Motherson Sumi (MOTSUM)

ICICI direct Research

CMP: ₹ 140 | Target: ₹ 150 (7%) | Target Period: 12 months | HOLD

November 23, 2020

Vision 2025 – 4x revenues, ~40% RoCE, payout…

We attended Motherson Sumi's (MSSL) virtual investor conference on November 20, 21, in which the company spoke at length about its next five-year plan (2020-25) Vision 2025. We came away with a deeper insight on MSSL's strategies for the future, each individual vertical and the company, as a whole. MSSL is a leading tier-1 auto ancillary with a presence in 41 countries around the globe through 270+ facilities, having consolidated group revenues of US$10 billion as of FY20. Its offerings include wiring harnesses, mirrors, bumpers, door panels, instrument panels & other polymer & engineering parts (25.3%, 19.4% 15.6%, 12%, 9%, ~18% of FY20 sales respectively). Germany, US, India, France and China (21.9%, 15.8%, 10.6%, 7.7% and 7.2% of FY20 sales, respectively) form the top five geographical markets while top five clients account for ~44% of FY20 sales (Daimler group at 13.9%, Audi at 12.5%, Volkswagen at 8.7%, Renault at 5.2% & BMW at 4.5%) (see exhibits 1, 2 & 3).

New five-year plan – headline numbers

MSSL aims to achieve consolidated group sales of US$36 billion in FY25 along with stringent focus on profitability, as evidenced by accompanying ambition of 40% RoCE. The company has historically maintained capital and b/s discipline over the years (RoCE at >=15% in six of the past 10 years, net debt to EBITDA <2x in eight of past 10 years). We are encouraged to note the continued thrust on the same, going forward. The journey towards growing revenues by 2.6x in the next five years envisages majority contribution from core automotive businesses (US$17 billion i.e. ~65% of incremental US$26 billion revenues) as well as significant contribution (US$9 billion, ~35% of incremental targeted US$26 billion revenues) from its forays into the non-automotive space in areas like logistics, aerospace, IT and healthcare. MSSL's revenue ambition factors in growth from organic means via current product lines, new technology integration and adjacent expansion i.e. new solutions in current industries. In the present post-Covid world, there exists various M&A opportunities across target industries, which the company aims to leverage to tap inorganic growth route. Growth funding could be arranged through internal accruals or raising debt or equity. Currently, MSSL is well capitalised, with strong liquidity position of ₹ 11,629 crore as of H1FY20. Apart from these, it will work towards sustained business de-risking via '3CX10' i.e. no country, component or customer to form >10% of revenues. It also aims to reward shareholders through consistent payouts (targets 40% dividend payout ratio at consolidated level).

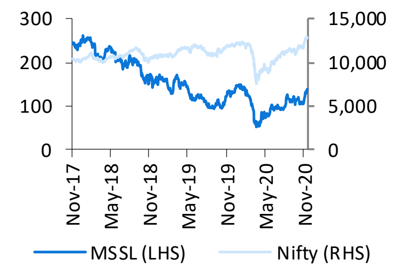
Valuation & Outlook

We introduce FY23E numbers and build ~5% sales & ~20% PAT CAGR over FY20-23E. We are enthused by (a) continued focus on higher content per car and (b) clear direction on importance of profitable growth. Our numbers do not factor in inorganic growth and await sustained upturn in greenfield performance before turning decisively positive. Valuing the stock at ₹ 150 i.e. 26x P/E on average of FY22E-23E EPS of ₹ 5.7, we maintain **HOLD**.

Particulars

Particular	₹ crore
Market Capitalization	44,211
Total Debt (FY20)	11,669
Cash & Investments (FY20)	4,879
EV (₹ Crore)	51,001
52 week H/L (₹)	151 / 49
Equity capital	₹ 315.8 Crore
Face value	₹ 1

Price performance



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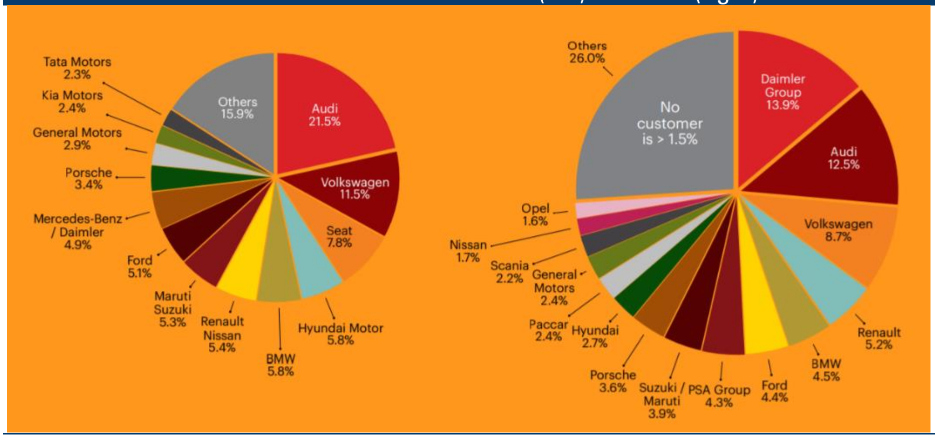
Key Financial Summary

