November 6, 2018

Rating matrix		
Rating	:	Hold
Target	:	₹ 20500
Target Period	:	12 months
Potential Upside	:	5%

What's Changed?	
Target	Changed from ₹ 20000 to ₹ 20500
EPS FY18E	Changed from ₹ 585.3 to ₹ 593.7
EPS FY19E	Changed from ₹ 645.5 to ₹ 661.5
Rating	Unchanged

Quarterly Performance

	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	3,201.1	2,811.9	13.8	3,212.2	-0.3
EBITDA	596.2	508.0	17.4	628.2	-5.1
EBITDA (%)	18.6	18.1	56 bps	19.6	-93 bps
PAT	420.0	353.3	18.9	431.0	-2.6

Key Financials

₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	10,176	11,690	13,437	15,061
EBITDA	1,960	2,093	2,551	2,869
Net Profit	1,741	1,371	1,812	2,019
EPS (₹)	570.5	449.1	593.7	661.5

Valuation summary

	FY17	FY18	FY19E	FY20E
P/E (x)	34.1	43.3	32.8	29.4
EV / EBITDA (x)	29.3	27.0	21.9	19.2
Tgt EV/E (x)	30.9	28.5	23.2	20.3
P/BV (x)	6.7	5.9	5.4	4.8
RoNW (%)	16.4	14.4	16.4	16.3
RoCE (%)	24.1	21.4	24.4	24.3

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	59,357
Total Debt (FY18) (₹ Crore)	0.0
Cash and Investments (FY18) (₹ Crore)	2,817
EV (₹ Crore)	56,540
52 week H/L (₹)	22400 / 16990
Equity capital (₹ crore)	30.5
Face value (₹)	10.0

Price performance (%)

	1M	3M	6M	12M
Bosch Ltd	3.2	1.7	0.4	-7.8
Wabco India Ltd	5.3	-0.9	-14.7	-0.3
Motherson Sumi Systems	8.2	-15.4	-22.2	-28.5

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Bosch Ltd (BOSLIM)

₹ 19448

Q2 steady; plans buyback…

- Revenues came in at ₹ 3,201 crore (up 13.8% YoY), below our estimate of ₹ 3,263 crore. Gross revenue from automotive segment grew 13.5% YoY to ₹ 2,748 crore supported by Powertrain solutions & aftermarket division (grew 20.9% YoY) while revenue from the non-automotive segment grew 16.3% YoY to ₹ 463 crore primarily supported by energy and power tool business division
- EBITDA margins came in at 18.6% (up 56 bps YoY) vs. our estimate of 19.1% mainly supported by lower other expense & employee expense. Higher raw material cost (gross margin down 156 bps YoY, due to adverse currency movement & additional cost incurred on imports of injectors) partially impacted margins. Reported PAT increased 18.9% YoY to ₹ 420 crore vs. our estimate of ₹ 436 crore
- The Board has approved a buyback of up-to 1,028,100 equity shares, on a proportionate basis by way of a tender offer, at ₹ 21,000 per equity share for an aggregate amount not exceeding ~₹ 2,159 crore (represents 3.37% of paid-up capital)

Well placed to cater to strong growth in auto segment!

Bosch has a strong technology leadership & market share >70% in the diesel injection systems. The strong demand recovery in the CV & tractor segment will continue to drive Bosch's performance. CV volumes will be supported by higher infrastructure spend & increase in demand for e-commerce space while good harvest season & farm loan waiver may keep up the strong tractor momentum. Further, Bosch being the leader & with technological (R&D) support from its parent is well prepared to cater to the industry with BS VI norms by 2020. Additionally, there is a sizeable market opportunity in the 2-W OEM space (as they are working on BS VI norms) where there will be a shift from carburettor to injection system. The management believes with late entry in the gasoline Injection system, Bosch grabs a small pie of the market (~10%) but it is expanding gradually. Thus, the 2-W space will supplement its growth, going forward. Thus, we expect revenues to register a CAGR of 14% in FY18-20E.

EBITDA margins to remain steady!

Margin was impacted while transitioning from BS III to BS IV due to higher import content (sourced from its parent). The company, over the years, has followed the strategy of first serving the product via import & then localising the same as & when operational scale moves higher. Even for Q2FY19, rupee depreciation & higher cost of imported injectors impacted gross margins. We believe even during transition to BS VI norms, there could be some pressure on margins but structurally they are likely to move upwards. On the flip side, consistent focus on cost reduction measures (employee expense at ~11% vs. >14% in the past), operational efficiency & moving out from single digit margin (SMG) business will provide some cushion. Thus, we maintain our margin estimate at ~19% for FY19E & FY20E each.

Technology change, competitive pressure to impact its business!

Bosch, backed by its MNC parent, will have a technology advantage. However, at the same time, this is expected to come at the cost of profitability. With a major technological change expected (BS VI norms by 2020 and with government focus on EVs) there will be high uncertainty for its business, going forward. With such uncertainty, we believe the company would be unable to enjoy premium multiple, as it commanded in the past. Thus, we maintain our **HOLD** rating on the stock, valuing it at 31x its FY20E EPS, with a target price of ₹ 20,500/share.

