

Eicher Motors (EICMOT)

₹ 27000

Strong performance continues...

- Eicher Motors reported its Q4FY17 numbers, with the topline and bottomline below our estimates while EBITDA margins were in line with our estimates. Post adoption of Ind-AS, VECV, considered a subsidiary under Indian GAAP, is now a joint controlled entity. Hence, it was consolidated under the equity method
- Revenues for Q3FY17 came in at ₹ 1888.5 crore (up 23.3% YoY, 3% QoQ), marginally below our estimate of ₹ 1917 crore. The revenue miss was due to lower than estimated ASPs in RE (2-W) business
- EBITDA came in at ₹ 585 crore (30.9% YoY, 1.4% QoQ) against our estimate of ₹ 595 crore. EBITDA margins were at 31% (up 180 bps YoY, down 48 bps QoQ) in line with our estimate of 31%
- RE volumes were at 1,78,345 units, up 20.8% YoY while VECV volumes grew 12.6% YoY to 17341 units
- VECV revenues came in at ₹ 2554 crore, up 23.1% YoY, against our estimate of ₹ 2629 crore. VECV margins came in at 8.2%, up 370 bps YoY, vs. our estimate of 6% while VECV PAT came in at ₹ 116 crore (₹ 6 crore in Q5FY16) against our estimate of ₹ 77 crore
- Consequently, consolidated PAT grew 33.8% YoY, 9.7% QoQ to ₹ 459 crore against our estimate of ₹ 491 crore

RE business- multiple levers for growth

RE's strong brand equity is reflected in its H2FY17 performance (marred by demonetisation) performance, where volumes grew ~29% YoY, when the 2-W industry declined 2.7% YoY. The waiting period for Classic 350 continues to be stable at two months, indicating that demand continues to outpace supply. RE has maintained its same store sales growth of 15%. Its dealer network was at 675 dealers. The company will add 150 dealers this year. EML's current production rate of ~60,000/month will continue till the commencement of its third plant at Vallam Vadagal in August FY18. The company has guided an exit capacity of 825,000 units for FY18E. Based on demand, phase II at Vallam Vadagal can take the total capacity to ~1.2 million units. EML is looking to capture the under-penetrated 250-750 cc market globally and has already opened exclusive stores in Sao Paulo (Brazil), Colombia, two in UK, one each in UAE, France, Spain, Australia and Indonesia. We estimate volumes will grow at 20% CAGR to 961508 motorcycles in FY19E.

VECV-market share gain across segments

In FY14-16, VECV underperformed industry growth mainly due to concentration of VECV's product portfolio towards intermediate commercial vehicle (ICV-7.5-12 tonne), which are mainly used as distribution vehicles (ICV forms ~39% of VECV's product portfolio). However, in FY17, VECV outpaced industry growth in all sub-segments, thus gaining market share. VECV's domestic volumes have grown 12.6% outpacing industry growth of 2.6% in FY17. Going ahead, we expect the next phase of growth in M&HCV to come from medium duty vehicles due to the trickle-down effect, which will benefit VECV most as it is a market leader in the ICV segment.

Premium valuations for strong earnings growth visibility

EML has justifiably commanded a premium over other auto OEMs as RE's business is in full throttle and VECV reaps the benefits of an economic revival. We ascribe a multiple of 28x FY19E EPS for RE, VECV at 10x FY17E EV/EBITDA, respectively, to arrive at an SOTP target price of ₹ 30500. We have a **BUY** recommendation on the stock with an upside potential of 13%.

Rating matrix	
Rating	: Buy
Target	: ₹ 30500
Target Period	: 12 months
Potential Upside	: 13%

What's Changed?	
Target	Changed from ₹ 28970 to ₹ 30500
EPS FY18E	Changed from ₹ 772 to ₹833.2
EPS FY19E	Changed from ₹ 927 to ₹1019
Rating	Unchanged

Quarterly Performance					
	Q4FY17	Q5FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	1,888.5	1,532.2	23.3	1,834.4	3.0
EBITDA	584.8	446.8	30.9	576.8	1.4
EBITDA (%)	31.0	29.2	359 bps	31.4	55 bps
PAT	459	343.1	33.8	418.4	9.7

Change in accounting year, FY16 is a 15 month period

Key Financials				
₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	15,429	15,601	19,783	23,893
EBITDA	2,447	2,884	3,904	4,804
Net Profit	1,278	1,772	2,251	2,753
EPS (₹)	471.5	655.9	833.2	1,019.4

