

August 1, 2017

Balkrishna Industries (BALIND)

₹ 1600

Quarterly blip; long term story intact...

- Balkrishna Industries' (BIL) revenue came in at ₹ 1013 crore (up 7.5% YoY) vs. estimate of ₹ 1061 crore mainly after volumes grew 7% YoY to 46,327 metric tonnes (MT) (vs. estimate of 47,637 MT)
- EBITDA margin was at 21.3% (down 955 bps YoY & 411 bps QoQ). According to the management, partial rollback of price hikes taken in April 2017 & higher cost of NR inventory impacted margins
- Other income at ₹ 92 crore (includes forex gains of ₹ 58 crore) supported PAT, which came in at ₹ 153 crore (up 2.7% YoY)
- BIL is setting up a carbon black project (backward integration) at its Bhuj plant with capacity of 60,000 MT at a capex of ₹ 150 crore and is likely to commence over the next 18-24 months
- The board has declared an interim dividend of ₹ 2.5/equity share
- For FY18, the management maintained its volumes guidance in the range of 185,000-190,000 MT. It repaid debt worth ₹ 376 crore and is net cash of ₹ 700 crore as of Q1FY18

Focused OHT player + labour arbitrage = to expand its share

BIL is a focused off-highway tyre (OHT) manufacturer, with contribution of agricultural and OTR segments at 63% and 34%, respectively. With the OHT segment only 10-15% of revenues for global players like Bridgestone & Michelin, BIL's focus on this niche segment augurs well for its growth. It currently enjoys ~5% market share in a ~\$15-billion global market. BIL sells its products ~20% discount to its global peers (though maintains strong margins) due to lower labour cost (~6% of revenue vs. ~20% of its peers like Titan) in India. It does not command pricing power. However, labour arbitrage is helping BIL position its product at a discount vs. peers, thereby gaining share. BIL is focusing on the mining segment & has made new launches. At present, mining segment accounts for ~12% of its overall revenue & is gradually expected to increase, going forward. From the current market share of ~2% in the construction & mining tyre segment it plans to increase its market share to ~5%, going forward. Thus, we estimate BIL volumes to report CAGR of 12% over FY17-19E.

Management maintains its margin guidance at ~30%

BIL had undertaken price hike of 3-4% in April 2017 but the same was rolled back in Q1FY18. Apart from that, higher cost NR inventory purchased in Q4FY16 (NR inventory at 60-75 days) impacted gross margins. According to management, benefit of lower NR prices will accrue from Q2FY18E onwards and is likely to drive margins to ~30%. Apart from that, better product mix, higher share of radial tyres (>40% vs. <30%) and OTR tyres will cushion margins.

Backward integration to aid margin

BIL plans to open carbon black plant at its existing Bhuj plant and will install capacity of 60,000 MT at an investment of ₹ 150 crore. It is likely to commence over the next 18-24 months. Carbon black in value terms accounts for 14% & 7% of raw material cost & revenue, respectively, while in volumes it accounts for 27% of its overall sales volumes (MT). BIL believes the backward integration will have a greater control on supply chain & will also result into margin expansion of ~70bps going forward.

Export dominated niche play; maintain BUY!

BIL is an export dominated niche play and is well placed to capture the demand revival opportunity with margins likely to sustain at ~30%. Its strategy of higher utilisation, repayment of debt & deepening of its reach will drive its growth. Thus, we value BIL at 17x FY19E EPS with a target price of ₹ 1800 and a **BUY** recommendation.

Rating matrix	
Rating	Buy
Target	₹ 1800
Target Period	12 months
Potential Upside	12%

What's changed?	
Target	Changed from ₹1670 to ₹1800
EPS FY18E	Changed from ₹ 81.4 to 80.2
EPS FY19E	Changed from ₹ 104.4 to 105.5
Rating	Unchanged

Quarterly performance					
(₹ Crore)	Q1FY18	Q1FY17	YoY	Q4FY17	QoQ
Revenues	1,012.8	942.0	7.5	1,002.9	1.0
EBITDA	216.2	291.0	-25.7	255.4	-15.3
EBITDA (%)	21.3	30.9	-955 bps	25.5	-411 bps
Reported PAT	153.1	149.1	2.7	137.5	11.4

Key financials				
₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	3,242	3,788	4,263	4,976
EBITDA	1,078.2	1,131.8	1,192.5	1,483.1
Net Profit	567.7	715.1	774.7	1,019.7
EPS (₹)	58.7	74.0	80.2	105.5

Valuation summary				
	FY16	FY17E	FY18E	FY19E
P/E (x)	27.2	21.6	20.0	15.2
Tgt P/E (x)	30.6	24.3	22.5	17.1
EV/EBITDA (x)	15.0	13.9	12.7	9.5
P/BV (x)	5.5	4.4	3.7	3.0
RoNW (%)	20.3	20.2	18.4	19.9
RoCE (%)	20.4	23.0	23.9	26.8