Key Financials	FY19	FY20	FY21E	FY22E	FY22E	CAGR (FY20 -23E)
Net Sales	63,522.9	63,536.9	57,459.9	69,275.4	73,149.6	4.8%
EBITDA	5,348.4	5,201.4	3,757.6	6,586.4	7,378.0	12.4%
EBITDA Margins (%)	8.4	8.2	6.5	9.5	10.1	
Net Profit	1,613.2	1,170.1	94.3	1,603.5	1,996.4	19.5%
EPS (₹)	5.1	3.7	0.3	5.1	6.3	
P/E	27.4	37.8	468.8	27.6	22.1	
RoNW (%)	14.7	10.4	0.9	13.2	14.9	
RoCE (%)	12.4	9.0	2.8	13.1	16.0	

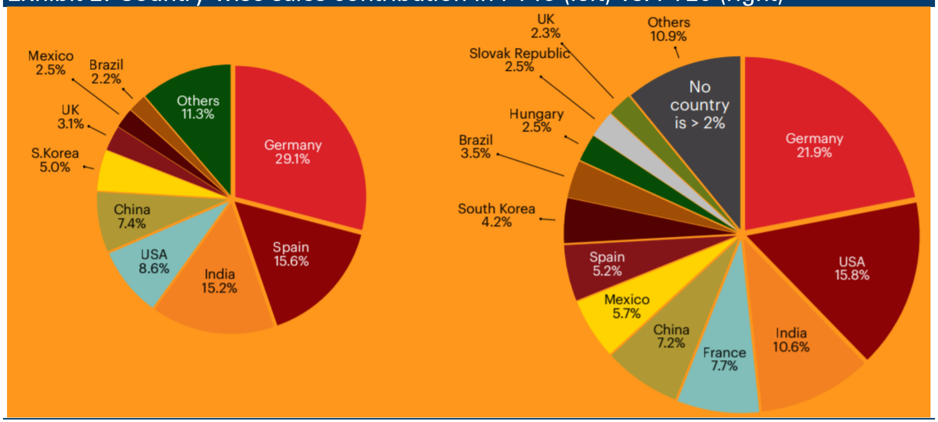
Source: ICICI Direct Research, Company

Exhibit 1: Client-wise sales contribution in FY15 (left) vs. FY20 (right)



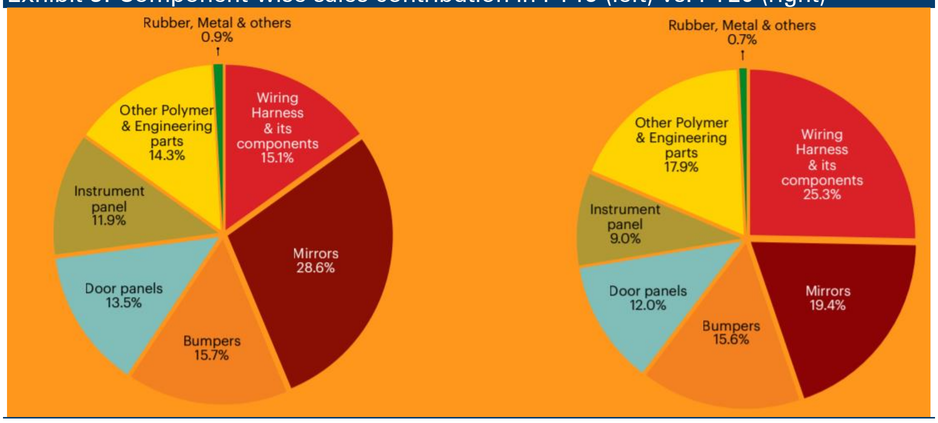
Source: Company, ICICI Direct Research

Exhibit 2: Country-wise sales contribution in FY15 (left) vs. FY20 (right)



Source: Company, ICICI Direct Research

Exhibit 3: Component-wise sales contribution in FY15 (left) vs. FY20 (right)



Source: Company, ICICI Direct Research

Exhibit 4: Roadmap to FY25 revenue target

Source: Company, ICICI Direct Research

Overview of MSSL's businesses in relation to Vision 2025

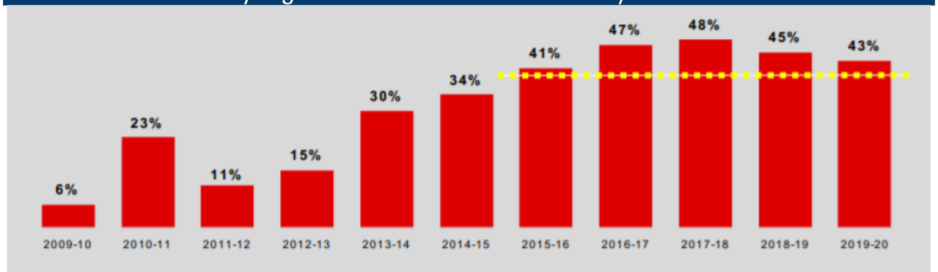
Wiring harness division (WH)