* Change in accounting year, FY16 is a 15 month period

Valuation summary				
	FY16	FY17E	FY18E	FY19E
P/E (x)	57.3	41.2	32.4	26.5
Adj. EV/E (x)	223.6	154.0	87.1	38.6
Tgt. Adj. EV/E(x)	197.7	136.2	77.1	34.2
P/BV (x)	21.1	14.8	10.9	8.2
RoNW (%)	36.9	36.0	33.6	30.9
RoCE (%)	42.4	39.2	41.1	39.1

* Change in accounting year, FY16 is a 15 month period

Stock data	
Particular	Amount
Market Capitalization	₹ 72927 Crore
Total Debt (FY16)	₹ 85.9 Crore
Cash and Investments (FY16)	₹ 582.7 Crore
EV (FY16)	₹ 72430.1 Crore
52 week H/L (₹)	26964 / 18000
Equity capital (₹ crore)	₹ 27 Crore
Face value (₹)	₹ 10

Price performance (%)				
	1M	3M	6M	12M
Eicher Motors Ltd	0.3	10.5	8.0	31.2
Tata Motors Ltd	-11.4	-19.7	-18.1	7.3
M&M Ltd	2.4	4.8	-3.7	0.0

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Variance analysis

	Q4FY17	Q4FY17E	Q5FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Total Operating Income	1,888.5	1,917	1,532	23.3	1,834	3.0	Marginal miss on estimates due to lower than estimated ASP
Raw Material Expenses	961	1,000	809	18.9	942	2.0	
Purchase of traded goods	31	19	25	26.5	27	15.6	
Employee Expenses	106	105	77	37.2	105	1.0	
Other expenses	205	199	175	17.3	183	12.0	
EBITDA	585	595	447	30.9	577	1.4	
EBITDA Margin (%)	31.0	31.0	29.2	180 bps	31.4	-48 bps	Margins in line with estimates
Other Income	55	61	45	21.7	59	-6.6	
Depreciation	43	35	37	15.4	36	19.1	
Interest	1	1	1	19.3	1	-4.2	
Total Tax	189	192	144	31.2	200	-5.7	
PAT	459	491	343	33.8	418	9.7	PAT below estimates, as the higher than estimated profit in VECV business must be offset by loss in other JV

Key Metrics							
Royal Enfield ASP(₹)	118,802	121,093	117,257	1.3	118,719	0.1	ASPs higher than estimate
VECV ASP (₹ lakhs)	14.4	15.1	13.7	5.0	16.1	-10.7	ASP lower than estimate

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	19,680	19,783	0.5	23706	23,893	0.8	Topline estimates broadly maintained. Marginal increase in estimates is attributable to increase in RE volume estimates
EBITDA	3,736	3,904	4.5	4576	4,804	5.0	
EBITDA Margin (%)	19.0	19.7	75 bps	19.3	20.1	80 bps	Upgrade margins of RE & VECV business
PAT	2,086	2,251	7.9	2505	2,753	9.9	Estimates revised as we have increased margin estimates
EPS (₹)	772	833	7.9	927	1,019	10.0	

Source: Company, ICICIdirect.com Research

* Change in accounting year, FY16 is a 15 month period

Assumptions

	Current				Earlier		Comments
	FY16	FY17E	FY18E	FY19E	FY17E	FY18E	
Royal Enfield volumes	600175	666490	814866	961508	813374	959988	Volume estimates of RE revised upwards marginally
Royal Enfield ASP/unit (₹)	115,923	118,750	124,463	130,085	124,107	129,360	
VECV volumes	63,104	58,639	67,281	78,462	69,665	81,175	Downward revision of VECV volumes
VECV ASP/unit (₹ lakh)	14.5	14.5	15.9	16.3	15.2	15.6	

Source: Company, ICICIdirect.com Research

* Change in accounting year, FY16 is a 15 month period

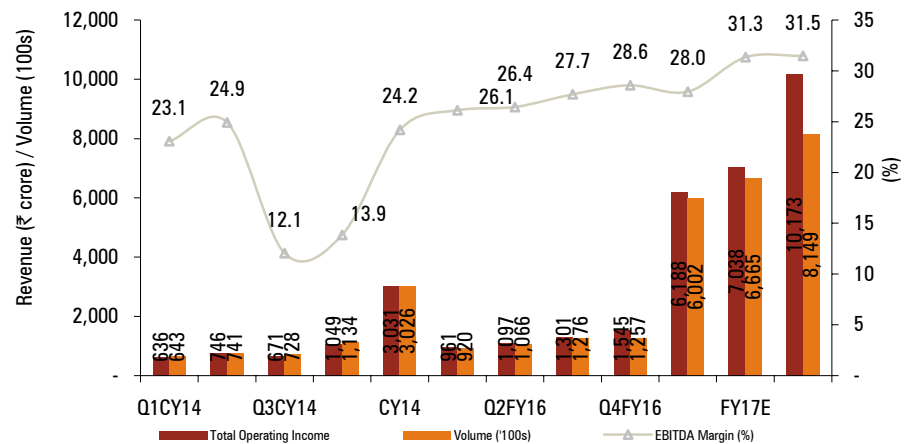
Strong performance from “cult” RE, as volumes grow exponentially...

