Result Update

July 19, 2018

Ashok Leyland (ASHLEY)

₹ 111

Axle norms obscure strong results…

- Ashok Leyland's Q1FY19 results came in line with our estimates on the operational & profitability front. Revenues came in at ₹ 6250 crore, (up 47.5% YoY, down 28.8% QoQ) below our estimate of ₹ 6519 crore
- Total volumes increased 48% YoY to 42127 units, with M&HCV volumes increasing 54% YoY to 30647 units, while LCV volumes grew 33% YoY to 11481 units. The revenue miss was on account of lower than estimated ASPs. ASP of ~₹ 14.8 lakh was below our estimate of ~₹ 15.5 crore
- EBITDA margins were at 10.4% (up 314 bps YoY, down 141 bps QoQ) against our estimate of 10%. The positive surprise in the quarterly results was the gross margin expansion of 227 bps QoQ, which is attributable to the product mix
- Consequently, reported PAT came in at ₹ 370 crore (up 233% YoY, down 44.5 % QoQ), almost in-line with our estimate of ₹ 364 crore

New axle norms to lead to short-term uncertainty

The Ministry of Road Transport & Highways in its July 16, 2018 notification has revised the axle weight norms (maximum weight that can be borne by different axle vehicles safely) for commercial vehicles. These new norms will permit trucks to carry 10-25% more weight than before, leading to higher utilisation for fleet operators. Hence, this raises concerns regarding M&HCV demand. Based on the management's view, we have the following takeaways: 1) Tippers/ICV/volume based carriers (auto carriers, oil tankers, bulk carriers, etc) constitute ~55-60% of the company's vehicle portfolio, which will hardly be impacted by these new norms as over-dimensional cargo is not permitted in these carriers & given that tipper is highly overloaded, a stricter implementation on overloading will only increase demand of Tippers, 2) the uncertainty over applicability of this notification (prospective or retrospective), could lead to deferral of a month or two in purchase of a new truck. After clarity on applicability of this regulation, OEM will need two weeks for modification in design and three to four weeks for approval of the new product.

Under both scenarios, impact to be positive

Therefore, we expect volumes to remain soft for Q2FY19 and Q3FY19. Accordingly, we revise our volume downwards. If this notification is on new trucks, then in the longer term it would have a positive impact, as the economics of owning a new truck will be favourable for a fleet operator. If it applies to older trucks, then fleet operators will not defer their purchase decision and buy older trucks as they will be available at lower cost. However, this will come at the cost of road safety and raise confusion about certification of these vehicles. Still, if applied retrospectively, the notification will result in stricter implementation of overloading ban. Hence, this will have a positive impact on CV demand.

Long term outlook remains robust

The stock has witnessed a sharp correction due to these axle norms. This is expected to result in a lack of triggers in the near term (monthly volumes will be soft). However, we still remain upbeat about the FY19E & FY20E double digit volume growth (~13.5% CAGR in FY18-20E), which will also lead to ~24% CAGR in PAT for the same period. We value the stock on an SOTP basis, to arrive at a target price of ₹ 135. We have a **BUY** rating on the stock. We reduce our earnings estimates and multiple in light of the uncertainty resulting from the new axle norms.

Rating matrix

Rating	:	Buy
Target	:	₹ 135
Target Period	:	12 months
Potential Upside	:	22%

What's changed?

Target	changed from ₹ 180 to ₹ 135
EPS FY19E	Changed from ₹ 7.7 to ₹ 6.7
EPS FY20E	Changed from ₹ 9.3 to ₹ 8.2
Rating	Unchanged

Quarterly performance

(₹ Crore)	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Revenues	6,250.1	4,237.8	47.5	8,772.5	-28.8
EBITDA	647.5	306.1	111.6	1,032.7	-37.3
EBITDAM (%)	10.4	7.2	314 bps	11.8	-141 bps
Reported PAT	370.1	111.2	232.7	667.4	-44.5

Key financials

₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	20,019	26,248	30,264	36,564
EBITDA	2,202.5	2,739.0	3,203.2	3,952.5
Net Profit	1,223.1	1,562.6	1,935.5	2,387.3
EPS (₹)	4.3	5.3	6.6	8.2

