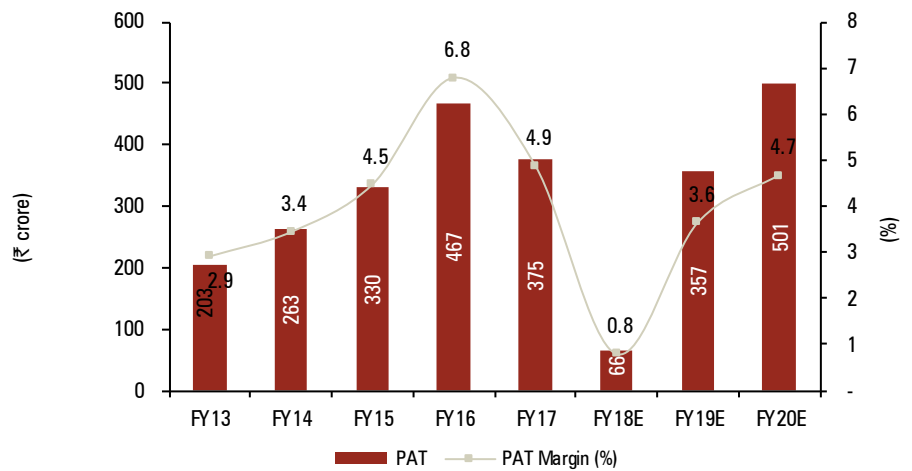


Source: Company, ICICI Direct Research

### PAT margin to recover from FY19E onwards!

JKTIL's reported PAT was ₹ 66 crore in FY18, mainly after the company disappointed with the performance in 9MFY18 (posted loss of ₹ 79 crore) mainly due to lower margin and higher interest & depreciation cost. The strong operational performance in Q4FY18, to some extent, supported overall profitability for FY18. However, its performance is expected to recover from FY19E onwards. Thus, we expect profit to reach ₹ 501 crore in FY20E (primarily supported by margin expansion).

**Exhibit 7: Margin to recover in FY19E**

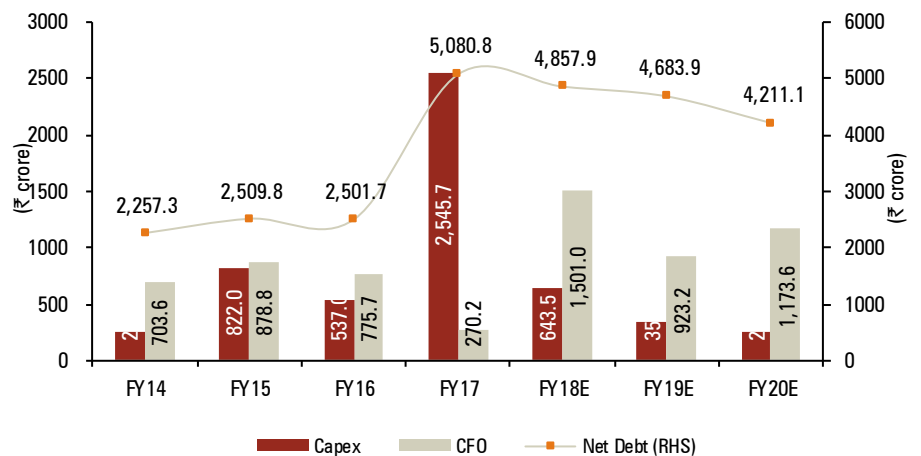


Source: Company, ICICI Direct Research

### CIL acquisition perks up debt levels!

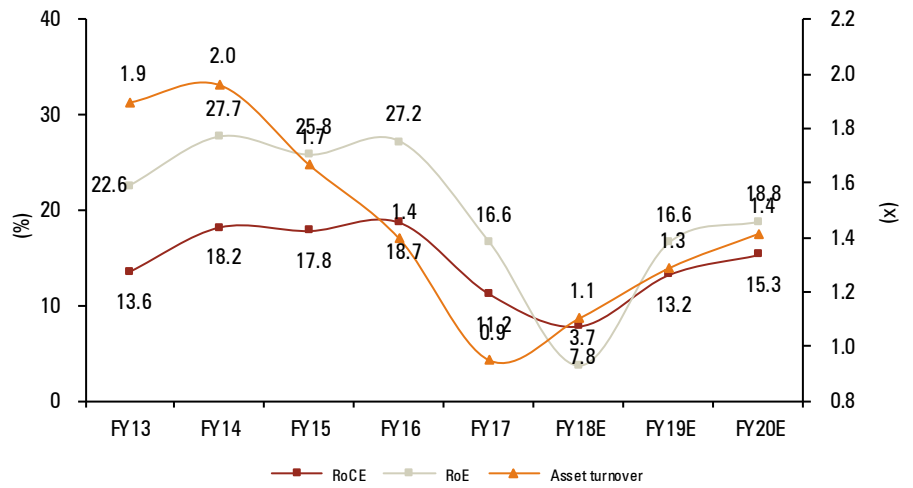
JKTIL has completed the acquisition of CIL wherein it has acquired a 64% stake with the remaining 36% being acquired by JK group's associates/group companies. The deal size for the same was ₹ 2,170 crore, with a mix of equity & debt of ₹ 700 crore & ₹ 1,470 crore, respectively. This has increased the overall gross debt to ₹ 5,376 crore in FY17. In the past, the management has guided that debt levels have peaked out. According to the management, the company will bring down its long term debt over the next two to three years.