Acquired by the Eicher group in 1993, the company has made investments to build state-of-the-art manufacturing and product development facilities and a wide marketing network while developing a riding culture centred around leisure and adventure, thereby becoming the market leader in the premium motorcycle segment in India.

RE’s volume CAGR in CY12-FY17 has been an astonishing 52%, albeit on a small base. However, large unfulfilled demand for RE products, especially in the 350 cc segment, makes us positive on the sustenance of growth as capacity expands. With newer product launches and export markets likely to be tapped, demand is likely to outstrip supply even with expanded capacity (~>9 lakh units in CY18E).

With a strong brand presence and long waiting periods, RE’s pricing power coupled with economies of scale have ensured that margins have remained on an uptrend. Going ahead, we expect margins to stabilise at 31.5% in FY18E, FY19E.

Exhibit 3: Royal Enfield growth trajectory



* Change in accounting year, FY16 is a 15 month period
 Source: Company press release, ICICIdirect.com Research

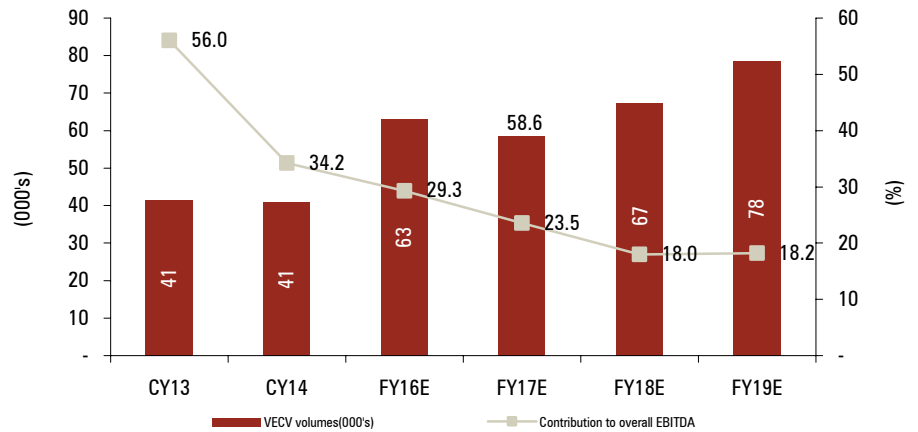
VECV contribution to profit to remain meaningful

Eicher and Volvo entered into a 50:50 JV in 2008 to which Eicher moved its truck & bus business. Also, Volvo invested ₹ 1082 crore in the JV and added its HD trucks distribution business for a 45.6% stake. In the ensuing five years, the JV, VECV trucks outpaced industry growth, increasing market share to ~13% from 9% in FY08. In the bus segment (>5 T), VECV has more than doubled its market share to ~17%.

On the financial front, VECV’s performance has been best in the industry with margins declining to ~5% when margins of its peers dropped to the negative territory (down ~5% for Ashok Leyland and Tata Motors).

VECV now has a strong distribution network comparable with incumbents – Tata Motors, Ashok Leyland. The VECV brand name has been established among fleet owners while the launch of the new state-of the art *Pro-series* trucks would catalyse market share gains in coming years.

Exhibit 4: VECV volumes, contribution to overall EBITDA



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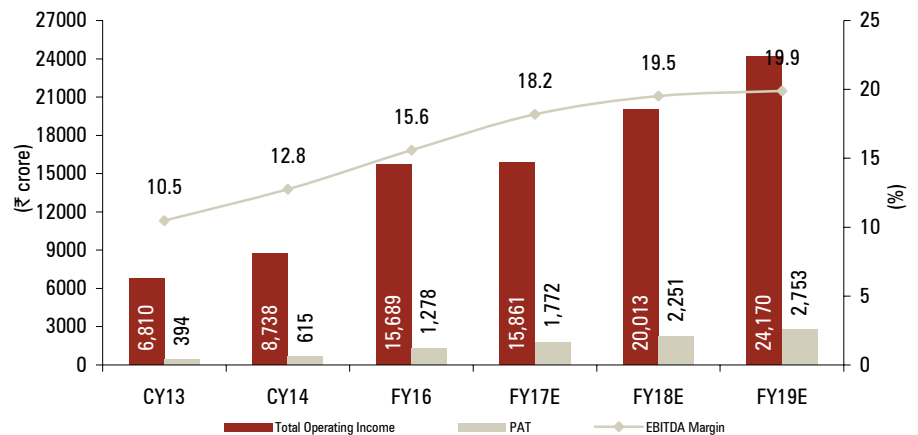
Source: Company press release, ICICIdirect.com Research

Strong overall financial performance

With an increase in competitive intensity amid cyclical weakness in the ICV segment of M&HCV, VECV's performance has dropped off in the past two years. However, RE's strong performance has offset the weakness in the truck & bus segment. In our view, VECV's performance is likely to improve with the recovery in the domestic M&HCV industry.