- WH forms 26% of group revenues currently and has grown at 19.4% CAGR in FY15-20 to US$2.8 billion. Revenues from outside India have grown ~5x to US$1.9 billion in that timeframe, aided by PKC acquisition
- Domestic WH demand in coming years is set to be driven by high level trends of comfort & safety, environmental concerns and increasing premiumisation and complexity among others. Electrification and digitisation are seen as drivers for global WH business. The business opportunity size is seen growing at 6.7% CAGR in FY20-25E to US$73 billion from the present US$52 billion, with opportunities present across geographies in Europe, the Americas and Asia
- MSSL aims to continue to grow in India and outside India through higher content per vehicle via higher share with existing customers, securing business from new customers, segments and developing solutions for emerging powertrain options. In particular, the company would be targeting rolling stock segment domestically as well as globally (present revenues at US$176 million vs. addressable market of US$5.3 billion)
- JV partners Sumitomo Wiring Systems (for PVs) and Kyungshin (for Hyundai & Kia) provide continued technology support domestically
- MSSL has successfully integrated and turned around two major WH acquisitions over the past few years. MWSI margins and RoCE have improved from -2% & -15% in CY13 to 13% & 43%, respectively, in FY20. Similarly, PKC margins, RoCE have grown from 7% & 8% in CY16 to 10% & 23%, respectively, in FY20

Vision Systems (VS)

- VS forms 19% of group revenues currently at ~€1.7 billion, having grown at 5.3% CAGR over FY15-20 vs. -1% CAGR for the industry. Division order book has grown ~1.5x in FY15-20. SMR is the dedicated entity for vision system. MSSL is one of the three largest global players in exterior car mirrors and also has a substantial presence in interior car mirrors. Successful vertical integration has led to internal sourcing forming ~27% of material costs in FY20

Exhibit 5: Consistently high RoCE levels in VS over the years

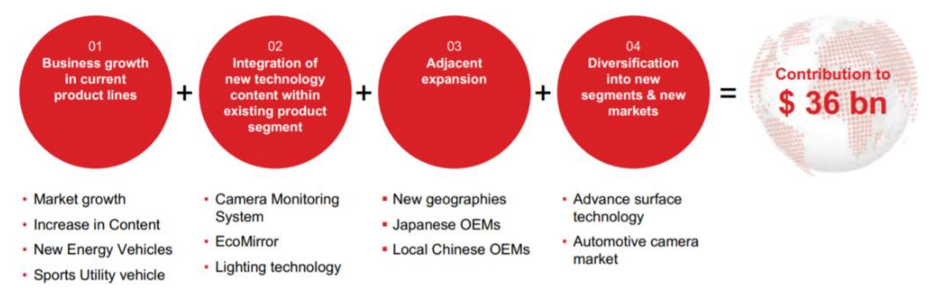


Source: Company, ICICI Direct Research

- Going forward, market growth is seen forming just a small part of overall VS growth trajectory, with major contribution seen arising from entry into new geographies and segments, higher offtake of new technologies such as camera monitoring systems (CMS), increasing content per vehicle and M&A
- Among new geographies, South Africa, Russia, Turkey currently have none to limited MSSL presence. Three countries combined have potential market size of €195 million/annum and present a good opportunity. On the other hand, a mature geography like Japan with sufficient existing capacity could be tapped via M&A to establish local presence (market size €600 million/annum; Japanese OEMs form 9% of SMR revenues vs. >25% share of global volumes). SMR is also looking at opportunities in large Chinese market

- VS has more than 33% market share for exterior mirrors in the SUV/pickup and EV segments at present. These high growth segments (SUV CAGR >50% higher than PV, EV CAGR >30%) are set to continue to aid future growth
- On the new product side, MSSL has developed the 'EcoMirror', which is 30% smaller and 20% lighter than earlier. It offers a significant emission reduction potential of 1 gm/km for CO_2. It has already been launched in two EVs
- Integration of camera systems in mirrors is expected to be an industry trend, going forward, with estimated market size of >US$1 billion by 2030. On its part, MSSL has already launched its first CMS programme on the PV side, with the second programme for CV set to be launched in 2021. CMS offer much higher content potential than present offerings but full camera integration is at <1% currently on the global stage
- Content per vehicle is also set to benefit from increasing penetration of value-added features such as blind spot monitoring, side turn indicators, surround lights, logo lamps, etc. (total scope of ~1.2x). There is also scope to increase vertical integration, going ahead

Exhibit 6: VS roadmap for Vision 2025



Source: Company, ICICI Direct Research

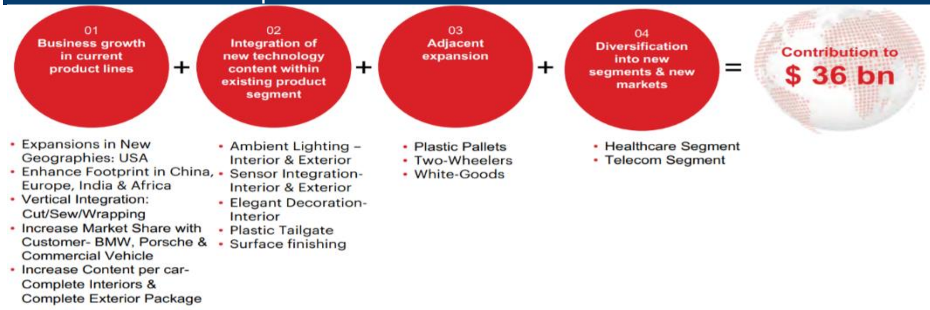
Modules and Polymers (M&P)