Variance analysis

	Q2FY19	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
Total Operating Income	3,201	3,263	2,812	13.8	3,212	-0.3	Revenues came in lower than our estimates; mainly attributable to lower-than-expected sales in the automotive segment
Raw Material Expenses	1,815	1,795	1,550	17.1	1,749	3.8	Unfavourable forex movement in addition to higher cost of imported injectors impacted the gross margins for the company
Employee Expenses	340	366	344	-1.2	351	-3.0	Increase in productivity & measures taken in the past is resulting into lower employee cost
Other expenses	450	480	409	9.9	484	-7.2	Other expense is up ~10% YoY mainly due to increasing tooling cost for new products
EBITDA	596	623	508	17.4	628	-5.1	
EBITDA Margin (%)	18.6	19.1	18.1	56 bps	19.6	-93 bps	
Other Income	140	134	129	8.1	115	21.7	Movement in other income is largely attributable to MTM gain on marketable securities
Depreciation	95	106	111	-14.2	94	1.2	Lower asset base; resulted in lower depreciation
Interest	0	0	0	-100.0	0	-100.0	
Total Tax	221	215	173	27.7	218	1.3	
PAT	420	436	353	18.9	431	-2.6	With revenue & EBITDA coming in lower than our expectations; PAT was also at ₹ 420 crore vs. our expectation of ₹ 436 crore
Key Metrics (Q1FY18 numbers is not adjusted for excise duty)							
Automotive revneue	2,748	2,808	2,421	13.5	2,727	0.8	According to the management, its mobility segment is driven by powertrain solutions & aftermarket division, which grew by 20.9% YoY
Non Automotive revenues	463	458	398	16.3	488	-5.2	According to the management, non automotive revenues was primarily supported by energy and power tool business division

Source: Company, ICICI Direct Research,

Change in estimates

	FY19E			FY20E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	13,391	13,437	0.3	15,000	15,061	0.4	Revenue estimates revised upward marginally
EBITDA	2,539	2,551	0.5	2,857	2,869	0.4	
EBITDA Margin (%)	19.0	19.0	2 bps	19.0	19.0	0 bps	Margin estimate largely unchanged
PAT	1,786	1,812	1.5	1,970	2,019	2.5	Lower depreciation estimate; is resulting in higher profitability in FY19E & FY20E
EPS	585	594	1.5	645	662	2.5	

Source: Company, ICICI Direct Research;

Assumptions

			Current		Earlier		Comments
	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Revenue (₹ crore)							
Automotive	9,722	10,187	11,389	12,755	11,352	12,714	
Non- automotive	1,692	1,751	2,064	2,311	2,046	2,292	Revised marginally upwards
EBIT margins (%)							
Automotive	19.6	16.2	18.1	16.5	17.5	16.5	
Non- automotive	8.3	18.9	12.5	13.8	14.2	13.7	Lower margin in Q2FY19 is impacting overall FY19 estimates

Source: Company, ICICI Direct Research

Key conference call takeaways

- The management remains cautiously optimistic on the demand outlook in India for FY19E. The company is strengthening its commitments of India and towards evolving industry opportunities
- For Q2FY19, its automotive segment grew by 13.5% YoY supported by powertrain solution & aftermarket division while non-automotive segment grew by 16.3% YoY primarily supported by energy and power tool business division
- Bosch's aftermarket segment has been flattish for a few years. However, increased management focus on this segment has helped deliver strong 21% YoY growth in Q2FY19. The company is hopeful of continuing the same, going forward
- For Q2FY19, its domestic revenue grew by 16% YoY; of which automotive & non-automotive segment grew by 15% YoY & 19% YoY respectively. Its export revenue declined 14% YoY mainly due to decline in automotive (mobility) segment.
- Raw material cost increased and was mainly due to additional import cost and adverse forex movement. The latter also impacted non-automotive side of the business in Q2FY19
- Bosch has emerged as a formidable player in a fragmented gasoline market and currently commands double digit market share. Despite entering the gasoline market much later than diesel (where it has been present since its formation years), sustained parental support has helped the company grow faster than the industry
- The parent company, Bosch, will be undertaking capex spending of ₹ 1,700 crore through to FY21. Of this, 75-80% would be done via Bosch Ltd (listed entity)
- Employee cost has reduced from 14-15% of sales in the last few years to 11.2-11.5% of sales currently. The company indicated its desire to maintain it at this level, going forward. In this time, the company has reduced headcount by ~4,000 & is currently at ~10,000 at the parent level
- The company expects to make further announcements concerning developments on the electrification front in 2019