Valuation summary

	FY17	FY18E	FY19E	FY20E
P/E (x)	20.6	20.7	16.7	13.6
Core Target P/E (x)	31.5	25.4	20.5	16.6
EV / EBITDA(x)	14.2	10.2	8.8	6.8
P/BV (x)	5.2	4.5	3.9	3.3
RoNW (%)	25.0	21.9	23.4	24.2
RoCE (%)	23.9	28.5	31.2	33.0

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	31,590.6
Total Debt (FY18) (₹ Crore)	417.1
Cash & Investments (FY18) (₹ Crore)	1,033.7
EV (₹ Crore)	30,974.0
52 week H/L (₹)	168/90
Equity capital (₹ crore)	292.7
Face value (₹)	₹ 1

Price performance

	1M	3M	6M	12M
Ashok Leyland Ltd	-20.4	-26.0	-8.6	4.8
Tata Motors	-18.4	-24.8	-39.9	-44.8
Eicher Motors Ltd	-9.7	-11.8	-2.6	-4.8

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Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Total Operating Income	6,250.1	6,519.2	4,237.8	47.5	8,772.5	-28.8	Lower than estimates due to lower than estimated ASPs due to high share of LCVs
Raw Material Expenses	4,351.1	4,681.3	2,942.5	47.9	6,306.1	-31.0	The company has maintained gross margins due to regular price hikes
Employee Expenses	493.0	502.0	437.6	12.6	454.9	8.4	
Other expenses	758.4	684.5	551.6	37.5	978.8	-22.5	
EBITDA	647.5	651.4	306.1	111.6	1,032.7	-37.3	In line with estimates
EBITDA Margin (%)	10.4	10.0	7.2	314 bps	11.8	-141 bps	
Other Income	50.0	44.2	38.4	30.1	57.7	-13.4	
Depreciation	143.0	150.8	132.1	8.3	146.3	-2.2	
Interest	11.6	17.3	36.6	-68.4	20.1	-42.2	
Tax	151.9	163.5	49.2	208.4	262.6	-42.2	
Reported PAT	370.1	364.0	111.2	232.7	667.4	-44.5	In line with estimates
EPS	1.3	1.2	0.4	232.7	2.3	-44.5	
Key Metrics							
ASPs (₹ '000s)	1,484	1548	1,487	-0.2	1,494	-0.7	Lower than estimates due to high share of LCVs
Average discount M&HCV (₹)	325,000	325,000	350,000	-7.1	350,000	-7.1	Discounts continue to remain at an elevated level

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	32,886	30264	-8.0	39,047	36564	-6.4	Volume estimates reduced as for a quarter or two, volumes will be soft due to new load carrying norms
EBITDA	3,715	3203	-13.8	4,477	3953	-11.7	
EBITDA Margin (%)	11.3	10.6	-72 bps	11.5	10.8	-69 bps	We believe the company will maintain double digit margins and there will be expansion on the back of positive operating leverage
PAT	2,245	1936	-13.8	2,715	2387	-12.1	
EPS (₹)	7.7	6.7	-13.5	9.3	8.2	-12.3	

Source: Company, ICICI Direct Research

Assumptions

			Current		Earlier		Comments
	FY17	FY18E	FY19E	FY20E	FY19E	FY20E	
M&HCV Passenger volumes	22,602	20,321	22,140	24,602	23,007	25,912	Estimates reduced due to new axle load norms
M&HCV Goods volumes	90,690	111,113	122,980	136,100	123,842	139,873	Estimates reduced due to new axle load norms
LCV volumes	31,774	43,419	53,466	64,675	52,413	63,373	LCV volumes will have insignificant impact due to new axle load norms
ASPs (₹ '000s)	1,285.0	1,482.4	1,497.8	1,587.4	1,614.8	1,667.3	
RMC/Unit (₹ '000s)	962.2	970.6	1,112.3	1,129.9	1,165.2	1,203.4	
M&HCV discount (₹)	262,500	350,000	368,750	325,000	300,000	300,000	Discounts will remain at elevated levels