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹ 15465.4 Crore
Total Debt (FY17) (₹ Crore)	767.3
Cash & Investments (FY17) (₹ Crore)	472.6
EV (₹ Crore)	15,760.1
52 week H/L (₹)	1750/705
Equity capital (₹ crore)	₹ 19.3 Crore
Face value (₹)	₹ 2

Price performance				
	1M	3M	6M	12M
Balkrishna Industries Ltd	-2.2	6.7	44.9	122.9
Apollo Tyres Ltd	10.7	9.2	47.7	63.2
JK Tyres	0.7	-2.4	34.4	79.6
CEAT Ltd	4.6	23.0	60.6	117.3
MRF Ltd	1.3	1.9	34.0	104.5

Research Analyst	
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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Total Operating Income	1,013	1,061	942	7.5	1,003	1.0	Revenue growth was mainly supported by higher volume growth of 7% YoY to 46,327 MT (vs. our estimate of 47,637 MT)
Raw Material Expenses	523	468	385	36.0	472	10.9	Despite average natural rubber prices (key input cost) being flat YoY (up 0.4% YoY to ₹132/kg) its gross margins contracted 1083 bps YoY resulting in lower EBITDA margins for the company
Employee Expenses	59	61	55	7.7	60	-1.3	
Power & Fuel expenses	0	0	0	NA	0	NA	
Other expenses	215	224	212	1.3	246	-0.7	
EBITDA	216	308	291	-25.7	255	-15.3	
EBITDA Margin (%)	21.3	29.1	30.9	-955 bps	25.5	-411 bps	
Other Income	92	58	21	346	62	49.5	Gain from foreign exchange were at ₹ 58 crore in addition to higher other income, which came in at ₹ 34 crore
Depreciation	76	81	77	-2.5	75	0.6	
Interest	5	5	7	-21.9	5	-2.5	
Tax	75	94	79	-5.0	99	-24.8	
PAT	153	187	149	2.7	137	11.4	Lower-than-expected margins impacted profitability
EPS	15.8	19.4	15.4	2.7	14.2	11.4	
Key Metrics							
Volume (MT)	46,327	47,637	43,306	7.0	46,149	0.4	Volumes came in below our estimates
Realization (per/kg)	219	223	213	2.4	223	-2.0	Average realisation came in below our estimates; after company rolled back the price of the product
RM/Sales	51.7	44.1	40.8	1083 bps	47.0	461 bps	

Source: Company, ICICIdirect.com Research; Numbers are as per Ind-AS

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	4,468	4,263	-4.6	5,383	4,976	-7.6	Revenue estimates revised lower; post rollback of price hikes made during start of the year, thereby resulting in lower average realisations
EBITDA	1,291	1,192	-7.6	1,608	1,483	-7.8	
EBITDA Margin (%)	28.9	28.0	-92 bps	29.9	29.8	-6 bps	Margins expectations for FY19E largely maintained in line with management guidance of ~30%, going forward
PAT	787	775	-1.6	1,009	1,020	1.1	Revision in other income estimate is supporting PAT in FY19E
EPS (₹)	81.4	80.2	-1.6	104.4	105.5	1.1	

Source: Company, ICICIdirect.com Research

Assumptions

	FY18E		Current		Earlier		Comments
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E	
Capacity (MT)	300,000	300,000	300,000	300,000	300,000	300,000	
Sales volume (MT)	148,244	172,420	190,289	215,027	190,095	214,807	Volumes likely to register CAGR of ~12% over FY17-19E
Average realisation (\$/MT)	3,335	3,216	3,436	3,558	3,469	3,709	Price hike during starting of the FY was rolled back again. Hence, we have revised our realisation estimates on YoY basis
Depreciation	281	304	315	333	331	366	