- This is the largest product division for MSSL, contributing 51% of group revenues. The company's offerings here include interior and exterior modules and plastic parts such as door panels (> 4 million sets per annum), instrument panels (~6 million per annum), bumpers (> 8 million per annum), centre and floor consoles (~3 million per annum) and roof rails (~0.5 million per annum)
- The division's gross revenues have grown ~70% from US$3.4 billion in FY15 to US$5.7 billion in FY20 (with order book growing 21%). In this, revenue to premium segment grew by US$1 billion organically, supported by large greenfield operations in SMP (Tuscaloosa in US & Kecskemet in Hungary; combined revenue contribution at ~US$550 million). Inorganic growth was at US$1.3 billion and included Reydel acquisition (SMRC), which bolstered presence with French OEMs and in the entry to mid-level segments
- The SMP greenfields have reached near optimum utilisation levels now and are expected to continue to operate at that level
- MSSL is looking at growth in the US, China, Eastern Europe, Africa & India via filling product whitespaces with existing clients, expanding HCV solutions and introduction of new products and technologies as a means to higher content value in both interior and exterior categories
- On the interior side, some of the value enhancing offerings would include integration of sensors and ambient lighting. Exterior solutions, going forward, would aid in lightweighting and increased aerodynamics while also incorporating sensors, cameras, etc. Some

products under development include plastic tailgates and front and back drain tubes in elastomers

- Sustained improvement in profitability is sought to be achieved via low cost automation to reduce manufacturing costs. Higher vertical integration and enhanced operating efficiencies are also some of the targeted measures

Exhibit 7: M&P roadmap for Vision 2025



Source: Company, ICICI Direct Research

Lighting & Electronics (L&E)

- L&E is India based and present in exterior lighting and electronics, compressors and shock absorbers, backward integration (such as oil free scroll compressors) and the aftermarket. The company is the largest premium lighting supplier in India and among the top three in overall external lighting suppliers. It is also one of the largest shock absorber exporters from India. Its revenues have grown at 19% CAGR over the past five years to US$240 million as of FY20 (including 4x growth in lighting), forming ~2% of group sales

- Headlamp & tail lamp ASPs have grown ~2.6x and ~2x, respectively, in FY10-20 amid increasing penetration of LED lighting. LED penetration is at ~30% in India vs. ~85% in Europe, with factors such as government regulations on safety, energy efficiency & styling set to be growth drivers, going ahead

- MSSL is expanding its product portfolio, targeting 2-W LED lighting globally (US$400 million market), Indian electronic instrument cluster segment (US$200 million market) and captive consumption of gas balancers, brushless motors, ECUs and PCB assemblies (US$150 million market)

- Apart from automotive applications, it is also looking at supplying to Indian Railways and the medical segment (combined market size of US$30 million; expect >20% CAGR in this industry, going forward) as well as aftermarket and accessories (Indian market size US$9 billion and global market size US$114 billion; global market to be addressed via exports)

- Another growth leg is set to be provided by focus on exports to new geographies such as the UK, Brazil, Mexico and the Middle East in product areas like air compressors, clutch assemblies, die casting, lighting and shock absorbers (opportunity size of US$ 200 million)

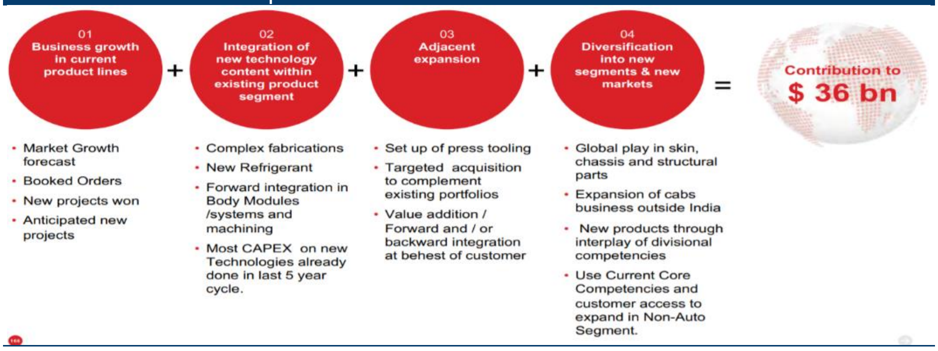
Exhibit 8: L&E roadmap for Vision 2025

Source: Company, ICICI Direct Research

Precision metals and modules (PMM)

- PMM revenues grew at 18% CAGR over FY15-20 to US$147 million, ~1% of group revenues. The division includes MSSL's capabilities in modules (cabins, fabrication parts, HVAC systems for buses, trucks and off-road vehicles), body parts (sheet metal and structural parts via hot and cold stamping), precision machining (turning, milling, drilling tools, PVD coating, gear cutting, etc) and process equipment (auxiliaries for polymer processing, process cooling solutions)
- In modules, tooling for safety operator cabins has a market size of US$1 billion. The refrigerated truck market in India is expected to reach 60,000 units by FY25, which provides opportunity for growth in HVAC systems
- Stamping is expected to be a US$150 billion market by FY25, with growth in hot stamping driven by the need for light-weighting and emission control
- Precision machining is a US$100 billion market