We expect the topline to grow at 23.4% CAGR in FY17-19E while PAT is likely to grow at ~24.6% CAGR in FY17-19E as margins improve from 18.5% in FY17 to 20.1% in FY19E.

Exhibit 5: Overall financial summary



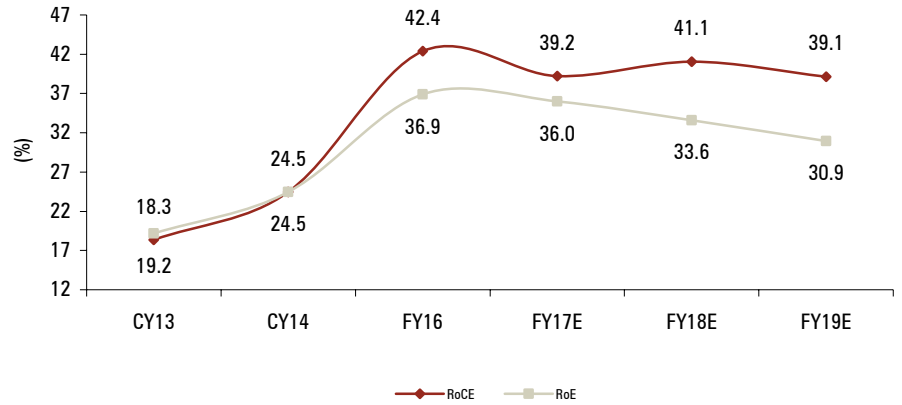
* Change in accounting year, FY16 is a 15 month period

Source: Company, ICICIdirect.com Research

Return ratios remain at higher levels, profitability improve

With Royal Enfield's strong franchisee driving profitability, the overall business has been able to maintain decent return ratios despite the weakness in the VECV side of the business, which had seen a sharp drop in capacity utilisation levels. Going ahead, as RE volumes ramp up in the new facility, coupled with a better performance from VECV on a revival in industrial activity levels, return ratios are likely to remain on the uptrend.

Exhibit 6: Return ratio profile



* Change in accounting year, FY16 is a 15 month period
 Source: Company press release, ICICIdirect.com Research

Key annual report highlight

- Eicher Motors (EML) is a leading player in the Indian automotive space with three business verticals – 1) motorcycles (with Royal Enfield brand), 2) commercial vehicles (through VECV) and 3) personal utility vehicles (with the brand Multix)
- RE believes the potential of the mid-size motorcycle market globally is much larger than its current size. With low penetration levels these markets are similar to India with enormous potential to upgrade to the mid-sized motorcycles. Thus, demand for mid-segment motorcycles will continue to grow and benefit RE, going forward
- RE has emerged as a dominant player in the global mid-size (250 cc to 750 cc) motorcycle market. RE's market share in the overall Indian motorcycle industry has grown from 1.9% in FY14 to 4.7% in FY16. However, its share in engine displacement of 150 cc and above motorcycles has grown 12% in FY14 to 22.2% in FY16 while its share in engine displacement of 250 cc and above motorcycle has risen from 93% in FY14 to 96.1% in FY16 in India. Further, in the last few years, it has been focusing on growing its presence in international markets. The global strategy combines its learning from the success in India and is calibrated for specific international geographies
- Royal Enfield has substantially expanded & upgraded its pan-India distribution network. In 2015, Royal Enfield added >100 new dealerships to strengthen its retail presence in India. RE operates through 17 company operated stores and >500 dealers in all major cities and towns in India, and exports to over 50 countries across the world. Over the last two years, the brand has set up 12 exclusive RE stores in key international cities, including five in Colombia, two in London and one each in Jakarta, Bangkok, Paris, Madrid and Dubai
- RE's growth has been driven by design and development of products. In May 2015, RE acquired the brand, technical know-how, intellectual property and the business of UK-based Harris Performance Products, one of the leading experts in designing, manufacturing and marketing motorcycle chassis and components
- In FY16, the company commenced construction of technical centres in Chennai, India and in UK, which will strengthen its product development capability. It is also investing ₹ 600 crore towards setting up two technical centres, product development, enhancing its manufacturing capacity & market development activities across geographies
- The company launched the Himalayan, a motorcycle purpose-built for adventure and touring in the Himalayas in March, 2016
- Its trucks and buses business did very well in all segments during FY16 thereby increasing its market share in light medium duty trucks (5-15 ton) to 33.9%, 4.0% in heavy duty trucks, and 15.8% in buses
- Post the remarkable performance of the Pro series range of trucks & buses, VECV successfully launched new variants in the Pro 6000 and the Pro 8000 series across the country
- VECV plans to invest ₹ 400 crore towards product development & capacity expansion