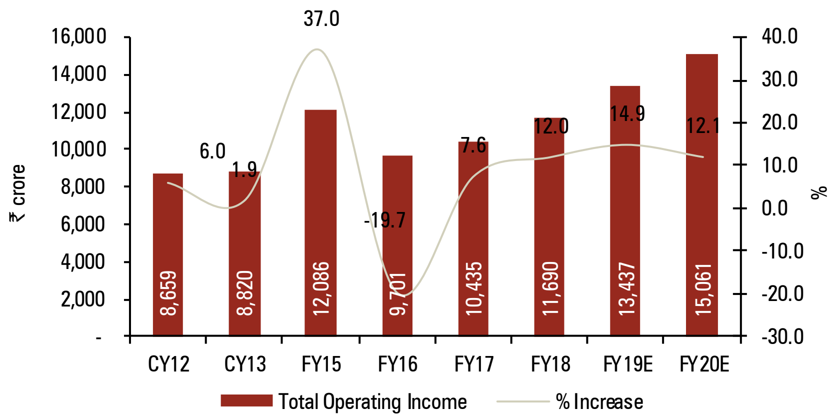
Company Analysis

Auto segment to continue to remain key driver of sales growth…

Bosch is an attractive ancillary company due to the huge size of the fuel injection and engine parts business, which remains one of the most critical linkages for an OEM. We forecast the CV & PV segment will register ~10% CAGR in FY18-20E. CV volumes would be supported by higher infrastructure spending, implementation of GST leading to faster turnaround time and more hub-spoke adoption leading to higher fleet operator profitability & shift to higher tonnage trucks. Further, the upgradation to BS VI norms will result into pre-buying in FY20E. The PV volumes would be supported by positive consumer sentiments and new product launches. A good harvest season & farm loan waiver is likely to keep up the strong tractor momentum. We expect a better demand scenario in the automotive space in coming years. Further, Bosch being the market leader and with technological (R&D) support from its parent is well placed to cater to the industry requirement for complying with advancement of new emission norms. According to the management, Bosch is well prepared to serve the industry with respect to the upgraded/newer, product/system perspective to the industry.

In the past, the management has executed the sale of lower margin starter motor and generator (SMG) division, which accounted for <10% of revenue. Hence, it is likely to impact overall revenues. Thus, we expect revenue CAGR of ~14% to ₹ 15,061 crore in FY18-20E.

Exhibit 1: Revenue growth trend



** Change in accounting year, FY15 is a 15-month period*
Source: Company press release, ICICI Direct Research

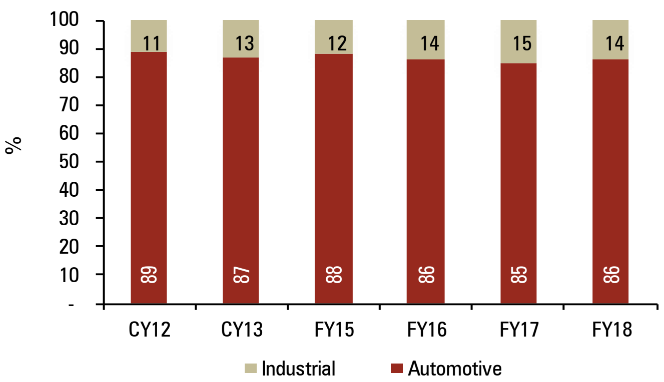
Bosch (parent) believes there is future for diesel!

The management reiterated its stance that the internal combustion engine (ICE) is going to be dominant till 2030 as well as beyond. The heavy load & power vehicles (CV, SUV and tractors) requires diesel system for their smooth function. In order to support the industry's requirement and make practically zero-emissions traffic reality, Bosch is making heavy investments – both in making electro-mobility & also enhancing the ICE vehicle. Bosch (parent) has achieved a breakthrough in new diesel technology – in which they have succeeded in getting NOx emissions down to 1/10 (at 13 mg vs. 120 mg that will be permitted >2020). Thus, the management believes that despite the industry moving towards the EV space, ICE will continue to have a future in coming days.

Await clarity on technology/product for electric vehicle!

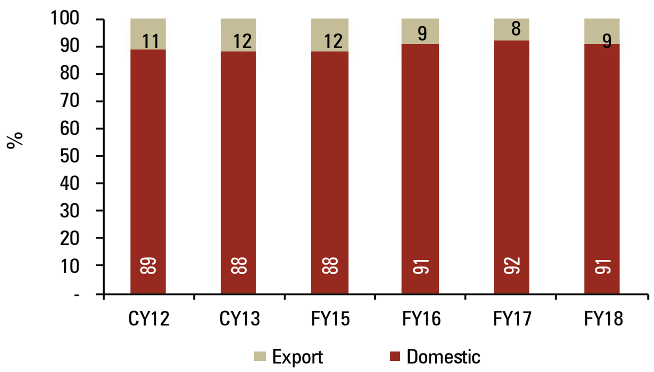
We await management clarity on their strategy for EV, which is expected to disrupt the fuel based engine system thereby impacting Bosch. We understand that its MNC parent is well equipped with some of the EV ancillary products & continues to invest in R&D. The parent is currently sourcing EVs -batteries from its partner but plans to manufacture the same, going forward. We believe Bosch India will surely have an advantage in terms of new technology/product, which will be backed by its strong MNC parent. However, import/trading of such products will negatively impact its margin in the initial phase of the transition.