Source: Company, ICICI Direct Research

Key conference call takeaways

- Although there is no official figure, the management believes that overloading happens in the range of 20-40% in India
- The new axle norms are higher than the norms in most developed countries despite poor road conditions compared to them
- The trucks will have to be modified in terms of tyre (10R20 type of tyre will not work, new norms will require 11R20, 295, etc), steering, transmission, chassis. As per the management, the engines will not need any upgradation
- The upgraded vehicle will need three to four weeks for approval and two weeks to implement a change in design
- There is regional disparity when it comes to overloading. Southern players tend to comply with the rated load norms
- In the next month or two, tippers could witness a rise in demand, whereas multi axle vehicles like 3718 could witness a slowdown
- For BS VI implementation, company will use the SCR technology
- The LCV business is PAT positive while Hinduja Foundries has clocked 5% EBITDA margin
- In Q1FY19, truck contribution to revenue was at ~62%, bus-~9-10%, defence-~3-4% & exports-~9%
- The company has guided for a capex of ~₹ 1000 crore, predominantly towards LCV, electric vehicle & modular architecture
- Implementation of scrappage policy could lead to incremental industry volumes of ~200000 units. However, the company does not have to incur that much capex for the same. De-bottlenecking could raise existing capacity of 180000 units by ~10-20%

Company Analysis

Economic recovery, defence orders, export strategy hold key to volumes

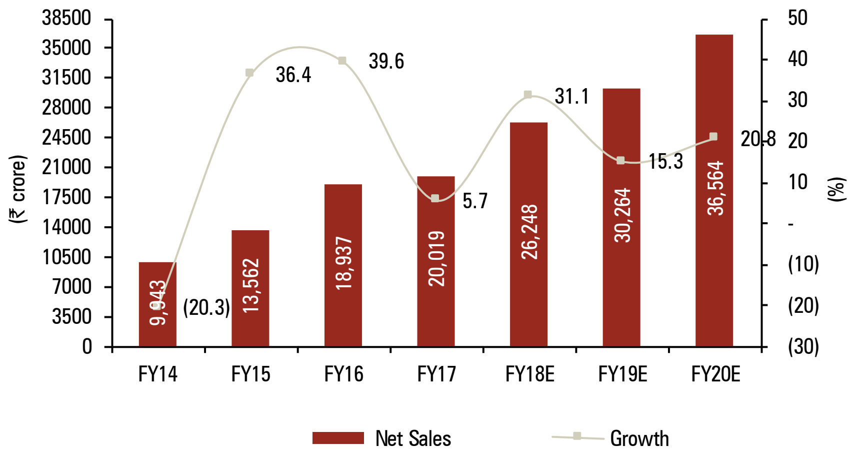
Ashok Leyland (ALL) is one of the few pure play major commercial vehicle manufacturers in India. ALL is the second largest player across various segments with an overall market share of ~34% in the M&HCV segment. The company has remained highly cyclical in terms of revenues, earnings (MHCV led) as it remains highly dependent on macros like GDP growth, interest rates. ALL also entered the LCV segment in FY12 with the launch of Dost, which saw an encouraging start and saw a good pick-up.

On exports, the company has initiated new strategies of penetrating newer African markets as well as consolidating markets like Middle East. They have set a five-year target of achieving ~30% of volumes from exports. We expect export volumes to grow at a CAGR of ~16% in FY18-20E to ~22495 units.

Even in defence, ALL remains confident that segments like armoured vehicles would be able to win orders competing with other domestic majors like Tata Motors, M&M, etc. Currently, the company has 23 tenders to execute. The management has highlighted that a lot of product initiatives are in place in the segment and could throw up good opportunities in coming years.

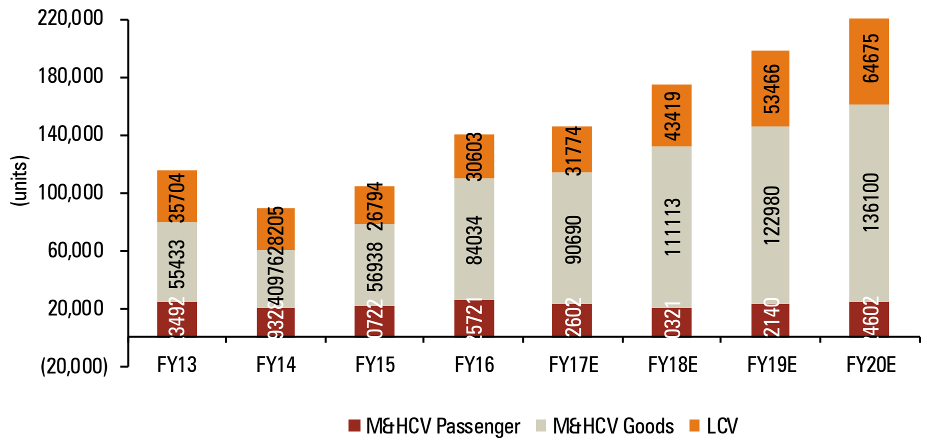
Going ahead, we build-in ~13.5% CAGR in FY18-20E in overall volumes as an economic recovery and pent up demand seems to be panning out. There is a strong probability of an announcement of some form of vehicle modernisation programme (ban of >20-year-old vehicle), which will sustain volume growth post FY20E. With improving realisations, we expect revenues to grow to ~₹ 36564 crore in FY20E.