Exhibit 9: PMM roadmap for Vision 2025

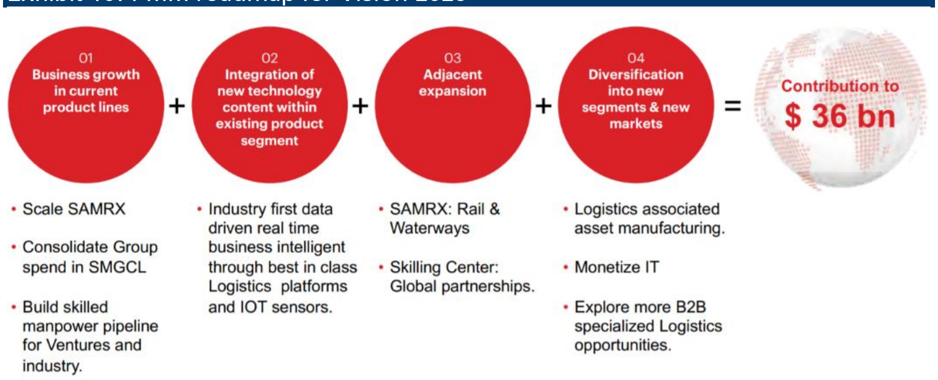


Source: Company, ICICI Direct Research

Logistics solutions (LS) – part of diversification drive

- The Indian car carriage market has ~18,000 carries currently, with industry size at ~US$0.8 billion. It is highly fragmented (76% with unorganised players), highly dependent on roadways (95%), lacks technological advancement (fleet monitoring, poor traceability) and also suffers from low retention of drivers
- MSSL seeks to address the external logistics opportunity (transporting goods from OEM plants to their dealerships via its owned fleet) through SAMRX - a JV between Motherson and Japan's Hamakyorex. Hamakyorex is a prominent player with 30% market share at Suzuki and 47 years' experience. SAMRX is currently on board with MSIL and is in the process of adding new clients (20 carriers on road, another 30 to be added by next month). Its internal logistics arm provides an opportunity to reduce freight costs by 10%, going forward

Exhibit 10: PMM roadmap for Vision 2025

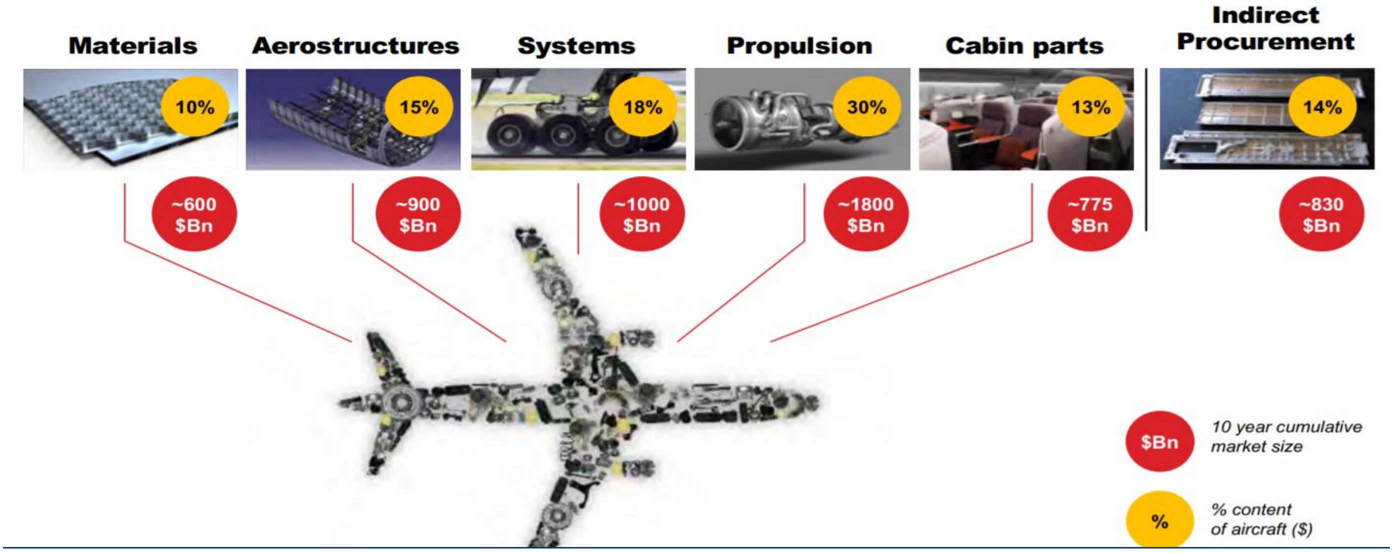


Source: Company, ICICI Direct Research

Aerospace division (AD) – part of diversification drive

- Before Covid, the global aerospace market was expected to be worth US$5.2 trillion by 2035 with combined Airbus and Boeing 10-year order book at ~US$11 trillion on the back of expectation of delivery of 40,000 new aircraft by 2040. However, the unprecedented Covid hit has led to a sizeable dent in the global air passenger traffic, hurting industry growth hopes. The pandemic is also seen leading to emergence of some global trends in the industry, such as consolidation, higher automation and increased localisation. As a result, valuations of aerospace companies have seen significant corrections (average multiples of global public aerostructure companies down 30%)
- The Covid crisis has led to interesting inorganic growth opportunities in the global aerospace market