Source: Company, ICICIdirect.com Research

Key conference call takeaways

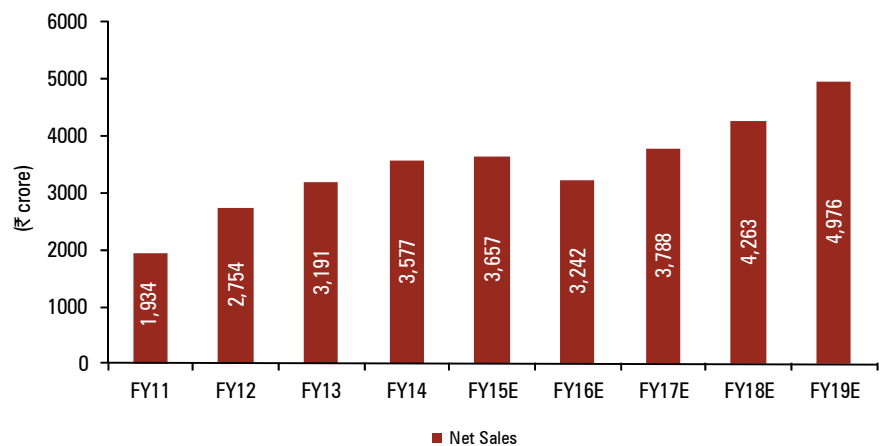
- BIL continues to witness demand improvement and is positive on the overall market conditions. For FY18E, the management has maintained its volume guidance in the range of 7-10% i.e. 185,000 MT to 190,000 MT. However, it may positively surprise with higher volume. On the margin front, management expects the same to recover to ~30% going forward.
- The company had undertaken price hike in the range of 3-4% in April 2017 but has partly rolled back the same in Q1FY18 considering the recent softening in NR prices again. Further, the quarter had higher cost NR inventory purchased in Q4FY16 (NR inventory was at 60-75 days), impacting gross margins of BIL
- As part of a backward integration plan and to have a greater control on supply chain, the Board of Directors have approved the setting up of a carbon black project at its Bhuj Plant with an initial annual capacity of 60,000 MT at a capex of ₹ 150 crore. The plant will commence operations over the next 18-24 months
- According to the management, the new carbon plant will save cost (like logistics and packing) and energy (by ~10%) and is likely to expand margins by ~70 bps. Further, the management believes the business will generate RoCE of >20%, going forward
- Its revenue mix broadly remains the same; with Europe accounting for ~55% of revenue, while America (South + North) accounting ~15%, India account for 17% each and the balance of ~13% is from rest of the world. In terms of segments, OEM accounts for 26% of revenue while replacement account for 74% of revenue. The OEM share is gradually expected to improve to 30%-32% over the next three years.
- Production from the Bhuj plant for Q1FY18 was at 15,316 MT (Q4FY17 was at 16,000 MT) while overall production was at 47,000 MT
- The company is focusing on the mining segment & has launched new tyres in the same. At present, the mining segment accounts for ~12% of its overall revenue (vs. 10% in Q1FY17) and is gradually expected to increase, going forward
- As of Q3FY17, its outstanding debt was at ₹ 851 crore while the cash holding was at ₹ 1193 crore, thus making it net debt free

Company Analysis

Improving demand scenario to benefit BIL

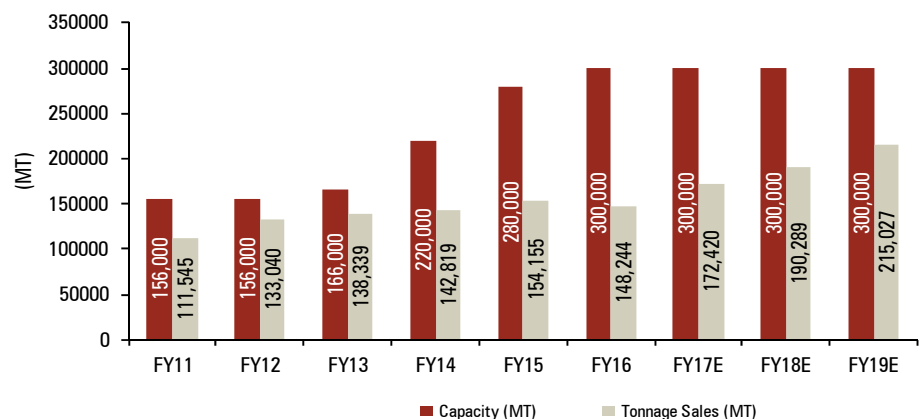
Balkrishna Industries (BIL) is focused solely on 'off-highway' tyres catering to agricultural & industrial segments. A low ~5% share of the global market makes us believe reasonable room exists for several years of growth. While off-the-road (OTR) forms ~65% of the global market, for BIL, it only contributes ~34% to its revenue. With the completion of the new 140,000 MT facility at Bhuj, BIL is looking to expand in the OEM, OTR segments. The company has been undertaking various actions like setting up warehouses in markets in North America and Europe to be closer to the customer and have a just in time (JIT) system. BIL is focusing on the OEM segment while its share in revenue has increased from 21% in FY14 to 23% in FY16 to 26% in Q1FY18 and is likely to increase to 30%-32% over the next three years. Thus, we expect revenue to witness ~15% CAGR in FY17-19E largely supported by improvement in volume & value growth, going forward.