Exhibit 1: Revenue growth trends



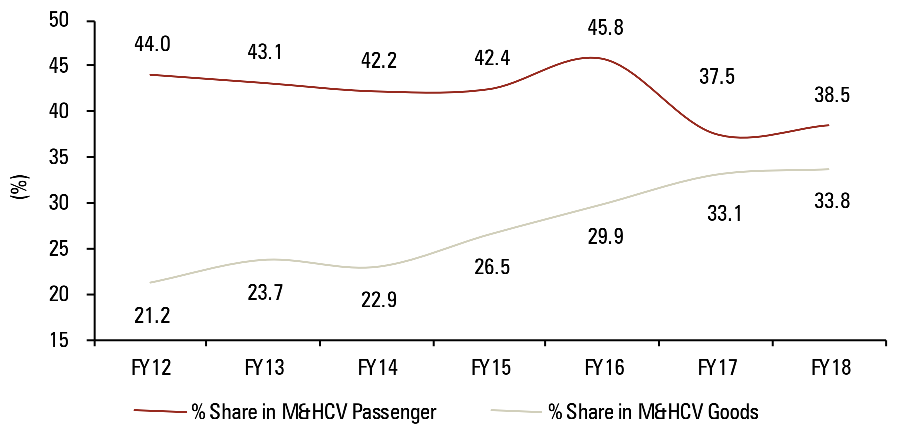
Source: Company, ICICI Direct Research

Exhibit 2: Segmental volumes



Source: Company, ICICI Direct Research

Exhibit 3: Market share movement across years

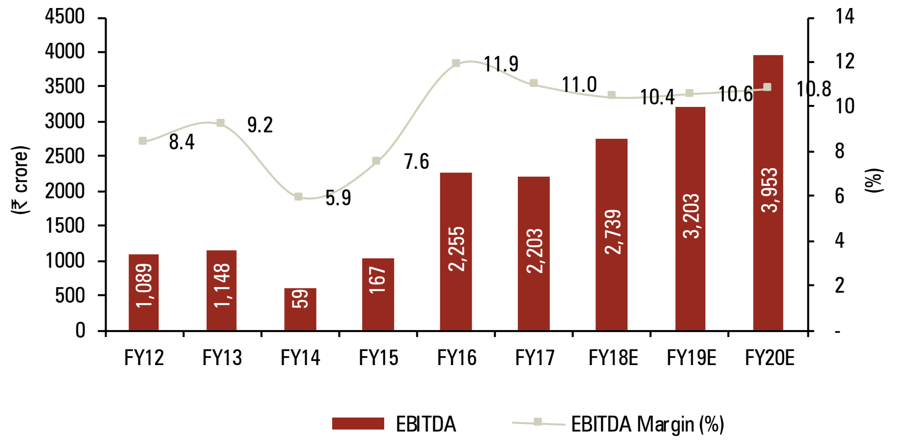


Source: Siam, Company, ICICI Direct Research

EBITDA margins to improve as utilisation levels improve

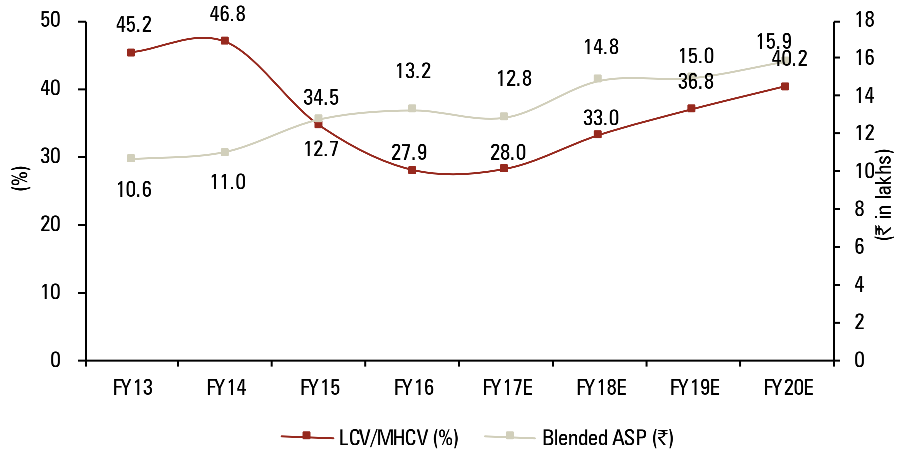
In the past, with a drop in volumes, the impact of operating leverage has hurt margins significantly. Margins dropped from ~11% in FY11 to ~2% in FY14, with Q3FY14 witnessing negative operating margin of ~6%. ALL is looking to de-volatilise its business in the next three to five years, by growing higher margin aftermarket (from 10% to 30% of sales), defence (increase the current ~₹ 500 crore business by 10x) and exports (from 10% to one-third of sales). The management hopes to increase its market share in LCV from 15% to 30% over next four years. Overall, we expect an EBITDA margin of 10.6%, 10.8% for both FY19E, FY20E, respectively. We expect the operating profit to increase at ~20% CAGR in FY18-20E to ~₹ 3953 crore as margins are expected to be elevated.

Exhibit 4: Margins, costs annual trends and forecasts