Exhibit 2: Revenue mix – Segment wise (%)



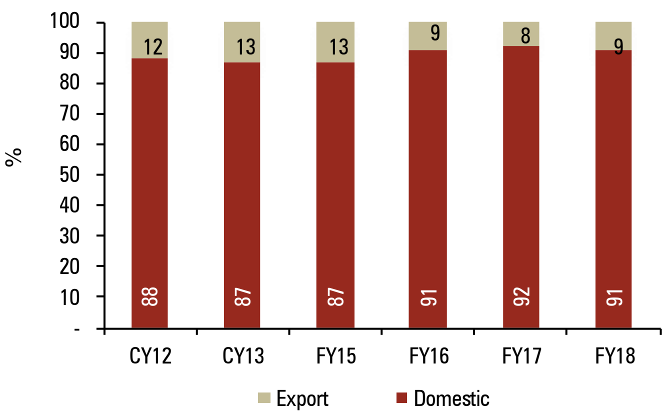
** Change in accounting year, FY15 is a 15-month period*
Source: Company, ICICI Direct Research

Exhibit 3: Revenue mix – Geography wise (%)



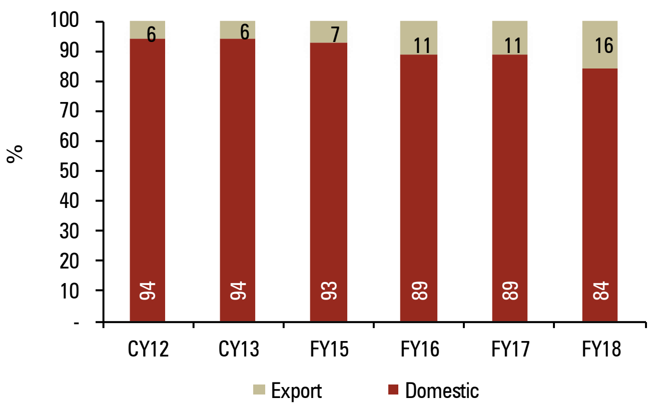
** Change in accounting year, FY15 is a 15-month period*
Source: Company, ICICI Direct Research

Exhibit 4: Mobility solution (automotive) revenue mix (%)



** Change in accounting year, FY15 is a 15-month period*
Source: Company, ICICI Direct Research

Exhibit 5: Non-mobility solution (industrial) revenue mix (%)



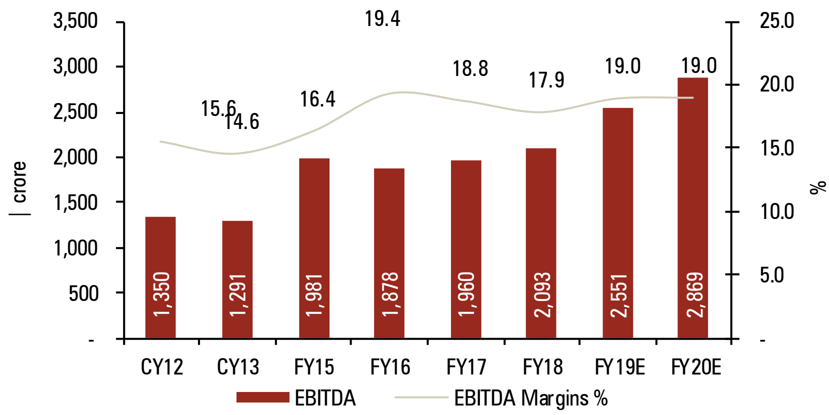
** Change in accounting year, FY15 is a 15-month period*
Source: Company, ICICI Direct Research

EBITDA margin to remain steady!

Bosch has seen some EBITDA margin shave-offs from the CY11 peak but has stabilised at ~15-16%. The same, however, has improved from FY16 onwards owing to a demand revival and new product launches in lieu of changes in emission norm gradually. Its consistent focus on localisation efforts is likely to expand gross margins resulting in higher profitability.

Bosch had anticipated a gradual transition to BS IV norms. However, the sudden liquidation of BS-III inventories compelled OEMs to ramp up volumes thereby resulting in demand-supply mismatch at Bosch's end. Even at high utilisation rate, it was unable to cater to the sudden demand from OEMs. Thus, it had higher share of traded goods (sourced from parent in H1FY18), impacting its margins. Even for Q2FY19 rupee depreciation & higher cost of imported injectors impacted the gross margins. We believe even while transition to BS VI norms, there could be some pressure on Bosch's margins however structurally they are likely to move upwards. On the flip side, consistent focus on cost reduction measures (employee expense at ~11% vs >14% in the past), operational efficiency & moving out from single digit margin (SMG) business will provide some cushion. Thus, we maintain our margin estimate at ~19% for FY19E & FY20E each.

Exhibit 6: EBITDA margin to improve

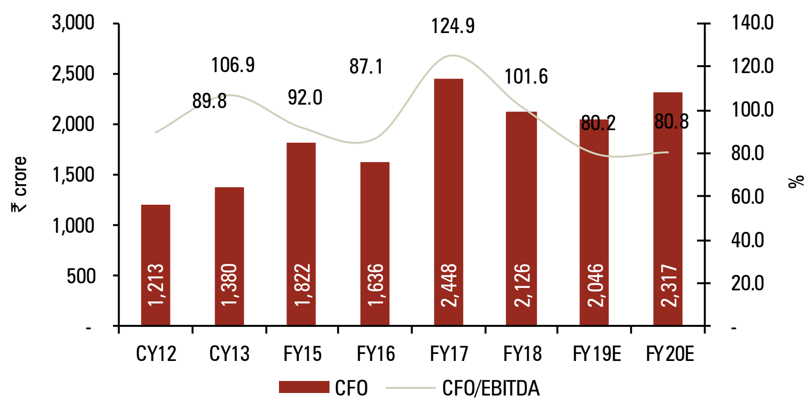


** Change in accounting year, FY15 is a 15-month period*
Source: Company press release, ICICI Direct Research

Strong operational cash flows; clean revenue accounting policies!