Exhibit 1: Continuous growth in revenues on back of capacity expansion



Source: Company, ICICIdirect.com Research

Exhibit 2: Capacity growth trend



Source: Company, ICICIdirect.com Research

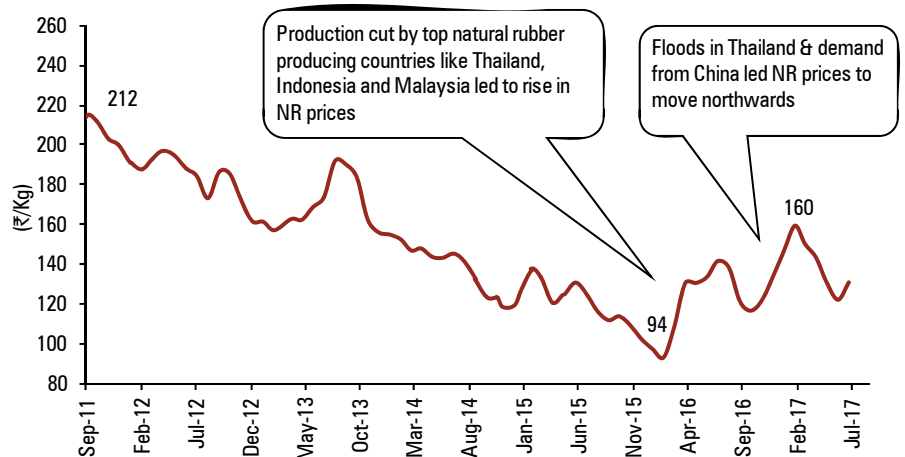
Management maintains its margin guidance at ~30%.

BIL's biggest strength has been the strong margin performance in the past. It benefited from euro depreciation (~51% of revenue is from Europe) as it had hedged the currency at ₹ 85/€ for FY16. The benefit of currency hedging was over in FY17. At present, it has already covered the rupee/dollar lag but has kept euro/dollar lag open. Its current realisation is at ₹ 80/Euro vs. ₹ 77/Euro in FY17, thus favouring BIL.

The company had undertaken price hike of 3-4% in April 2017 but the same was rolled back in Q1FY18. Apart from that the higher cost NR inventory purchased in Q4FY16 (NR inventory was at 60-75 days) impacted gross margins in Q1FY18. According to the management, the benefit of lower NR prices will accrue from Q2FY18E onwards and is likely to drive margins to ~30%. Apart from that, better product mix, in terms of higher share of radial tyres (>40% vs. <30%) in addition to higher share of OTR tyres will cushion margins.

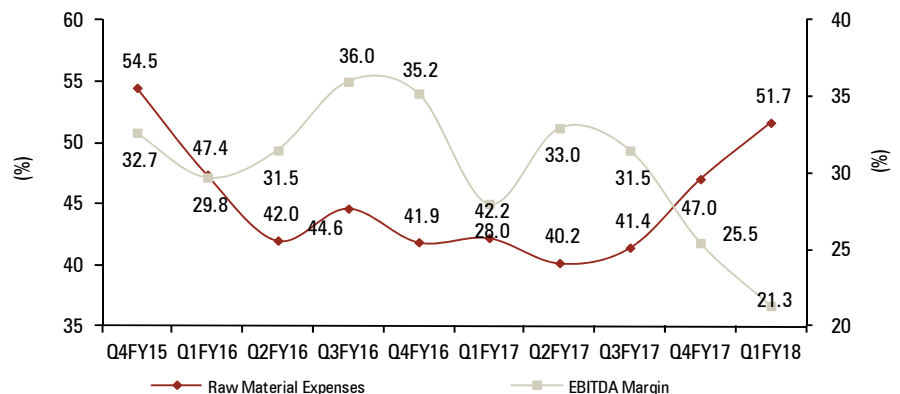
Average natural rubber (NR) prices have surged from lows of ₹ 94/kg in February 2016 to the high of ₹ 159/kg in February 2017. The sharp surge in NR prices was mainly due to 1) production cut of top NR producing countries; and 2) floods in Thailand. However, we believe the situation has started to normalise in top producing countries, which, of late, led NR prices to correct to ₹ 130/kg benefiting tyre players. Thus, we estimate BIL's margins will remain in the range of ~30%, going forward.

Exhibit 3: Natural rubber prices movement



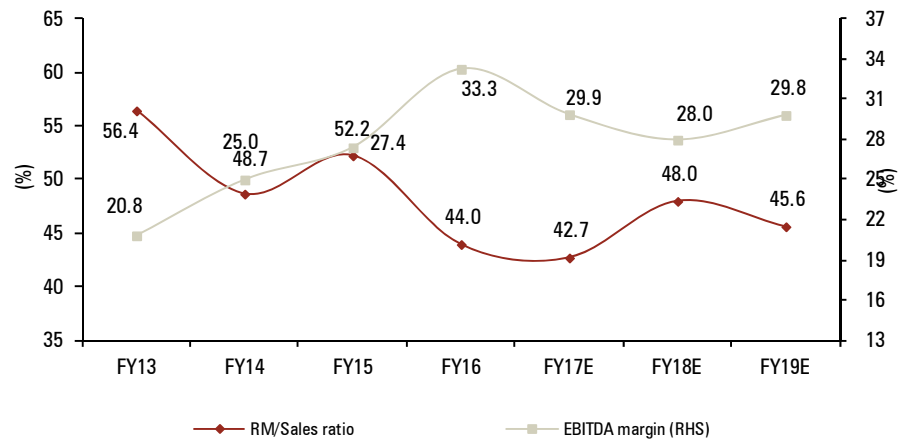
Source: Company, ICICIdirect.com Research