Source: Company, ICICI Direct Research

Exhibit 5: Trend in ASPs & LCV/MHCV

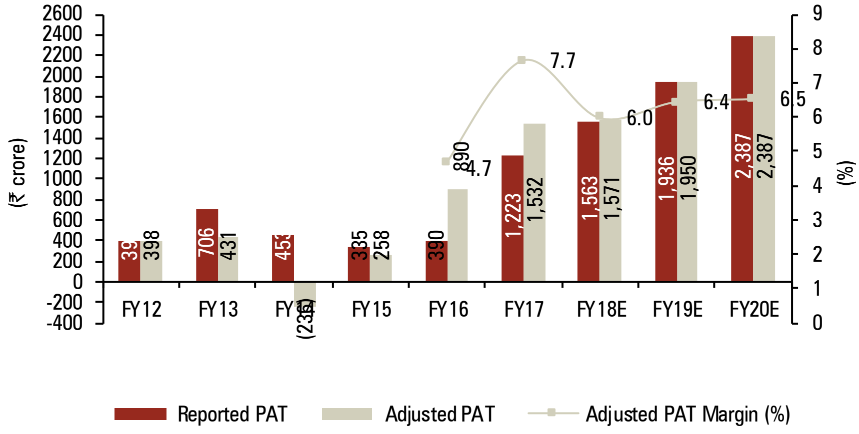


Source: Company, ICICI Direct Research

Profitability to remain at elevated levels

Adjusting for exceptional items, FY14 and FY15 had seen a sharp drop in profitability as volumes and realisations (ex-discounts) have moved sharply lower. However, with the sale of non-core assets, ALL managed to report positive numbers for both years. Going ahead, with an increase in revenues and operating margins, we expect profits to increase at 23.6% CAGR to ~₹ 2387 crore in FY20E.

Exhibit 6: Increase in profitability continues as subsidiaries scale up margins

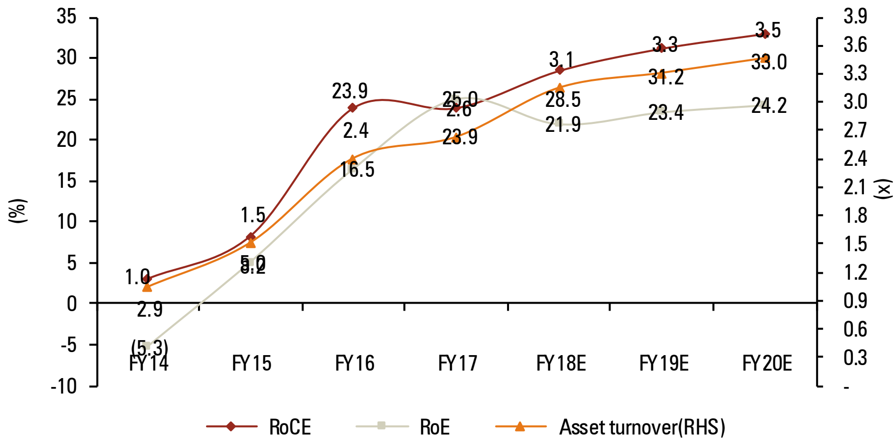


Source: Company, ICICI Direct Research

Return ratio improvement reflects overall improvement in financials

With a decline in volumes and negative impact of operating leverage coupled with ill-timed capex, the asset turnover had dropped to 1.0x in FY14 from ~1.7x in FY11. Going ahead, higher capacity utilisation will aid return ratios. With improved sweating of assets and low capex in the next two years, we believe return ratios will improve. We expect RoE, RoCE at ~24.2%, 33%, respectively, by FY20E.