Bosch's business generates strong cash flows from operations (CFO) that were at ₹ 2126 crore in FY18. Strong cash inflows from operations keep the business cash rich and debt free, something that is better than other ancillary peers. For FY19E & FY20E, we believe Bosch will invest around ~₹ 650 crore each, mainly towards development of plants, corporate office and some investment is towards R&D activity. However, despite higher investment, the CFO remains at a healthy level. We believe the CFO/EBITDA ratio is likely to remain healthy, going forward.

Exhibit 7: CFO, EBITDA reflective of nature of accounting policies

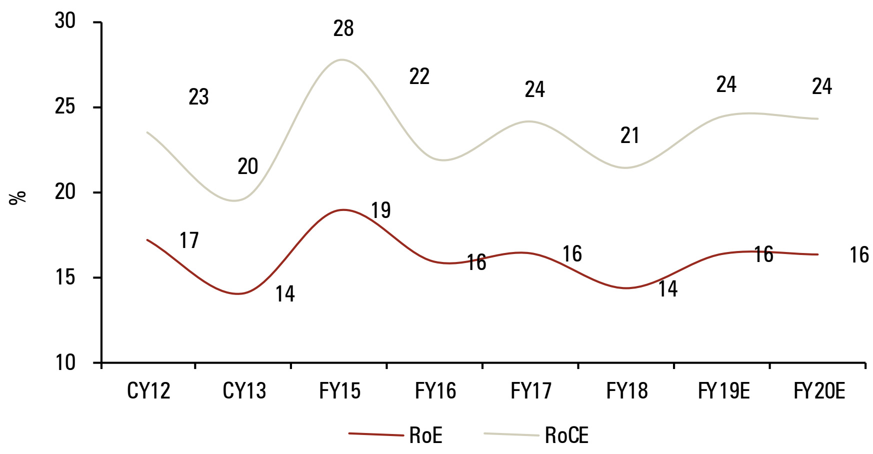


** Change in accounting year, FY15 is a 15-month period*
Source: Company, ICICI Direct Research

Maintains decent return ratios

Bosch has always had a history of being able to generate above normal returns of employed capital (RoCE). Since CY08-12, it had RoCEs ranging between 17% and 23%. The strong capital expenditure exercise started in CY12-13 along with domestic automotive weakness leading to a mild reduction in RoCE in CY13. However, we expect the same to improve. We expect Bosch to maintain decent return ratios, going forward.

Exhibit 8: Return ratio profile

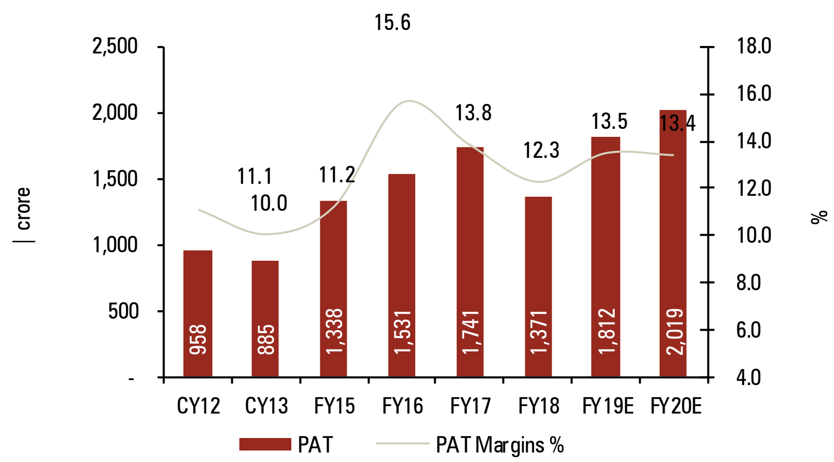


** Change in accounting year, FY15 is a 15-month period*
Source: Company press release, ICICI Direct Research

Higher revenue growth & steady margins will drive profitability

PAT margins are expected to continue to move northwards primarily driven by EBITDA margins expansion. Margins had come down in CY13 due to higher depreciation charge (they depreciate assets faster than income tax requirements causing incremental ~1-1.5% decline in reported PAT more than required). The change in asset base was mainly due to a change in accounting year (from CY to FY) resulting in lower depreciation lifting profitability. Thus, going forward, we believe its PAT margins will be >13%.

Exhibit 9: PAT margin to improve, going forward



** Change in accounting year, FY15 is a 15-month period*
Source: Company press release, ICICI Direct Research

Outlook and valuation

We believe a good harvest season is likely to result into higher tractor demand, going forward. The growth momentum of CV (rise in demand for higher tonnage vehicle & governments infrastructure development) and PV (positive consumer sentiment & new product launches) will benefit Bosch, going forward. Further, the expected pick-up in infrastructure activity is likely to fuel growth of its non-automotive business. With a strong balance sheet supported by robust FCFs, strong return ratios and stable high margin profile, financials are impressive.