Outlook and valuation

Eicher's business performance has been strong with Royal Enfield seeming unfazed by the slowdown in the Indian economy. With Indians lapping up cruiser bikes from Royal Enfield and witnessing huge waiting periods, RE has now enhanced its capacity and looks set to make hay as the proverbial sun continues to shine.

We believe RE is set to trace a similar path to Harley-Davidson's (HOG) high growth phase (1998-2003). During this period topline, bottomline grew ~2.5x, ~3.5x with EBITDA margins expanding from ~19% to ~27% and RoEs improved from 23% to 29%, respectively. Then HOG's average valuations were >30x on one-year forward basis/PEG for two-year forward averaged ~0.6x (1998-2003). Prior to this high growth phase, HOG was able to grow its topline only by 2x in the preceding 10 years while it exploded in the next five years. All these valuations need to be digested with the mature market multiples the US market would typically enjoy. In case of RE, in the last five years, revenue growth was ~14x. However, till FY19E, we expect profitability at 33% CAGR. We believe with similar financials panning out for RE, its valuations are likely to replicate HOG's journey.

Exhibit 7: Brief on Harley Davidson's financials during growth phase

(mn USD)	CY 95	CY 96	CY 97	CY 98	CY 99	CY 0	CY 01	CY 02	CY 03	CY 04
Revenue	1350	1531	1763	2064	2453	3083	3588	4302	4904	5320
Growth(%)		13	15	17	19	26	16	20	14	8
EBITDA margins (%)	16.3	18.0	18.6	19.4	20.5	21.0	22.7	24.6	27.5	29.6
Net Income	112	166	174	214	267	348	438	580	761	890
Growth(%)		48	5	23	25	30	26	33	31	17
ROE (%)	24	29	23	23	24	27	28	29	29	29
PE-1year forward (x)	17	17	19	27	28	31	28	19	20	18
PEG-2year forward (x)	0.4	1.0	0.6	0.6	0.6	0.6	0.7	0.6	0.9	0.7

Source: Company, ICICIdirect.com Research

EML has justifiably commanded a premium over other auto OEs as RE's business is in full throttle, VECV reaps the benefits of the economic revival. We ascribe a multiple of 28x FY19E EPS for RE, VECV at 10x FY19E EV/EBITDA, respectively. Thus, we arrive at an SOTP target price of ₹ 30,500. We have a **BUY** recommendation on the stock.

Exhibit 8: SOTP valuation

	FY19E	Remarks
Two-wheeler business-Royal Enfield		
EPS (₹)	1,020	
Target PE multiple(x)	28	Comparable to up-cycle multiples for Harley Davidson during the 1995-2004 phase.
Per share value (₹)	28,661	
Target market cap (₹ crore)	77,413	
CV business-VECV`		
EBITDA	873	
Target EV/EBITDA multiple(x)	10.0	In-line with current average industry multiple*
Target EV	8,735	
Net Debt VECV * (₹ crore)	(409)	
Target market cap (₹ crore)	9,144	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	4,974	
Per share value-VECV Eicher (₹)	1,842	
Total target market cap (₹ crore)	82,387	
Per share value (₹)	30,500	