Exhibit 7: Return ratios to improve as asset turn improves on better utilisation



Source: Company, ICICI Direct Research

Valuation

Management initiatives to cut costs, reduce debt, improve working capital cycle, divest non-core assets and fill product gaps have yielded results in terms of market share gain and strong financial performance. We value the stock on an SOTP basis, where we value the core business at a multiple of 8x FY20E EV/EBITDA and investments in JV/associates at ~₹ 11.4/share, to arrive at a target price of ₹ 135. We have a **BUY** recommendation on the stock.

Exhibit 8: SOTP valuation

SOTP	
Target EV/EBITDA (x)	8
EBITDA (FY20E)	3,952.5
Net Debt	(3,671.7)
Enterprise Value (₹ Crore)	31,620.0
Target Market cap Core business (₹ crore)	35,291.8
Value/Share	124.0
Strategic Investments FY20E (₹ crore)	3,247.5
P/BV(x)	1.0
Total Value/Share	11.4
Value for stake in Indus Ind bank	
Price target (₹)	135

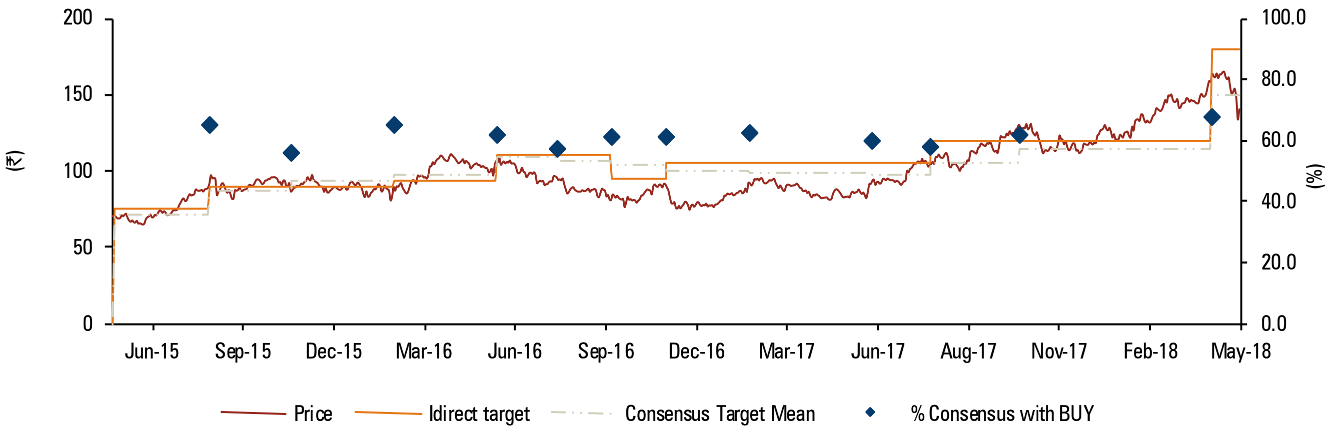
Source: Company, ICICI Direct Research

Exhibit 9: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	18,937	90.5	1.4	(19.6)	81.1	14.2	16.5	23.9
FY17	20,019	5.7	4.3	213.9	25.8	14.2	25.0	23.9
FY18E	26,248	31.1	5.3	24.2	20.8	10.2	21.9	28.5
FY19E	30,264	15.3	6.6	23.9	16.8	8.8	23.4	31.2
FY20E	36,564	20.8	8.2	23.3	13.6	6.8	24.2	33.0