**Exhibit 8: CIL acquisition perks up debt!**



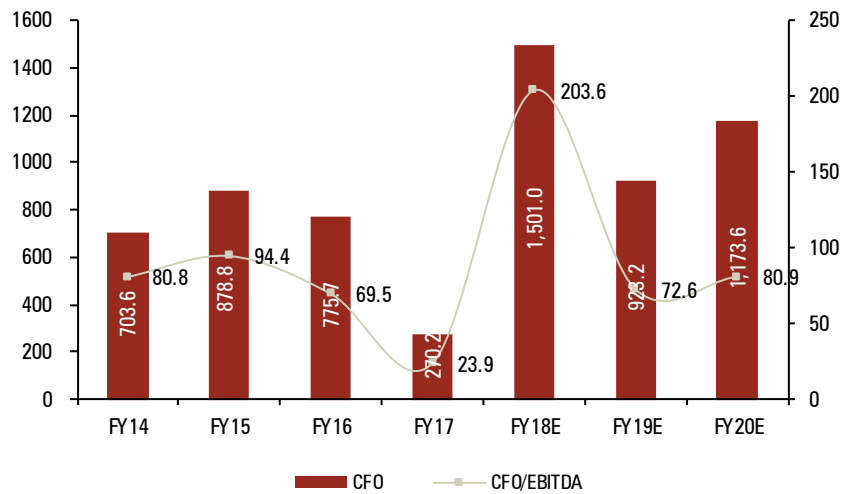
Source: Company, ICICI Direct Research

**Exhibit 9: CIL assets temporary drag asset turnover; to recover in FY19E...**



Source: Company, ICICI Direct Research

**Exhibit 10: CFO/EBITDA indicates good working capital management**



Source: Company, ICICI Direct Research

## Outlook & valuation

The CV tyre segment is clearly witnessing a secular radialisation trend with the share of radial tyres in the CV segment increasing from 4% in FY07 to 47% in FY18. Penetration of truck & bus radial tyres in the OEM segment is 72% while the replacement segment radialisation was at 33% in FY17. JK Tyres' market share in India in the M&HCV TBR segment is >30% while it is >12% in the passenger car radial segment. Going forward, as radialisation in the truck and bus segment increases rapidly, we believe JK Tyres would be a major beneficiary leading to higher capacity utilisation levels in the TBR space.

JKTIL being the market leader is well placed to benefit from the demand recovery thereby driving its revenue in coming months. However, apart from some challenges on the margin front, we await clarity on the fund raising plans (via debt or equity as the former will result in higher interest outgo while the latter will dilute earnings). Thus, we value JKTIL at 4.8x FY20E EV/EBITDA with a target price of ₹ 120 and **HOLD** rating.