Source: Company, Bloomberg, ICICIdirect.com Research

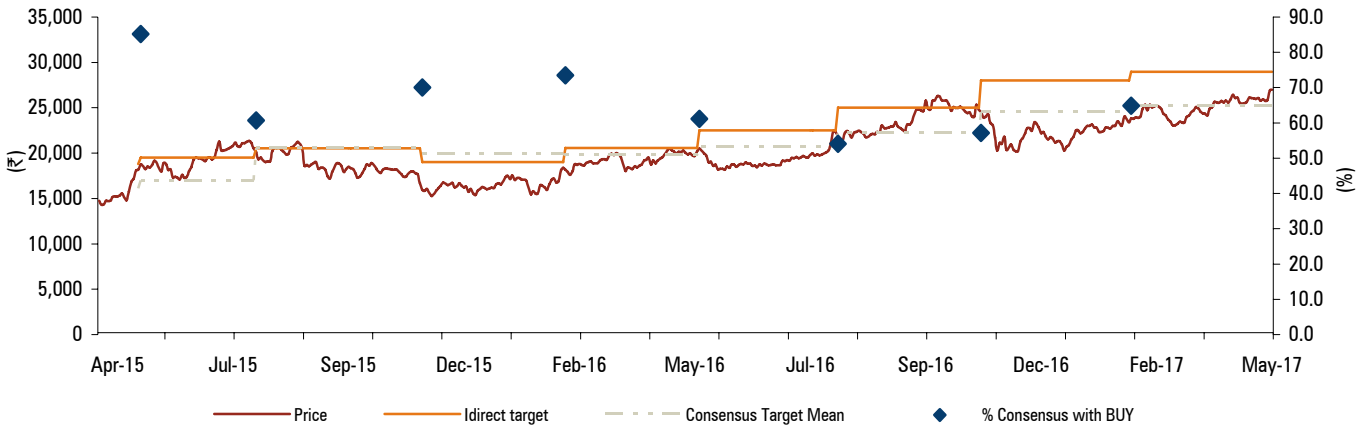
Exhibit 9: Valuation

	Net Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	15428.8	5.6	471.5	21.4	57.3	29.6	36.9	42.4
FY17E	15601.5	1.1	655.9	39.1	41.2	24.8	36.0	39.2
FY18E	19783.2	26.8	833.2	27.0	32.4	18.4	33.6	41.1
FY19E	23893.3	20.8	1019.4	22.3	26.5	14.7	30.9	39.1

* Change in accounting year, FY16 is a 15 month period

Source: Company, ICICIdirect.com Research

Recommended history vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Oct-08	Approves buyback for 14 lakh shares at ~₹ 692/ share
Jun-09	Announces launch of two new products on the all new electric technology, to raise capacity to 60,000 units
Jun-10	Volvo-Eicher plans a joint engine plant in Pithampur, which is going to be used by Volvo in its vehicles globally
Nov-10	Outlines plans for investments of ~₹ 800 crore for engine facility, new capacities for Royal Enfield and VECV
May-12	Reports record profit of ~₹ 109 crore in its history on the back of the strong margin performance of both Royal Enfield & VECV
Apr-13	Commences production from the Oragadam facility. Plans stage-I to raise capacity to 250,000 units with stage-II at 500,000 units
Jul-13	Engine facility gets commissioned at Pithampur. Volvo says initial capacity of 25,000 units to be raised to 100,000 units
Sep-13	Royal Enfield launches the classic "Continental GT". Product receives rave global reviews. Export potential strong
Nov-13	Reports above expectations results driven by life-time high EBITDA margins of 19.3% in Q3CY13. Further re-rating takes place
Sep-14	VECV launches the Pro-series family of trucks
May-15	Eicher acquires UK based Harris performance products, which is basically into chassis development
May-15	Eicher overtakes Hero MotoCorp on market capitalisation
Jun-15	Volvo sells its remaining 3.7% stake in Eicher Motors but it has no impact on its JV named VECV
Jun-15	Eicher Polaris JV, launches its first personal utility vehicle called Multix

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Simran Siddhartha Tara Benefit Trust	31-Dec-16	0.4419	12.0	5.23
2	Lal (Vikram)	26-Dec-16	0.1011	2.8	2.73
3	Capital World Investors	31-Mar-17	0.0541	1.5	0.00
4	Brinda Lal Trust	31-Dec-16	0.0178	0.5	0.00
5	The Vanguard Group, Inc.	31-Mar-17	0.0146	0.4	0.01
6	Cartica Capital, Ltd.	31-Dec-16	0.0134	0.4	-0.29
7	BlackRock Institutional Trust Company, N.A.	31-Mar-17	0.0133	0.4	0.02
8	Lal (Simran)	31-Dec-16	0.0116	0.3	0.00
9	Lal (Tara)	31-Dec-16	0.0116	0.3	0.00
10	Joshi (Rukmani)	31-Dec-16	0.0112	0.3	0.00

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	54.9	50.7	50.6	50.6	50.6
FII	30.1	33.6	34.4	33.7	33.5
DII	3.2	3.9	3.5	5.9	6.1
Others	11.9	11.9	11.5	9.8	9.8

Source: Reuters, ICICIdirect.com Research

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Simran Siddhartha Tara Benefit Trust	1678.5	5.2	Eicher Goodearth Trust	-875.6	-2.7
Lal (Vikram)	875.6	2.7	Lal (Anita)	-795.8	-2.5
William Blair & Company, L.L.C.	20.6	0.1	Cartica Capital, Ltd.	-93.3	-0.3
BlackRock Institutional Trust Company, N.A.	8.5	0.0	Lyxor Asset Management	-20.0	-0.1
Birla Sun Life Asset Management Company Ltd.	7.9	0.0	Schroder Investment Management Ltd. (SIM)	-5.7	0.0