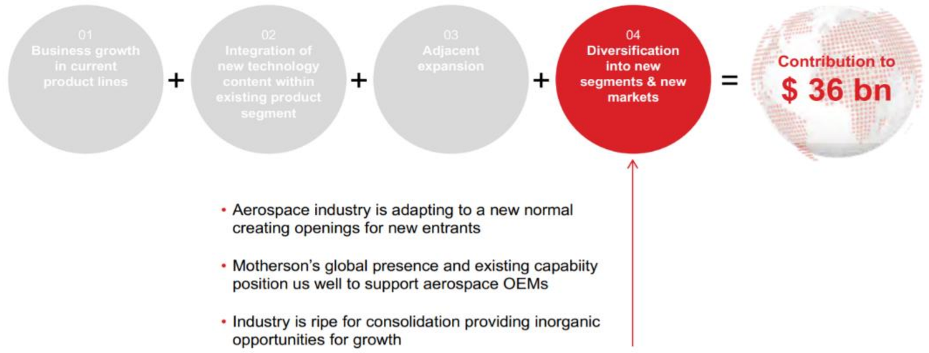
Exhibit 11: Six major commodities of aircraft



Source: Company, ICICI Direct Research

- MSSL has a head start in related capabilities such as wiring harnesses, plastics among others. Leveraging upon the group's expertise here, it has zeroed in on the following focus areas –
    - Materials – detailed parts (titanium, aluminium, composites), fasteners
    - Aerostructures – Composite structural assembly, metallic assembly (fuselage, doors, wings), wiring harnesses
    - Systems – Landing gear machine parts
    - Propulsion – Engine machine parts
    - Cabin parts – Galleys, lavatories, overhead bins, seats (pilot, business class seats)
- Capabilities are sought to be built in a phased manner, with aerospace wiring harness focused greenfield set to be ready for production by April 2021
- The company has created a shortlist of potential acquisition targets in Europe and is in the process of doing the same for North America. It is also engaged in identifying consolidation opportunities in the two geographies
- AD has recently won an order from Isro for high-grade mission critical rubber part for Chandrayan-II launch vehicle motor. It has emerged as the single vendor for flex seals on multi launch vehicles

Exhibit 12: AD roadmap for Vision 2025

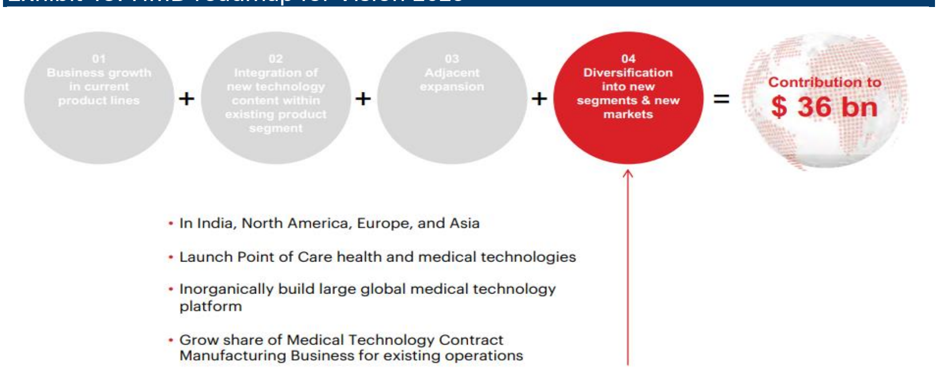


Source: Company, ICICI Direct Research

Health and medical division (HMD) – part of diversification drive

- Global healthcare spend is expected to grow at 5% CAGR over 2019-23, with 2022 spend estimated at US$10 trillion. Increasing spends, changing consumer behaviour, changing demographics, growing diseases and increasing regulatory and operational complexity are seen as global macro healthcare trends. Future healthcare models are seen as being pre-emptive, consumer centric, convenient, driven by diagnostics and based on precision medicine
- At present, the company has limited presence in the space in areas such as sleep therapy glasses (~US$0.5 million revenues), clinical face shields (US$0.5 million revenues), sleep training ring (set to be launched in Q1CY21E) and contract manufacturing for medical device OEMs such as Philips, GE Healthcare, etc. (US$5 million revenues). Its products under development include 3dBioPen for cartilage regrowth in knee reconstruction, bladder cancer sensor and 'MaXm Skate', a fully integrated rehabilitation device
- Going forward, MSSL will focus on two segments with a combined expected market size of ~US$1.1 trillion by 2025 (medical technology US$770 billion, health technology US$310 billion). The company projects medical device contract manufacturing market to be worth US$100 billion by 2025
- In medical technology, the company would initially focus on offerings up to Class 2 devices, which have shorter compliance timelines and shorter time to market. It is set to enter validation shortly for complete blood count (CBC)/blood smear product, with most of it to be integrated vertically

Exhibit 13: HMD roadmap for Vision 2025



Source: Company, ICICI Direct Research

Exhibit 14: SOTP valuation

SOTP Valuation incorporating corporate restructuring		
Particulars	**Units**	**Amount**
FY22E-23E average Projected PAT (MSSL)	₹ crore	1799.9
FY22E-23E average Minority Interest Added Back (SMRPBV)	₹ crore	806.1
MSSL + SMRPBV PAT estimates (FY22E-23E average)	₹ crore	**2606.1**
New No of Shares (post corporate restructuring)	crore	452
Per Share Value (₹)	**₹/share**	**5.8**
P/E Multiple Assigned	x	25
Per Share Value in Target Price (A; MSSL+SMRPBV)	**₹/share**	**145**
Particulars	**Units**	**Amount**
FY20 Sales of SAMIL Businesses (Ex- SMRPBV)	₹ crore	2393.0
Approximate SAMIL share	%	50.0
Apportioned SAMIL Sales	₹ crore	1196.5
MCap/Sales Multiple (premium to MSSL, better RoCE)	x	1.5
Equity Value	₹ crore	1795
New No of Shares (post corporate restructuring)	crore	452
Per Share Value (B;SAMIL business Ex-SMRPBV)	**₹/share**	**5**
Total Fair Value (A+B)	**₹/share**	**150**