Source: Company, ICICI Direct Research

Recommended history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Jan-08	Industry wide slowdown affects CV business resulting in weak financial performance in Q3FY08
Mar-08	Government cuts excise duty in the CV business leading to positive buzz in the stock
Jun-08	Signs JV agreement with Nissan Motors
Jan-09	Bags large contract of ₹1,200 crore from Delhi transport corporation
Feb-09	Ashok Leyland and overall CV space gets a boost as government cuts excise duty by 2% to 8%
Jul-09	Ashok Leyland completes JV with John Deere for a foray in the construction equipment segment
Jan-10	Launches the new "U-truck" platform designed to meet latest emissions norms
Apr-10	Lines up ₹ 3,000 crore for expansion and to make a new facility in tax-saving zone Pantnagar
Jun-10	Steep increase in input costs ranging from steel to tyres lead to pressure on margins. Thus, company forced to undertake price hikes of ~3%
Jan-11	Top management rejig, long time MD R Seshasayee moved to executive vice chairman position. Vinod Dasari replaces him
Mar-11	Unveils the new LCV "Dost" to be launched in September; Stock gets boosted as Q4FY12 profits rise on strong operating performance
Jan-12	Stock receives support as December sales turn around and grow ~20% to 9,088 units aided by "Dost" performance
Sep-12	Witnesses huge margin drop on a QoQ basis by ~600 bps on an EBITDA level
Feb-13	Management starts to increasingly focus on cost cutting initiatives ranging from salary cuts, VRS, etc.
Sep-13	Management reiterates focus on divesting non-core investments and reducing fixed cost structure in the company. Market expectations rise
Jul-14	QIP of ₹ 660 crore. Management iterates using proceeds for debt reduction

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Hinduja Group	31-Mar-18	0.3	1,019.4	0.0
2	Hinduja Bank (Switzerland) Ltd	31-Mar-18	0.0	144.9	0.0
3	Life Insurance Corporation of India	31-Mar-18	0.0	71.5	-33.7
4	Norges Bank Investment Management (NBIM)	31-Mar-18	0.0	70.3	0.1
5	Morgan Stanley Investment Management Inc. (US)	31-May-18	0.0	52.1	-1.7
6	Kuwait Investment Authority	31-Mar-18	0.0	41.6	5.0
7	The Vanguard Group, Inc.	31-May-18	0.0	40.4	0.1
8	J.P. Morgan Asset Management (Hong Kong) Ltd.	31-May-18	0.0	38.0	0.0
9	DSP BlackRock Investment Managers Pvt. Ltd.	31-Mar-18	0.0	36.4	-3.6
10	GIC Private Limited	31-Mar-18	0.0	35.6	35.6

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoter	50.4	50.4	50.4	50.4	51.3
FII	26.6	25.3	25.7	24.8	26.0
DII	12.7	11.8	11.8	12.7	11.7
Others	10.3	12.6	12.1	12.1	11.0

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
GIC Private Limited	+79.46M	+35.59M	Life Insurance Corporation of India	-75.35M	-33.75M
American Century Investment Management, Inc.	+22.39M	+12.19M	Van Eck Associates Corporation	-21.44M	-11.49M
Waddell & Reed Investment Management Company	+13.90M	+6.23M	DSP BlackRock Investment Managers Pvt. Ltd.	-8.03M	-3.60M
Reliance Nippon Life Asset Management Limited	+10.79M	+5.87M	Wellington International Management Company Pte. Ltd.	-6.58M	-3.53M
Kotak Mahindra Asset Management Company Ltd.	+12.37M	+5.63M	BlackRock Institutional Trust Company, N.A.	-4.04M	-2.20M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Total operating Income	20,018.7	26,247.9	30,263.6	36,563.8
Growth (%)	5.7	31.1	15.3	20.8
Raw Material Expenses	13,957.3	18,621.3	21,161.2	25,464.6
Employee Expenses	1,530.9	1,811.9	2,203.7	3,041.0
Other Expenses	2,327.9	3,075.7	3,695.5	4,105.7
Total Operating Expenditure	17,816.1	23,508.9	27,060.4	32,611.3
EBITDA	2,202.5	2,739.0	3,203.2	3,952.5
Growth (%)	-2.3	24.4	16.9	23.4
Depreciation	517.9	554.6	605.3	731.3
Interest	155.4	131.2	42.5	28.2
Other Income	136.3	189.8	259.9	266.9
PBT	1,665.5	2,242.9	2,815.4	3,459.9
Others	0.0	0.0	0.0	0.0
Total Tax	107.0	668.1	858.9	1,072.6
PAT	1,223.1	1,562.6	1,935.5	2,387.3
Growth (%)	213.9	27.8	23.9	23.3
EPS (₹)	5.4	5.4	6.7	8.2