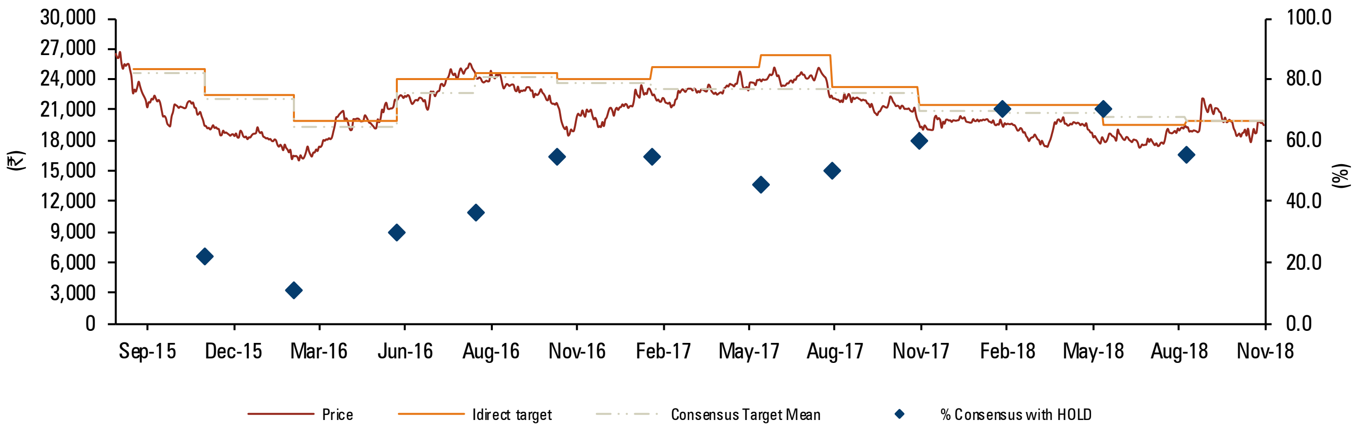
Bosch being backed by its MNC parent will have the technology advantage. However, the same will come at the cost of profitability. With major technology change expected (BS VI emission norms by 2020 and with the government's focus on EVs) there will be high uncertainty for its business, going forward. With such uncertainty, we believe the company would be unable to enjoy premium multiple, as it commanded in the past. Thus, we continue to have a **HOLD** recommendation on the stock, valuing it at 31x its FY20E EPS; with target of ₹ 20,500/share.

Exhibit 10: Valuation

	Revenues (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	10435.2	1.9	570.5	-7.5	34.1	29.3	16.4	24.1
FY18	11690.2	12.0	449.1	-21.3	43.3	27.0	14.4	21.4
FY19E	13437.2	14.9	593.7	32.2	32.8	21.9	16.4	24.4
FY20E	15060.7	12.1	661.5	11.4	29.4	19.2	16.3	24.3

Source: Company, ICICI Direct Research

Recommended history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Mar-08	Bosch plans to turn India into a hub for its packaging business
Sep-08	Buyback of shares approved by board for a maximum price of ₹ 4500 per share
Dec-08	Indefinite lockout imposed at Jaipur plant as a result of indefinite strike by workers
Apr-09	Buyback fails to enthuse investors as financials dip on demand slowdown
Jan-10	Bosch announces investment of ₹ 2000 crore in India between 2010 and 2012
Mar-10	Lockout declared at Bangalore plant as wage negotiations with worker unions fail
Mar-11	Increasing trend of dieselation in Indian passenger vehicles space aids Bosch considering it is the market leader in diesel injection systems
Feb-12	Strong Q4CY11 results given a strong thumbs-up by markets
Jun-12	Bosch begins to rationalise production as inventory piles up on slow demand
Dec-12	Senior management rejigged as Dr Stepehn Berns takes over as MD from long standing MD VK Vishwanathan
Jun-13	Commercial vehicle industry witnesses unprecendented fall in volumes affecting Bosch's results significantly
Jun-14	Board approves change in accounting year from CY to FY; accordingly CY14 would be for 15 months commencing from January 2014 to March 2015
Aug-14	Workmen of the company's Jaipur plant go on illegal "tool down" strike and resume after 2 days
Sep-14	Worker of company's Banglore plan go on strike; demanding hike in pay and other benefits
Nov-14	To adjust its production and to avoid unnecessary build up in inventory; Bosch suspends manufacturing at its Nashik plant for two days
Mar-15	Company's Naganathapura plant accidently catches fire. However, there is no major impact and the plant is adequately covered under insurance

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Robert Bosch GmbH	30-Sep-18	0.70	21.5	0.00
2	General Insurance Corporation of India	30-Sep-18	0.03162	1.0	0.00
3	The New India Assurance Co. Ltd.	30-Sep-18	0.02821	0.9	-0.01
4	Life Insurance Corporation of India	30-Sep-18	0.02483	0.8	0.00
5	United India Insurance Co. Ltd.	30-Sep-18	0.01232	0.4	0.00
6	Aberdeen Standard Investments (Asia) Limited	30-Sep-18	0.01167	0.4	0.00
7	Reliance Nippon Life Asset Management Limited	30-Sep-18	0.00883	0.3	0.01
8	The Vanguard Group, Inc.	30-Sep-18	0.00836	0.3	-0.01
9	BlackRock Institutional Trust Company, N.A.	30-Sep-18	0.00677	0.2	0.00
10	Aditya Birla Sun Life AMC Limited	30-Sep-18	0.00646	0.2	0.03

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	70.5	70.5	70.5	70.5	70.5
FII	7.2	7.0	6.9	7.0	7.0
DII	14.4	14.8	14.8	14.8	14.8
Others	7.9	7.8	7.8	7.8	7.8