Source: ICICI Direct Research

For simplicity we have retained MSSL numbers (ex-corporate restructuring) and P/E valuation methodology which depicts the same target price as our SOTP based fair value calculation exercise incorporating restructuring

Exhibit 15: Shareholding pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	61.7	61.7	61.7	61.7	61.7
FII	15.0	16.4	15.5	15.6	16.0
DII	13.5	12.6	13.6	13.4	13.6
Others	9.8	9.3	9.2	9.3	8.7

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 16: Profit and loss statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	**63,536.9**	**57,459.9**	**69,275.4**	**73,149.6**
Growth (%)	0.0	-9.6	20.6	5.6
Raw Material Expenses	36,271.4	32,422.7	38,903.5	41,079.1
Employee Expenses	15,076.9	14,568.1	16,036.0	16,840.7
Other expenses	6,987.1	6,711.5	7,749.6	7,851.9
Total Operating Expenditure	58,335.4	53,702.3	62,689.0	65,771.7
EBITDA	**5,201.4**	**3,757.6**	**6,586.4**	**7,378.0**
Growth (%)	-2.7	-27.8	75.3	12.0
Depreciation	2,778.0	2,987.9	3,117.4	3,291.7
Interest	598.6	529.6	477.9	354.1
Other Income	230.7	236.5	249.3	232.8
PBT	**2,055.4**	**476.6**	**3,240.4**	**3,964.9**
Total Tax	818.4	334.7	972.1	1,189.5
Minority Interest	124.4	44.5	746.8	865.4
Profit from Associates	57.5	56.6	81.9	86.5
Reported PAT	**1,170.1**	**94.3**	**1,603.5**	**1,996.4**
Growth (%)	-27.5	-91.9	1,600.2	24.5
EPS (₹)	**3.7**	**0.3**	**5.1**	**6.3**

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	**1,170.1**	**94.3**	**1,603.5**	**1,996.4**
Add: Depreciation	2,778.0	2,987.9	3,117.4	3,291.7
(Inc)/dec in Current Assets	1,579.3	1,121.7	-3,056.6	-1,002.2
Inc/(dec) in CL and Provisions	695.6	-1,742.2	2,965.3	972.3
CF from operating activities	**6,223.0**	**2,461.7**	**4,629.6**	**5,258.2**
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-4,782.5	-2,000.0	-2,000.0	-2,000.0
Others	617.0	-126.7	785.3	810.9
CF from investing activities	**(4,165.5)**	**(2,126.7)**	**(1,214.7)**	**(1,189.1)**
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	146.2	200.0	-2,500.0	-3,000.0
Dividend paid & dividend tax	-1,136.9	-157.9	-631.6	-789.5
Inc/(dec) in Sec. premium	265.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
CF from financing activities	**(725.7)**	**42.1**	**(3,131.6)**	**(3,789.5)**
Net Cash flow	1,331.9	377.1	283.3	279.7
Opening Cash	3,547.0	4,878.9	5,256.0	5,539.3
Closing Cash	**4,878.9**	**5,256.0**	**5,539.3**	**5,818.9**

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet (₹ crore)

(Year-end March)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	**315.8**	**315.8**	**315.8**	**315.8**
Reserve and Surplus	10,945.1	10,881.5	11,853.4	13,060.4
Total Shareholders funds	11,260.9	11,197.3	12,169.2	13,376.1
Total Debt	11,669.1	11,869.1	9,369.1	6,369.1
Deferred Tax Liability	462.8	418.5	504.5	532.8
Minority Interest / Others	3,565.0	3,609.6	4,356.3	5,221.8
Total Liabilities	**29,332.9**	**29,242.4**	**28,988.8**	**28,234.3**
Assets				
Gross Block	24,876.4	26,928.2	29,128.2	31,228.2
Less: Acc Depreciation	8,603.0	11,590.9	14,708.3	18,000.1
Net Block	**16,273.4**	**15,337.3**	**14,419.9**	**13,228.1**
Capital WIP	851.8	800.0	600.0	500.0
Total Fixed Assets	17,125.2	16,137.3	15,019.9	13,728.1
Investments	3,006.7	3,106.7	3,206.7	3,306.7
Goodwill	2406.0	2406.0	2406.0	2406.0
Inventory	5,156.6	4,722.7	5,693.9	6,012.3
Debtors	6,578.2	6,297.0	7,591.8	8,016.4
Loans and Advances	31.9	28.8	34.7	36.7
Other Current Assets	4,219.6	3,816.1	4,600.8	4,858.0
Cash	**4,878.9**	**5,256.0**	**5,539.3**	**5,818.9**
Total Current Assets	20,865.2	20,120.6	23,460.5	24,742.4
Creditors	10,309.1	9,130.6	11,008.2	11,623.8
Provisions	205.2	181.7	219.1	231.4
Other current liabilities	5649	5108	6159	6503
Total Current Liabilities	16,162.9	14,420.7	17,386.0	18,358.3
Net Current Assets	**4,702.3**	**5,699.9**	**6,074.5**	**6,384.1**
Other non-current Asset	1589.8	1437.7	1733.4	1830.3
Deferred Tax Asset	503.0	454.8	548.4	579.0
Application of Funds	**29,332.9**	**29,242.4**	**28,988.8**	**28,234.3**