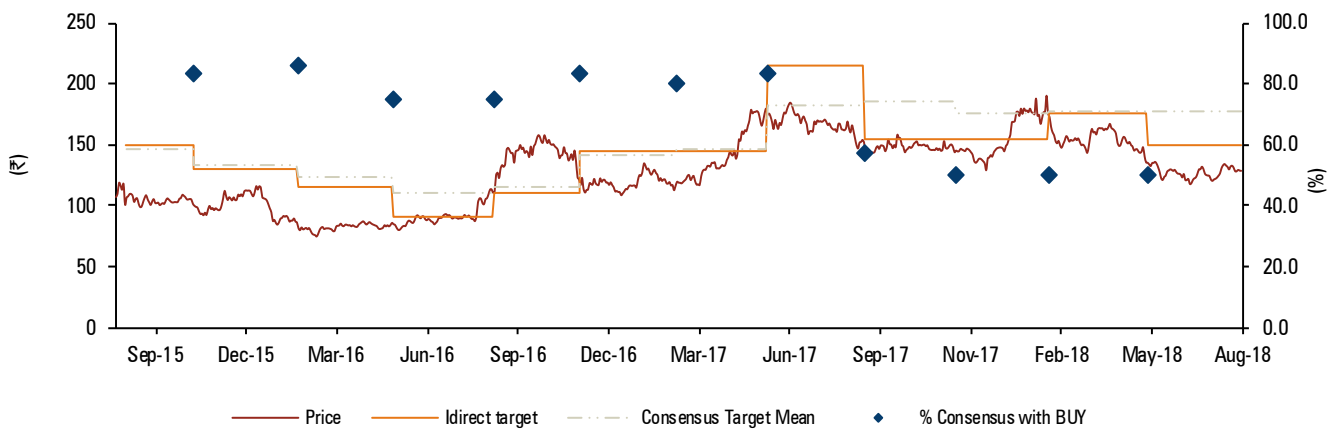
**Exhibit 11: Valuations**

	Sales (₹ cr)	Growth (%)	EPS (Diluted) (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	7,689.4	11.5	16.6	(19.7)	7.7	7.1	16.6	11.2
FY18E	8,272.1	7.6	2.9	-82.4	NA	10.5	3.7	7.8
FY19E	9,812.8	18.6	15.7	440.6	8.1	6.0	16.6	13.2
FY20E	10,732.3	9.4	22.1	40.3	5.8	4.9	18.8	15.3

Source: Company, ICICI Direct Research;



### Recommended history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research

### Key events

Date	Event
Apr-08	Acquisition of 100% shareholding in Tormel for ₹ 270 crore
Jun-08	Rights issue at ₹ 85 per share in the ratio 1:3
Oct-08	Stock falls after reporting loss in Q4
Jan-09	Major tyre makers cut prices as natural rubber prices fall sharply
Apr-09	Reiterates capex plan of ₹ 270 crore for Mysore plant despite poor demand scenario
Jul-09	Labour troubles at MRF lead Maruti to increase sourcing from JK Tyres
Oct-09	Announces setting up of new plant in South India by investing ~₹ 1200 crore over three to four years
Oct-10	Rubber prices start moving up on production concerns in Thailand on excessive rains
Feb-11	Rubber prices hit a high of ~₹ 250/kg before falling gradually
Jun-12	CCI starts investigation on tyre cartelisation
Oct-13	JK Tyres to invest additional ₹ 1400 crore in Chennai plant
Nov-13	Rubber prices start cooling off after the tapping season starts leading to sector re-rating
May-14	Muted results but strong management guidance for growth
Jan-15	The increased Chennai capacity addition of TBR and PCR coming on stream
Feb-15	May finish its expansion plan at Chennai by mid-2015, taking total PCR and TBR capacity to 98 lakh tyre and 1.5 million tyre per annum
Sep-15	Signs binding term sheet with Kesoram Industries to acquire 100% stake Cavendish Industries for ~₹ 2200 crore

Source: Company, ICICI Direct Research

### Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	JK Organisation	31-Mar-18	0.50	113.5	0.00
2	Edgefield Securities, Ltd.	31-Mar-18	0.08	17.4	0.00
3	Tasha Investment Advisors Pvt. Ltd.	31-Mar-18	0.02	4.7	0.66
4	Invest AD	31-Mar-18	0.02	4.5	0.00
5	HSBC Global Asset Management (Hong Kong) Limited	31-Mar-18	0.02	3.7	0.49
6	Dimensional Fund Advisors, L.P.	31-May-18	0.01	3.1	0.00
7	SBI Funds Management Pvt. Ltd.	30-Jun-18	0.01	1.7	0.00
8	Singhania (Raghupati)	31-Mar-18	0.00	0.9	0.00
9	Singhania (Bharat Hari)	31-Mar-18	0.00	0.8	0.00
10	PineBridge India Private Limited	31-May-18	0.00	0.7	0.00

Source: Reuters, ICICI Direct Research

### Shareholding Pattern

(in %)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoter	52.3	52.3	52.5	52.5	52.5
FII	19.6	19.6	18.5	18.5	18.5
DII	10.8	10.8	10.6	10.6	10.6
Others	17.3	17.3	18.4	18.4	18.4

### Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Tasha Investment Advisors Pvt. Ltd.	1.64	0.66	RAM Active Investments S.A.	-4.30	-1.86
HSBC Global Asset Management (Hong Kong) Limited	1.21	0.49	Florida State Board of Administration	-2.47	-0.99
Columbia Threadneedle Investments (US)	0.26	0.15	IDBI Asset Management Limited	-0.95	-0.41
Bessemer Trust Company, N.A. (US)	0.07	0.03	J.P. Morgan Asset Management (Hong Kong) Ltd.	-0.56	-0.24
			Union Asset Management Company Private Limited	-0.26	-0.13