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor name	Value ($mn)	Shares (mn)	Investor name	Value ($mn)	Shares (mn)
Aditya Birla Sun Life AMC Limited	7.35	0.03	Morgan Stanley Investment Management Inc. (US)	-11.71	-0.04
First State Investments (Singapore)	4.61	0.02	ICICI Prudential Asset Management Co. Ltd.	-6.16	-0.02
Reliance Nippon Life Asset Management Limited	2.64	0.01	The Vanguard Group, Inc.	-1.65	-0.01
Stanley-Laman Group, Ltd.	2.30	0.01	JM Financial Asset Management Pvt. Ltd.	-1.47	-0.01
Tata Asset Management Limited	0.93	0.00	The New India Assurance Co. Ltd.	-1.38	-0.01

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement ₹ crore

(Year-end March)	FY17	FY18	FY19E	FY20E
Total operating Income	10,435.2	11,690.2	13,437.2	15,060.7
Growth (%)	7.6	12.0	14.9	12.1
Raw Material Expenses	5,309.2	6,301.4	7,275.4	8,105.3
Employee Expenses	1,342.8	1,356.5	1,495.4	1,743.4
Other Expenses	1,822.8	1,939.1	2,115.7	2,343.3
Total Operating Expenditure	8,474.8	9,597.0	10,886.5	12,192.0
EBITDA	1,960.4	2,093.2	2,550.8	2,868.7
Growth (%)	4.4	6.8	21.9	12.5
Depreciation	456.2	467.2	383.0	436.8
Interest	27.2	3.3	0.0	0.0
Other Income	617.4	511.8	531.6	565.9
PBT	2,094.4	2,134.5	2,699.5	2,997.8
Less Exceptional items	-297.1	93.9	0.0	0.0
Total Tax	650.2	669.9	887.5	978.8
PAT	1,741.2	1,370.7	1,812.0	2,019.0
Growth (%)	13.7	-21.3	32.2	11.4
EPS (₹)	570.5	449.1	593.7	661.5

Source: Company, ICICI Direct Research

Cash flow statement ₹ crore

(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	1,741.2	1,370.7	1,812.0	2,019.0
Add: Depreciation	456.2	467.2	383.0	436.8
(Inc)/dec in Current Assets	93.0	-604.2	-675.2	-627.4
Inc/(dec) in CL and Provisions	130.2	889.1	525.9	488.7
CF from operating activities	2,420.6	2,122.8	2,045.7	2,317.0
(Inc)/dec in Investments	507.2	-1,101.9	0.0	0.0
(Inc)/dec in Fixed Assets	-605.7	-667.3	-650.0	-650.0
Others	40.7	41.4	-88.8	-82.5
CF from investing activities	-57.9	-1,727.8	-738.8	-732.5
Issue/(Buy back) of Equity	-0.9	0.0	0.0	0.0
Inc/(dec) in loan funds	-14.9	0.0	0.0	0.0
Dividend paid & dividend tax	-596.7	-366.2	-549.4	-732.5
Others	-1,906.0	173.8	-177.1	0.0
CF from financing activities	-2,518.5	-192.4	-726.5	-732.5
Net Cash flow	-113.8	170.1	580.4	852.1
Opening Cash	1,831.4	1,717.6	1,887.7	2,468.1
Closing Cash	1,717.6	1,887.7	2,468.1	3,320.2

Source: Company, ICICI Direct Research

Balance sheet ₹ crore

(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	30.5	30.5	30.5	30.5
Reserve and Surplus	8,769.1	9,950.8	11,036.3	12,322.8
Total Shareholders funds	8,799.6	9,981.3	11,066.8	12,353.3
Total Debt	0.0	0.0	0.0	0.0
Other non-current Liabilities	370.2	427.0	428.0	428.9
Total Liabilities	9,169.8	10,408.3	11,494.8	12,782.2
Assets				
Gross Block	2,196.8	2,679.8	3,329.8	3,979.8
Less: Acc Depreciation	877.4	1,344.6	1,727.6	2,164.3
Net Block	1,319.4	1,335.2	1,602.2	1,815.4
Capital WIP	128.9	313.2	313.2	313.2
Total Fixed Assets	1,448.3	1,648.4	1,915.4	2,128.6
Investments	4,120.9	5,222.8	5,222.8	5,222.8
Inventory	1,180.4	1,225.8	1,409.0	1,579.2
Debtors	1,186.2	1,615.6	1,857.1	2,081.4
Loans and Advances	1,116.0	1,282.8	1,474.5	1,652.7
Other current assets	431.1	393.7	452.6	507.2
Cash	1,717.6	1,887.7	2,468.1	3,320.2
Total Current Assets	5,631.3	6,405.6	7,661.2	9,140.7
Creditors	1,339.9	2,023.1	2,325.5	2,606.4
Provisions	754.3	745.0	856.3	959.8
Other Current Liabilities	535.8	751.0	863.3	967.6
Total Current Liabilities	2,630.1	3,519.1	4,045.1	4,533.8
Net Current Assets	3,001.3	2,886.5	3,616.2	4,606.9
Deferred Tax Asset	467.6	490.5	563.8	631.9
Other non-current Assets	117.44	110.0	126.4	141.7
Application of Funds	9,169.8	10,408.3	11,494.8	12,782.2