Exhibit 4: Margin, cost trends as share of total income



Source: Company, ICICIdirect.com Research

Exhibit 5: Margin, cost annual trends and forecasts



Source: Company, ICICIdirect.com Research

Backward integration move; to benefit in long term

BIL plans to open a carbon black (CB) plant at its existing Bhuj plant with a capacity of 60,000 MT at an investment of ₹ 150 crore and is likely to commence over the 18-24 months. CB in value terms accounts for 14% & 7% of input cost & revenue, respectively, while in volumes it accounts for 27% of its total sales volumes (MT). According to the management, the CB plant will save cost (like logistics & packing) and energy by ~10% (likely to expand margins by ~70 bps). Further, the management believes the business will generate RoCE of >20%, going forward. Thus, backward integration will have a greater control on supply chain, going forward.

Exhibit 6: Carbon black requirement of BIL

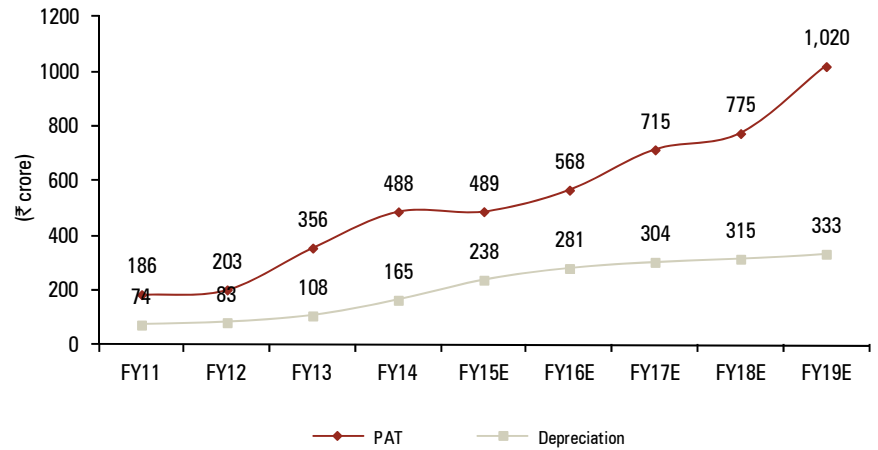
	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Carbon black Volume (MT)	22362	29627	36017	38087	38209	41622	40026
Carbon black (value ₹ crore)	101	163	220	250	255	294	195
Price (per/kg)	45.3	54.9	61.1	65.6	66.7	70.7	48.7
Total Raw Material Cost (₹ crore)	668	1195	1741	1818	1712	1945	1389
Carbon black % of raw material	15.2	13.6	12.6	13.8	14.9	15.1	14.0
Total Sales (₹ crore)	1394	1934	2754	3191	3577	3657	3242
Sales % of raw material	7.3	8.4	8.0	7.8	7.1	8.0	6.0
Sales (Volumes MT)	84500	111545	133040	138339	142819	154155	148244
Carbon black % Sales (MT)	26.5	26.6	27.1	27.5	26.8	27.0	27.0

Source: Company, ICICIdirect.com Research

Sustainable margins & higher utilisation to drive profitability

With volumes expected to register ~12% CAGR in FY17-19E coupled with margins ~30%, profitability growth is expected to remain intact. Also, with no major capex, depreciation is likely to remain stable thereby boosting profitability. We expect PAT to register 19% CAGR in FY17-19E to ₹ 1020 crore in FY19E.

Exhibit 7: Profitability trend to move higher



Source: Company, ICICIdirect.com Research

Outlook & valuation

We believe BIL is an export dominated niche play and is well placed to capture the demand revival opportunity. For FY18E, the management has guided volume growth of ~10% (~190,000 MT). Also, sectors like mining and construction are witnessing a pick-up, which is likely to benefit BIL. The commencement of the Bhuj facility provides BIL with incremental ~40,000 MT capacity towards mining. This was not the case earlier and is likely to improve the product mix, going forward. Further, the management remains committed to de-leveraging the balance sheet and become debt free over the next couple of years.