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	3.7	0.3	5.1	6.3
Cash EPS	12.5	9.8	14.9	16.7
BV	35.7	35.5	38.5	42.4
DPS	3.0	0.5	2.0	2.5
Cash Per Share	15.4	16.6	17.5	18.4
Operating Ratios				
EBITDA Margin (%)	8.2	6.5	9.5	10.1
PBIT / Net sales (%)	3.8	1.3	5.0	5.6
PAT Margin (%)	1.8	0.2	2.3	2.8
Inventory days	29.6	30.0	30.0	30.0
Debtor days	37.8	40.0	40.0	40.0
Creditor days	59.2	58.0	58.0	58.0
Return Ratios (%)				
RoE	10.4	0.9	13.2	14.9
RoCE	9.0	2.8	13.1	16.0
RoIC	11.4	3.7	17.1	21.3
Valuation Ratios (x)				
P/E	37.8	416.8	27.6	22.1
EV / EBITDA	9.8	13.5	7.3	6.1
EV / Net Sales	0.8	0.9	0.7	0.6
Market Cap / Sales	0.7	0.8	0.6	0.6
Price to Book Value	3.9	3.9	3.6	3.3
Solvency Ratios				
Debt/EBITDA	2.2	3.2	1.4	0.9
Debt / Equity	1.0	1.1	0.8	0.5
Current Ratio	1.0	1.0	1.0	1.0
Quick Ratio	**0.7**	**0.7**	**0.7**	**0.7**

Source: Company, ICICI Direct Research

Exhibit 20: ICICI Direct Research universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP		M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)	Rating	(₹ Cr)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Apollo Tyre (APOTYR)	175	175	Buy	10,011	8.3	6.4	11.6	21.0	27.3	15.1	8.4	5.9	5.2	4.5	5.0	7.0	4.8	3.3	6.3
Ashok Leyland (ASHLEY)	92	100	Buy	26,929	0.8	-0.6	2.4	112.8	-144.9	37.7	24.6	43.4	15.6	4.5	0.0	9.5	4.7	-2.6	9.5
Bajaj Auto (BAAUTO)	3,050	3,570	Buy	88,258	176.2	142.5	180.2	17.3	21.4	16.9	13.9	15.4	11.2	23.9	24.1	27.3	25.6	18.5	20.7
Balkrishna Ind. (BALIND)	1,645	1,700	Buy	31,801	48.9	48.1	58.6	33.7	34.2	28.1	22.8	18.0	14.9	14.4	17.6	19.7	18.8	16.7	18.2
Bharat Forge (BHAFOR)	500	490	Hold	23,279	7.5	0.8	10.5	66.7	NM	47.5	23.3	41.7	20.6	5.6	0.3	5.9	7.8	0.8	8.8
Eicher Motors (EICMOT)	2,580	2,600	Hold	70,331	67.0	46.6	70.2	38.5	55.4	36.7	29.2	36.0	25.5	17.3	11.8	15.2	18.3	11.6	15.3
Escorts (ESCORT)	1,420	1,460	Buy	17,406	39.6	59.5	71.0	35.8	23.9	20.0	24.3	16.0	13.5	16.2	15.3	15.3	14.2	14.0	14.5
Exide Industries (EXIIND)	165	180	Hold	14,025	9.7	7.3	9.2	13.9	19.0	15.1	10.1	11.1	9.1	15.7	11.8	13.7	13.4	9.2	10.8
Hero Moto (HERHON)	3,000	3,450	Buy	59,910	181.9	123.6	161.8	16.5	24.3	18.5	13.5	15.5	11.6	21.3	16.6	20.6	22.7	16.0	19.0
M&M (MAHMAH)	705	760	Buy	87,646	11.2	22.8	40.1	63.2	30.9	17.6	14.5	12.3	9.8	8.8	8.4	10.5	6.4	9.5	11.9
Maruti Suzuki (MARUTI)	7,000	6,335	Reduce	2,11,456	187.1	132.1	191.8	37.4	53.0	36.5	24.1	34.4	22.3	7.4	3.6	7.6	11.7	7.8	10.6
Minda Industries (MININD)	370	410	Buy	10,061	5.9	6.7	10.8	62.6	55.3	34.2	17.8	17.7	12.8	9.1	7.9	12.3	10.3	9.4	14.2
Motherson (MOTSUM)	**140**	**150**	**Hold**	**44,211**	**3.7**	**0.3**	**5.1**	**37.8**	**NM**	**27.6**	**9.8**	**13.5**	**7.3**	**9.0**	**2.8**	**13.1**	**10.4**	**0.9**	**13.2**
Tata Motors (TATMOT)	170	165	Buy	61,161	-33.3	-16.6	6.1	NM	NM	27.8	5.7	5.2	3.8	1.3	2.8	6.4	-18.7	-10.6	3.7

Source: Company, ICICI Direct Research

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