Source: Reuters, ICICI Direct Research

## Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Total operating Income	7,689.4	8,272.1	9,812.8	10,732.3	
Growth (%)		7.6	18.6	9.4	
Raw Material Expenses	4,343.1	5,249.7	5,833.5	6,387.4	
Employee Expenses	854.3	818.1	952.1	1,069.3	
Other Expenses	1,359.6	1,467.3	1,754.8	1,824.5	
Total Operating Expenditure	6,557.0	7,535.0	8,540.5	9,281.2	
EBITDA	1,132.4	737.1	1,272.4	1,451.1	
Growth (%)		-34.9	72.6	14.0	
Depreciation	291.3	299.5	309.6	343.4	
Interest	440.4	465.5	458.6	445.1	
Other Income	65.4	146.1	43.4	53.1	
Exceptional Items	-69.08	11.42	23.7	0	
PBT	466.2	118.2	547.6	715.7	
Total Tax	155.4	43.9	166.9	214.7	
PAT	375.4	66.0	357.0	501.0	
Growth (%)	-19.7	-82.4	440.6	40.3	
FDEPS (₹)	16.6	2.9	15.7	22.1	

Source: Company, ICICI Direct Research;

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
<b>Liabilities</b>					
Equity Capital	45.4	45.4	45.4	45.4	
Reserve and Surplus	1,919.4	1,915.8	2,204.5	2,623.6	
Total Shareholders funds	1,964.8	1,961.1	2,249.8	2,668.9	
Total Debt	5,376.1	4,988.7	4,738.7	4,238.7	
Deferred Tax Liability	626.6	413.5	490.5	536.5	
Other non-current liabilities	491.3	452.7	537.0	587.3	
Minority Interest	145.0	142.0	142.0	142.0	
Total Liabilities	8,603.8	7,958.0	8,158.0	8,173.4	
<b>Assets</b>					
Gross Block	8,212.9	8,869.1	9,377.6	9,627.6	
Less: Acc Depreciation	2,427.2	2,726.7	3,036.3	3,379.7	
Net Block	5,785.7	6,142.4	6,341.3	6,247.9	
Capital WIP	321.2	308.5	150.0	150.0	
Total Fixed Assets	6,106.9	6,450.9	6,491.3	6,397.9	
Investments	86.2	128.2	128.2	128.2	
Inventory	1,320.4	1,448.5	1,693.7	1,852.4	
Debtors	1,794.6	1,545.3	1,828.1	1,999.4	
Loans and Advances	400.4	207.7	246.3	269.4	
Other current assets	249.6	442.3	524.7	573.8	
Cash	295.3	130.8	54.7	27.5	
Total Current Assets	4,060.3	3,774.5	4,347.6	4,722.6	
Creditors	1,213.7	1,165.4	1,344.2	1,470.2	
Provisions	30.0	19.7	22.8	24.9	
Other current liabilities	817.1	1,424.4	1,689.7	1,848.0	
Total Current Liabilities	2,060.8	2,609.5	3,056.7	3,343.1	
Net Current Assets	1,999.5	1,165.0	1,290.9	1,379.5	
Others	411.2	213.9	247.6	267.8	
Application of Funds	8,603.8	7,958.0	8,158.0	8,173.4	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Profit after Tax	375.4	66.0	357.0	501.0	
Add: Depreciation	291.3	299.5	309.6	343.4	
(Inc)/dec in Current Assets	-1,153.4	121.3	-649.1	-402.3	
Inc/(dec) in CL and Provisions	316.5	548.7	447.2	286.4	
CF from operating activities	-170.2	1,035.5	464.6	728.6	
(Inc)/dec in Investments	55.2	-42.0	0.0	0.0	
(Inc)/dec in Fixed Assets	-2,545.7	-643.5	-350.0	-250.0	
Others	279.9	-57.4	127.6	76.1	
CF from investing activities	-2,210.6	-742.9	-222.4	-173.9	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	2,716.1	-387.4	-250.0	-500.0	
Dividend paid & dividend tax	-68.3	-41.0	-68.3	-81.9	
Others	-551.5	-494.2	-458.6	-445.1	
CF from financing activities	2,096.3	-922.6	-776.9	-1,027.0	
Net Cash flow	155.9	-164.5	-76.1	-27.2	
Opening Cash	139.4	295.3	130.8	54.7	
Closing Cash	295.3	130.8	54.7	27.5	