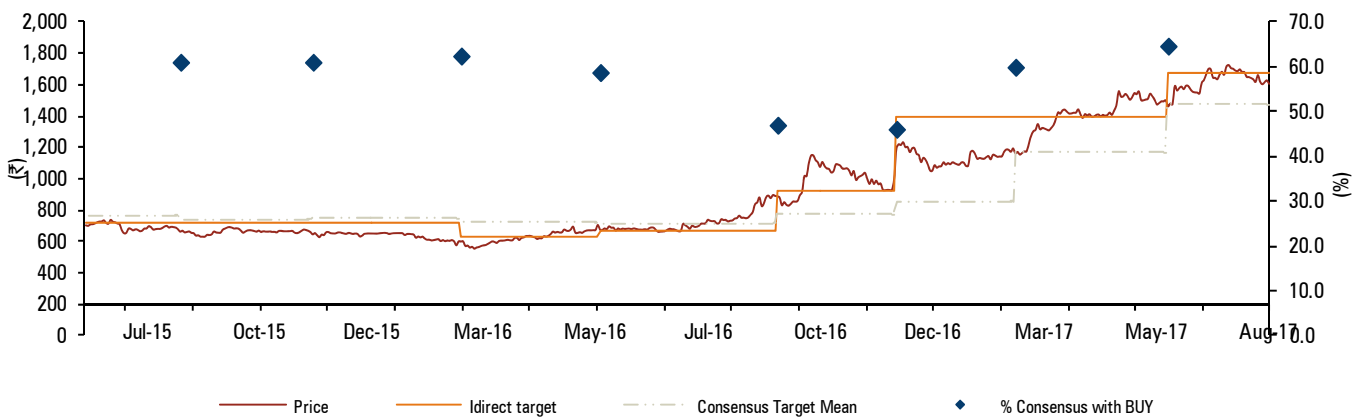
The management expects a stable demand environment across segments & geographies with margins likely to remain ~30%. Its strategy of higher utilisation, repayment of debt (likely to repay ~₹ 600 crore in FY18E) & deepening its reach will further supplement its growth. Thus, we value BIL at 17x FY19E EPS thereby revising our target price to ₹ 1800 (earlier ₹ 1670) and maintain **BUY** recommendation on the stock.

Exhibit 8: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY15	3,657	2.2	50.6	0.1	31.6	16.6	21.4	17.3
FY16	3,242	(11.3)	58.7	16.1	27.2	15.0	20.3	20.4
FY17E	3,788	16.9	74.0	26.0	21.6	13.9	20.2	23.0
FY18E	4,263	12.5	80.2	8.3	20.0	12.7	18.4	23.9
FY19E	4,976	16.7	105.5	31.6	15.2	9.5	19.9	26.8

Source: Company, ICICIdirect.com Research

Recommended history vs. consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
May-10	Board approves merger of its wholly-owned unit BKT Moulds with itself
Oct-10	Rubber prices start moving up on production concerns in Thailand on excessive rains
Aug-11	Rubber prices begin to stabilise as production picks up
May-12	Announces capacity expansion led by de-bottlenecking of existing facility and greenfield expansion at Bhuj
Jun-12	CCI begins probe into tyre cartelisation case
Jun-13	Disappointing Q4 results reflect poor demand scenario
Oct-13	Impact of deteriorating currency and falling global rubber prices fuel stock price rally
Mar-14	Bhuj facility slowly increases utilisation
Nov-14	Surprise on earnings as BIL misses sales and margins estimates, management cuts volume targets
Mar-15	BIL fixes record date as March 25, 2015 for the scheme of arrangement of demerger of its paper business
Mar-15	Amansa Investment purchases bulk shares of BIL

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	VKP Enterprises, L.L.P.	30-Jun-17	0.25	24.1	0.00
2	Poddar (Rajiv Arvindkumar)	30-Jun-17	0.2481	24.0	0.00
3	HDFC Asset Management Co., Ltd.	30-Jun-17	0.0895	8.6	-0.03
4	Modi (Manoj H)	30-Jun-17	0.0393	3.8	0.00
5	Mawer Investment Management Ltd.	31-Dec-16	0.0388	3.8	1.00
6	Poddar (Vijaylaxmi)	30-Jun-17	0.029	2.8	0.00
7	Norges Bank Investment Management (NBIM)	30-Jun-17	0.0194	1.9	0.40
8	Franklin Templeton Asset Management (India) Pvt. Ltd.	30-Jun-17	0.0165	1.6	-0.24
9	Seafarer Capital Partners, LLC	30-Jun-17	0.0155	1.5	0.00
10	Amansa Capital Pte Ltd.	30-Jun-17	0.0154	1.5	-0.63

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoter	58.3	58.3	58.3	54.4	54.4
FII	19.1	18.6	18.3	18.6	18.7
DII	15.6	16.3	16.4	15.2	15.6
Others	7.0	6.8	7.1	11.8	11.4