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Total operating Income	15,688.7	15,860.7	20,012.8	24,170.3	
Growth (%)	79.5	1.1	26.2	20.8	
Raw Material Expenses	8,273.4	8,349.3	10,415.1	12,453.4	
Employee Expenses	1,057.5	912.1	1,068.1	1,326.3	
Other Expenses	2,062.7	1,893.0	2,339.9	2,825.9	
Total Operating Expenditure	13,241.5	12,976.6	16,108.4	19,365.9	
EBITDA	2,447.2	2,884.1	3,904.5	4,804.3	
Growth (%)	119.5	17.9	35.4	23.0	
Depreciation	451.7	418.2	481.5	555.5	
Interest	9.0	11.1	15.1	17.5	
Other Income	112.0	184.3	164.5	202.5	
PBT	2,098.5	2,639.2	3,572.4	4,433.8	
Others	0.0	0.0	0.0	0.0	
Total Tax	646.6	761.8	1,071.7	1,374.5	
PAT	1,277.9	1,771.6	2,250.6	2,753.4	
Growth (%)	107.7	38.6	27.0	22.3	
EPS (₹)	471.5	655.9	833.2	1,019.4	

* Change in accounting year, FY16 is a 15 month period

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Profit after Tax	1,277.9	1,771.6	2,250.6	2,753.4	
Add: Depreciation	451.7	418.2	481.5	555.5	
(Inc)/dec in Current Assets	-697.4	344.5	-1,408.9	-423.7	
Inc/(dec) in CL and Provisions	862.0	-440.3	847.6	207.0	
CF from operating activities	1,894.2	2,094.0	2,170.8	3,092.2	
(Inc)/dec in Investments	207.3	-100.0	-100.0	-100.0	
(Inc)/dec in Fixed Assets	-1,046.1	-652.0	-850.0	-850.0	
Others	-651.6	-220.5	-792.3	-415.7	
CF from investing activities	-1,490.4	-972.5	-1,742.3	-1,365.7	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	27.5	20.0	20.0	20.0	
Dividend paid & dividend tax	0.0	0.0	0.0	0.0	
Others	-329.5	-316.0	-474.0	-553.0	
CF from financing activities	-301.9	-296.0	-454.0	-533.0	
Net Cash flow	101.8	825.4	-25.5	1,193.5	
Opening Cash	480.9	582.7	1,408.2	1,382.6	
Closing Cash	582.7	1,408.2	1,382.6	2,576.1	

* Change in accounting year, FY16 is a 15 month period

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Liabilities					
Equity Capital	27.2	27.2	27.2	27.2	
Reserve and Surplus	3,437.5	4,893.1	6,669.6	8,870.0	
Total Shareholders funds	3,464.6	4,920.2	6,696.8	8,897.2	
Total Debt	85.9	105.9	125.9	145.9	
Deferred Tax Liability	387.7	437.7	487.7	537.7	
Minority Interest	1156.9	1262.6	1512.6	1818.6	
Total Liabilities	5,247.3	6,878.6	8,975.3	11,551.6	
Assets					
Gross Block	3,610.3	4,260.3	5,110.3	5,960.3	
Less: Acc Depreciation	1,062.6	1,405.4	1,813.5	2,295.6	
Net Block	2,547.7	2,854.9	3,296.8	3,664.7	
Capital WIP	236.3	236.3	236.3	236.3	
Total Fixed Assets	2,784.0	3,091.3	3,533.2	3,901.0	
Intangibles	538.6	465.2	391.8	318.4	
Investments	1,638.3	2,138.3	3,038.3	3,938.3	
Inventory	1,014.3	695.4	1,472.6	1,538.6	
Debtors	833.6	854.9	1,192.4	1,505.6	
Loans and Advances	475.7	389.3	707.5	712.7	
Cash	582.7	1,408.2	1,382.6	2,576.1	
Total Current Assets	2,906.3	3,347.8	4,755.1	6,333.1	
Creditors	2,080.9	2,137.2	2,710.0	2,945.7	
Provisions	83.0	85.3	108.1	117.5	
Total Current Liabilities	2,163.9	2,222.5	2,818.1	3,063.3	
Net Current Assets	742.4	1,125.3	1,937.0	3,269.8	
Misc expenses not w/o	0.0	0.0	0.0	0.0	
Application of Funds	5,247.3	6,878.6	8,975.3	11,551.6	