Source: Company, ICICI Direct Research;

Key ratios					
(Year-end March)	FY17	FY18E	FY19E	FY20E	
<b>Per share data (₹)</b>					
EPS	16.6	2.9	15.7	22.1	
Cash EPS	29.4	16.1	29.4	37.2	
BV	86.6	86.5	99.2	117.7	
DPS	2.5	1.5	2.5	3.0	
Cash Per Share	13.0	5.8	2.4	1.2	
<b>Operating Ratios (%)</b>					
EBITDA Margin	14.7	8.9	13.0	13.5	
PBIT / Net sales	10.9	5.3	9.8	10.3	
PAT Margin	4.2	0.9	3.8	4.7	
Inventory days	62.7	63.9	63.0	63.0	
Debtor days	85.2	68.2	68.0	68.0	
Creditor days	57.6	51.4	50.0	50.0	
<b>Return Ratios (%)</b>					
RoE	16.6	3.7	16.6	18.8	
RoCE	11.2	7.8	13.2	15.3	
RoIC	10.0	5.0	10.2	11.6	
<b>Valuation Ratios (x)</b>					
P/E	8.9	39.9	7.8	5.8	
EV / EBITDA	7.1	10.5	6.0	4.9	
EV / Net Sales	1.0	0.9	0.8	0.7	
Market Cap / Sales	0.4	0.4	0.3	0.3	
Price to Book Value	1.5	1.5	1.3	1.1	
<b>Solvency Ratios</b>					
Debt/Equity	2.7	2.5	2.1	1.6	
Current Ratio	3.0	3.1	3.1	3.1	
Quick Ratio	2.0	1.9	1.9	1.9	

Source: Company, ICICI Direct Research

## ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP (₹)		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	TP(₹)				FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Amara Raja (AMARAJ)	829	875	Hold	14167	27.6	32.8	41.6	30.1	25.3	19.9	15.9	13.3	10.7	23.3	23.5	25.3	16.0	16.3	17.5
Apollo Tyre (APOTYR)	267	325	Buy	15262	12.7	19.5	25.0	21.1	13.7	10.7	8.4	8.4	7.2	7.8	10.7	12.6	7.4	10.4	12.0
Ashok Leyland (ASHLEY)	125	135	Buy	35313	5.3	6.6	8.2	23.4	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)	2648	2550	Hold	76625	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)	1290	1430	Buy	24861	38.2	52.3	65.3	33.7	24.7	19.7	22.6	15.7	12.4	22.4	26.7	27.8	18.1	26.7	27.8
Bharat Forge (BHAFOR)	615	720	Buy	28628	16.2	24.1	28.1	38.0	25.5	21.9	17.4	14.2	12.0	23.0	27.0	26.1	17.5	23.8	21.7
Bosch (MICO)	19270	20000	Hold	60508	449.1	585.3	645.5	43.0	33.0	29.9	26.8	21.9	19.1	14.4	16.2	16.0	21.4	24.2	23.9
Eicher Motors (EICMOT)	28730	32900	Buy	77600	725.5	989.1	1214.6	39.6	29.0	23.7	26.5	20.6	16.4	39.1	37.0	35.1	29.9	28.7	27.1
Exide Industries (EXIIND)	293	300	Buy	24884	8.2	10.1	12.3	35.5	29.0	23.8	18.3	14.7	12.2	19.1	20.7	22.2	13.0	14.2	15.4
Hero Moto (HERHON)	3318	3700	Buy	66268	185.1	195.7	231.3	17.9	17.0	14.3	10.6	9.5	7.8	43.7	42.7	43.8	32.1	30.0	30.7
JK Tyre & Ind (JKIND)	128	120	Hold	2930	2.9	15.7	22.1	44	8.2	5.8	10.5	6.0	4.9	7.8	13.2	15.3	3.7	16.6	18.8
Mahindra CIE (MAHAUT)	250	280	Buy	9444	9.5	13.4	16.5	26.4	18.7	15.1	13.0	10.1	8.2	9.8	12.0	13.0	11.2	13.9	16.1
Maruti Suzuki (MARUTI)	9396	9875	Hold	274179	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)	295	335	Hold	62024	7.6	11.2	14.4	38.8	26.3	20.4	14.0	10.7	8.5	16.3	22.5	27.0	17.4	23.0	24.8
Tata Motors (TELCO)	249	290	Hold	74757	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)	6716	7200	Hold	12760	143.8	175.3	205.8	46.7	38.3	32.6	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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