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Mawer Investment Management Ltd.	16.30	1.00	Amansa Capital Pte Ltd.	-16.17	-0.63
Norges Bank Investment Management (NBIM)	10.30	0.40	Franklin Templeton Asset Management (India) Pvt. Ltd.	-6.12	-0.24
TMP Enterprises, L.L.P.	5.27	0.25	ICICI Prudential Asset Management Co. Ltd.	-4.26	-0.19
Caisse de Depot et Placement du Quebec	1.62	0.10	BlackRock Institutional Trust Company, N.A.	-0.84	-0.03
State Street Global Advisors (US)	0.82	0.03	HDFC Asset Management Co., Ltd.	-0.81	-0.03

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Total operating Income	3,241.8	3,788.2	4,262.6	4,975.6	
Growth (%)	-11.3	16.9	12.5	16.7	
Raw Material Expenses	1,412.4	1,581.3	2,016.6	2,227.8	
Employee Expenses	209.1	224.3	243.7	288.1	
Other Expenses	753.4	850.8	809.8	976.6	
Total Operating Expenditure	2,163.5	2,656.4	3,070.1	3,492.4	
EBITDA	1,078.2	1,131.8	1,192.5	1,483.1	
Growth (%)	7.6	5.0	5.4	24.4	
Depreciation	281.1	303.8	315.3	333.4	
Interest	34.3	21.4	12.1	2.0	
Other Income	84.1	249.1	253.1	320.3	
PBT	846.9	1,055.6	1,118.2	1,468.0	
Total Tax	279.2	340.6	343.4	448.3	
Reported PAT	567.7	715.1	774.7	1,019.7	
Growth (%)	16.1	26.0	8.3	31.6	
EPS (₹)	58.7	74.0	80.2	105.5	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Profit after Tax	567.7	715.1	774.7	1,019.7	
Add: Depreciation	281.1	303.8	315.3	333.4	
(Inc)/dec in Current Assets	204.9	-219.7	-154.8	-232.8	
Inc/(dec) in CL and Provisions	208.1	8.3	132.2	198.8	
CF from operating activities	1,261.8	807.5	1,067.4	1,319.2	
(Inc)/dec in Investments	116.0	-188.5	0.0	0.0	
(Inc)/dec in Fixed Assets	-317.2	-177.5	-300.0	-150.0	
Others	-420.6	-248.1	-15.7	-23.5	
CF from investing activities	-621.7	-614.1	-315.7	-173.5	
Inc/(dec) in loan funds	-704.4	-521.0	-617.3	-150.0	
Dividend paid & dividend tax	-64.0	-93.1	-104.7	-116.4	
Others	-0.1	131.4	0.0	0.0	
CF from financing activities	-768.5	-482.7	-722.0	-266.4	
Net Cash flow	-128.4	-289.2	29.7	879.3	
Opening Cash	431.2	302.8	13.6	43.3	
Closing Cash	302.8	13.6	43.3	922.6	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Liabilities					
Equity Capital	19.3	19.3	19.3	19.3	
Reserve and Surplus	2,776.0	3,529.4	4,199.4	5,102.8	
Total Shareholders funds	2,795.3	3,548.7	4,218.8	5,122.1	
Total Debt	1,288.3	767.3	150.0	0.0	
Deferred Tax Liability	238.2	352.9	352.9	352.9	
Minority Interest / Others	0.0	0.0	0.0	0.0	
Total Liabilities	4,325.5	4,696.6	4,749.3	5,502.7	
Assets					
Gross Block	4,029.6	4,328.5	4,688.2	4,838.2	
Less: Acc Depreciation	1,180.0	1,483.9	1,803.5	2,136.9	
Net Block	2,849.6	2,844.6	2,884.6	2,701.2	
Capital WIP	231.1	109.7	50.0	50.0	
Total Fixed Assets	3,080.6	2,954.3	2,934.6	2,751.2	
Investments	836.7	1,351.2	1,351.2	1,351.2	
Inventory	286.4	459.7	513.8	599.8	
Debtors	553.3	412.2	467.1	545.3	
Loans and Advances	174.9	199.3	224.3	261.8	
Cash	302.8	13.6	43.3	922.6	
Other current assets	2.5	165.5	186.2	217.4	
Total Current Assets	1,319.8	1,250.3	1,434.8	2,546.9	
Creditors	336.7	363.3	408.7	477.1	
Provisions	8.7	5.6	6.3	7.4	
Other current liabilities	702.9	687.6	773.7	903.1	