* Change in accounting year, FY16 is a 15 month period

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Per share data (₹)					
EPS	471.5	655.9	833.2	1,019.4	
Cash EPS	638.2	810.7	1,011.5	1,225.1	
BV	1,278.5	1,821.6	2,479.4	3,294.0	
DPS	100.2	100.0	150.0	175.0	
Cash Per Share	215.0	521.4	511.9	953.8	
Operating Ratios (%)					
EBITDA Margin	15.9	18.5	19.7	20.1	
PBT / Net sales	13.6	16.9	18.1	18.6	
PAT Margin	5.4	5.1	5.8	7.2	
Inventory days	19.6	20.0	20.0	23.0	
Debtor days	19.7	20.0	22.0	23.0	
Creditor days	49.2	50.0	50.0	45.0	
Return Ratios (%)					
RoE	36.9	36.0	33.6	30.9	
RoCE	42.4	39.2	41.1	39.1	
RoIC	65.8	65.2	60.6	62.2	
Valuation Ratios (x)					
P/E	57.3	41.2	32.4	26.5	
EV / EBITDA	29.6	24.8	18.4	14.7	
EV / Net Sales	4.7	4.6	3.6	3.0	
Market Cap / Sales	4.7	4.7	3.7	3.1	
Price to Book Value	21.1	14.8	10.9	8.2	
Solvency Ratios					
Debt/Equity	0.0	0.0	0.0	0.0	
Current Ratio	0.9	1.2	1.3	1.6	
Quick Ratio	0.7	0.7	0.9	1.0	

* Change in accounting year, FY16 is a 15 month period

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		FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Amara Raja (AMARAJ)	880	930	Hold	15037	28.5	29.4	37.3	30.8	29.9	23.6	18.1	17.1	13.7	31.2	26.2	27.9	23.2	20.1	21.2
Apollo Tyre (APOTYR)	240	280	Buy	12116	21.7	21.8	19.7	11.1	11.0	12.2	6.5	7.9	8.6	19.9	13.6	11.0	17.1	15.0	12.2
Ashok Leyland (ASHLEY)	83	100	Buy	23561	2.5	4.0	4.8	32.9	20.9	17.4	11.8	11.6	9.6	22.8	20.8	22.6	17.4	17.4	18.8
Bajaj Auto (BAAUTO)	2857	3000	Hold	82672	126.8	142.2	156.3	22.2	19.8	18.0	16.6	16.8	14.7	42.2	38.9	38.1	29.9	28.9	27.9
Balkrishna Ind. (BALIND)	1544	1400	Buy	14926	58.7	77.0	83.8	20.1	15.3	14.1	11.2	9.6	7.6	20.4	22.5	24.7	20.3	22.5	24.7
Bharat Forge (BHAFOR)	1100	1150	Buy	25618	28.0	30.5	44.6	39.3	36.1	24.6	17.6	17.9	13.4	16.5	14.8	19.5	18.3	17.4	21.5
Bosch (MICO)	23392	25250	Buy	73451	410.2	567.0	566.2	55.2	40.0	40.0	36.0	37.5	26.1	15.1	15.8	15.8	22.5	21.4	25.3
Eicher Motors (EICMOT)	26919	30500	Buy	72709	655.9	833.2	1019.4	41.0	32.3	26.4	24.8	18.4	14.7	39.2	41.1	39.1	36.0	33.6	30.9
Exide Industries (EXIIND)	239	270	Buy	20315	7.3	8.2	9.4	32.6	29.3	25.3	19.0	17.7	14.4	19.4	18.7	20.4	14.0	14.1	14.8
Hero Mototcorp (HERHON)	3401	3330	Hold	67923	156.9	170.9	181.6	21.7	19.9	18.7	13.4	12.4	11.6	53.6	49.6	46.8	39.4	36.4	34.0
JK Tyre & Ind (JKIND)	177	145	Buy	4014	21.0	15.5	22.5	8.4	11.4	7.9	4.5	4.9	4.3	20.1	14.5	15.9	29.1	19.3	20.7
Mahindra CIE (MAHAUT)	246	280	Buy	7952	4.5	10.3	13.5	55.1	23.8	18.2	16.8	11.5	9.1	5.4	10.8	12.6	6.9	11.1	13.2
Maruti Suzuki (MARUTI)	6631	7200	Buy	200375	151.3	242.9	280.1	43.8	27.3	23.7	21.4	18.6	15.8	23.9	26.3	26.5	16.9	20.3	20.4
Motherson (MOTSUM)	408	370	Hold	57320	9.1	10.4	14.0	45.0	39.2	29.1	15.4	12.0	9.7	19.9	17.8	19.6	30.0	18.8	21.7
Tata Motors (TELCO)	423	535	Buy	128276	37.2	19.2	41.1	12.3	23.9	11.1	3.8	5.1	3.8	17.0	8.7	14.2	15.3	6.7	12.5
Wabco India (WABTVS)	5886	7000	Buy	11183	107.7	118.6	158.4	54.6	49.6	37.2	37.9	32.4	24.8	19.4	17.8	19.4	25.5	24.5	26.8

Source: Company, ICICIdirect.com Research

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