Source: Company, ICICI Direct Research

Key ratios

(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	570.5	449.1	593.7	661.5
Cash EPS	720.0	602.2	719.2	804.6
BV	2,883.2	3,270.3	3,626.0	4,047.5
DPS	162.4	100.0	150.0	200.0
Cash Per Share	562.8	618.5	808.7	1,087.8
Operating Ratios (%)				
EBITDA Margin	18.8	17.9	19.0	19.0
PBT / Net sales	14.4	13.9	16.1	16.1
PAT Margin	13.8	12.3	13.5	13.4
Inventory days	41.3	38.3	38.3	38.3
Debtor days	41.5	50.4	50.4	50.4
Creditor days	46.9	63.2	63.2	63.2
Return Ratios (%)				
RoE	16.4	14.4	16.4	16.3
RoCE	24.1	21.4	24.4	24.3
RoIC	23.3	24.5	30.8	32.9
Valuation Ratios (x)				
P/E	34.1	43.3	32.8	29.4
EV / EBITDA	29.3	27.0	21.9	19.2
EV / Net Sales	5.5	4.8	4.2	3.7
Market Cap / Sales	5.7	5.1	4.4	3.9
Price to Book Value	6.7	5.9	5.4	4.8
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.5	1.3	1.3	1.3
Quick Ratio	1.0	0.9	0.9	0.9

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Auto & Auto Ancillary)

	CMP			M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
Sector / Company	(₹)	TP(₹)	Rating	(₹ Cr)	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Amara Raja (AMARAJ)	791	875	Hold	13507	27.6	32.8	41.6	28.7	24.1	19.0	15.9	13.3	10.7	23.3	23.5	25.3	16.0	16.3	17.5
Apollo Tyre (APOTYR)	215	325	Buy	12310	12.7	19.5	25.0	17.0	11.0	8.6	8.4	8.4	7.2	7.8	10.7	12.6	7.4	10.4	12.0
Ashok Leyland (ASHLEY)	121	135	Buy	34098	5.3	6.6	8.2	22.6	18.3	14.8	10.2	8.8	6.8	28.5	31.2	33.0	21.9	23.4	24.2
Bajaj Auto (BAAUTO)	2673	2410	Hold	77336	140.6	153.3	169.5	17.6	16.2	14.6	11.8	10.4	8.9	22.9	22.4	22.3	21.5	20.7	20.4
Balkrishna Ind. (BALIND)	1069	1250	Hold	20663	38.2	50.2	59.2	31.2	23.8	20.2	21.0	14.8	12.1	22.4	25.8	25.9	18.1	25.8	25.9
Bharat Forge (BHAFOR)	599	700	Buy	27878	16.2	23.3	28.0	37.0	25.7	21.4	17.6	14.5	12.2	18.2	22.9	25.7	17.3	23.3	23.9
Bosch (MICO)	19408	20500	Hold	60942	449.1	593.7	661.5	43.2	32.7	29.3	27.0	21.9	19.2	14.4	16.4	16.3	21.4	24.4	24.3
Eicher Motors (EICMOT)	22552	32900	Buy	60914	725.5	989.1	1214.6	31.1	22.8	18.6	26.5	20.6	16.4	39.1	37.0	35.1	29.9	28.7	27.1
Escorts (ESCORT)	678	735	Hold	8305	28.1	38.1	46.0	23.9	17.7	14.6	14.3	10.7	8.5	18.8	20.9	21.1	13.5	15.6	16.0
Exide Industries (EXIIND)	249	285	Buy	21203	8.2	9.3	11.5	30.3	26.9	21.6	16.8	14.5	11.8	19.1	18.9	21.2	13.0	13.2	14.7
Hero Moto (HERHON)	2848	3350	Buy	56871	185.1	186.6	209.6	15.4	15.3	13.6	9.5	9.2	7.9	42.4	41.0	41.3	31.4	29.0	29.1
JK Tyre & Ind (JKIND)	109	100	Hold	2461	2.9	12.9	21.9	37.3	8.4	5.0	9.8	6.0	4.6	7.7	12.6	15.4	3.6	15.0	18.6
Mahindra CIE (MAHAUT)	263	280	Buy	9954	9.5	14.5	17.7	27.8	18.2	14.9	13.7	9.9	8.2	9.8	12.9	13.7	11.2	15.0	17.1
Maruti Suzuki (MARUTI)	7177	7250	Hold	215892	255.6	291.0	329.7	26.0	22.9	20.2	13.8	12.2	10.3	21.1	21.1	21.1	18.5	18.6	18.6
Motherson (MOTSUM)	174	335	Hold	36532	7.6	11.2	14.4	22.9	15.5	12.0	14.0	10.7	8.5	16.3	22.5	27.0	17.4	23.0	24.8
Tata Motors (TELCO)	190	200	Hold	56873	26.8	2.3	17.0	6.9	79.0	10.9	2.7	3.2	2.6	9.1	6.1	8.2	10.3	4.3	8.5
Wabco India (WABTVS)	6682	7200	Hold	12697	143.8	192.0	211.9	46.5	34.8	31.5	30.1	24.7	21.1	17.9	19.7	18.0	25.1	27.6	25.4

Source: Company, ICICI Direct Research

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