Total Current Liabilities	1,048.3	1,056.6	1,188.8	1,387.6	
Net Current Assets	271.6	193.8	246.1	1,159.3	
Others	136.5	197.2	212.9	236.4	
Application of Funds	4,325.5	4,696.6	4,749.3	5,502.7	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Per share data (₹)					
EPS	58.7	74.0	80.2	105.5	
Cash EPS	87.8	105.4	112.8	140.0	
BV	289.2	367.1	436.5	529.9	
DPS	5.5	8.0	9.0	10.0	
Cash Per Share	31.3	1.4	4.5	95.5	
Operating Ratios (%)					
EBITDA Margin	33.3	29.9	28.0	29.8	
PBT / Net sales	24.6	21.9	20.6	23.1	
PAT Margin	17.5	18.9	18.2	20.5	
Inventory days	32.2	44.3	44.0	44.0	
Debtor days	62.3	39.7	40.0	40.0	
Creditor days	37.9	35.0	35.0	35.0	
Return Ratios (%)					
RoE	20.3	20.2	18.4	19.9	
RoCE	20.4	23.0	23.9	26.8	
RoIC	19.5	18.0	18.5	24.3	
Valuation Ratios (x)					
P/E	27.2	21.6	20.0	15.2	
EV / EBITDA	15.0	13.9	12.7	9.5	
EV / Net Sales	5.0	4.2	3.5	2.8	
Market Cap / Sales	4.8	4.1	3.6	3.1	
Price to Book Value	5.5	4.4	3.7	3.0	
Solvency Ratios					
Debt/EBITDA	1.2	0.7	0.1	0.0	
Debt / Equity	0.5	0.2	0.0	0.0	
Current Ratio	2.9	3.4	3.4	3.4	
Quick Ratio	2.1	2.1	2.1	2.1	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Amara Raja (AMARAJ)	841	930	Hold	14361	28.0	33.2	40.4	30.0	25.3	20.8	17.3	14.9	12.4	25.8	27.4	28.0	18.5	19.3	19.6
Apollo Tyre (APOTYR)	260	280	Buy	13124	21.8	19.7	23.3	11.9	13.2	11.2	8.6	8.6	7.5	13.6	11.0	12.0	15.0	12.2	12.9
Ashok Leyland (ASHLEY)	105	120	Buy	29790	4.3	4.4	6.3	24.5	24.0	16.6	13.3	12.3	9.4	23.9	25.1	29.7	25.0	18.8	22.7
Bajaj Auto (BAAUTO)	2815	2780	Hold	81466	132.3	136.6	164.7	21.3	20.6	17.1	17.0	16.5	13.3	30.3	29.0	30.9	22.5	21.1	22.2
Balkrishna Ind. (BALIND)	1625	1800	Buy	15707	74.0	80.2	105.5	21.6	20.0	15.2	13.9	12.7	9.5	23.0	23.9	26.8	20.2	23.9	26.8
Bharat Forge (BHAFOR)	1152	1300	Buy	26830	29.9	40.1	47.6	38.5	28.7	24.2	20.8	13.9	11.7	16.1	22.2	26.9	14.6	17.9	21.2
Bosch (MICO)	23789	26400	Buy	74697	570.5	564.0	658.9	41.5	42.0	35.9	35.8	30.1	25.0	16.9	16.4	17.0	24.8	24.1	25.4
Eicher Motors (EICMOT)	29030	30500	Buy	78411	655.9	833.2	1019.4	44.3	34.8	28.5	24.8	18.4	14.7	39.2	41.1	39.1	36.0	33.6	30.9
Exide Industries (EXIIND)	215	270	Buy	18284	8.2	8.8	10.5	26.4	24.5	20.6	16.2	13.8	11.6	18.5	19.0	20.3	14.0	13.7	14.8
Hero Mototcorp (HERHON)	3669	3975	Buy	73260	156.9	169.1	199.6	23.4	21.7	18.4	15.2	14.3	11.9	53.6	43.5	49.0	39.4	33.0	36.3
JK Tyre & Ind (JKIND)	163	215	Buy	3690	16.6	18.1	31.0	9.8	9.0	5.3	8.1	6.5	4.6	11.2	11.8	16.7	15.8	18.2	24.4
Mahindra CIE (MAHAUT)	256	280	Buy	8269	4.5	9.7	12.9	57.3	26.3	19.9	20.0	13.3	11.0	5.4	10.3	12.1	6.9	10.7	12.9
Maruti Suzuki (MARUTI)	7648	8500	Buy	231123	242.9	284.5	354.1	31.5	26.9	21.6	22.1	18.5	14.9	26.3	27.5	28.8	20.3	20.7	21.8
Motherson (MOTSUM)	324	450	Hold	45497	11.1	16.7	22.9	29.3	19.4	14.1	15.1	10.5	7.8	16.0	22.2	28.4	19.6	23.1	25.0
Tata Motors (TELCO)	443	560	Buy	133932	22.3	42.9	52.6	21.5	11.2	9.1	6.6	4.8	4.2	11.6	16.8	17.1	15.0	22.0	21.1
Wabco India (WABTVS)	5358	6250	Buy	10180	112.5	130.2	168.6	47.6	41.1	31.8	29.2	26.0	20.1	16.9	16.7	18.0	23.6	23.1	24.9

Source: Company, ICICIdirect.com Research

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