Source: Company, ICICI Direct Research

Cash flow statement				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Profit after Tax	1,223.1	1,571.1	1,935.5	2,387.3
Add: Depreciation	517.9	554.6	605.3	731.3
(Inc)/dec in Current Assets	-750.7	528.3	-1,928.0	-1,996.0
Inc/(dec) in CL and Provisions	1,291.1	2,065.7	1,000.5	1,698.3
CF from operating activities	2,436.7	4,850.9	1,655.8	2,849.1
(Inc)/dec in Investments	-877.2	-2,178.0	-100.0	-100.0
(Inc)/dec in Fixed Assets	-823.2	-478.5	-500.0	-500.0
Others	-412.1	-241.5	-551.3	-232.5
CF from investing activities	-2,112.5	-2,898.0	-1,151.3	-832.5
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-801.6	-776.4	-100.0	-100.0
Dividend paid & dividend tax	-534.5	-856.4	-775.3	-881.1
Others	-60.3	192.7	-42.5	-28.2
CF from financing activities	-1,396.4	-1,440.1	-917.8	-1,009.3
Net Cash flow	-1,072.2	512.8	-413.4	1,007.3
Opening Cash	1,593.1	520.9	1,033.7	620.3
Closing Cash	520.9	1,033.7	620.3	1,627.7

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Liabilities				
Equity Capital	284.6	292.7	292.7	292.7
Reserve and Surplus	5,841.6	6,872.1	8,046.5	9,552.5
Total Shareholders funds	6,126.1	7,164.8	8,339.2	9,845.2
Total Debt	1,193.5	417.1	317.1	217.1
Deferred Tax Liability	126.9	298.4	298.4	298.4
Other non-current liabilities	39.3	203.7	203.7	203.7
Total Liabilities	7,618.4	8,339.1	9,158.5	10,564.5
Assets				
Gross Block	5,401.1	5,824.3	6,487.2	6,987.2
Less: Acc Depreciation	744.9	1,299.6	1,904.8	2,636.1
Net Block	4,656.1	4,524.7	4,582.4	4,351.1
Capital WIP	157.6	212.9	50.0	50.0
Total Fixed Assets	4,813.7	4,737.6	4,632.4	4,401.1
Investments	2,001.7	2,747.5	3,047.5	3,247.5
Inventory	2,501.1	1,709.9	3,316.6	4,808.4
Debtors	1,250.9	980.5	1,130.5	1,365.8
Loans and Advances	3.5	24.1	27.8	33.6
Other current assets	0.0	0.0	0.0	0.0
Cash	520.9	1,033.7	620.3	1,627.7
Total Current Assets	4,276.5	3,748.1	5,095.2	7,835.5
Creditors	3,052.2	4,658.6	5,140.7	6,010.5
Provisions	484.4	616.2	680.0	795.0
Other current Liabilties	601.8	1,212.6	1,398.1	1,689.2
Total Current Liabilities	3,536.6	5,274.8	5,820.7	6,805.5
Net Current Assets	739.9	-1,526.7	-725.5	1,029.9
Application of Funds	7,618.4	8,339.1	9,158.5	10,564.5

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Per share data (₹)				
EPS	4.3	5.3	6.6	8.2
Cash EPS	6.1	7.2	8.7	10.7
BV	21.5	24.5	28.5	33.6
DPS	1.9	2.9	2.6	3.0
Cash Per Share	1.8	3.5	2.1	5.6
Operating Ratios (%)				
EBITDA Margin	11.0	10.4	10.6	10.8
PBT / Net sales	8.4	8.3	8.6	8.8
PAT Margin	2.1	6.1	5.9	6.4
Inventory days	45.6	23.8	40.0	48.0
Debtor days	22.8	13.6	13.6	13.6
Creditor days	55.7	64.8	62.0	60.0
Return Ratios (%)				
RoE	25.0	21.9	23.4	24.2
RoCE	23.9	28.5	31.2	33.0
RoIC	24.6	47.5	42.2	47.1
Valuation Ratios (x)				
P/E	20.6	20.7	16.7	13.6
EV / EBITDA	14.2	10.2	8.8	6.8
EV / Net Sales	1.6	1.1	0.9	0.7
Market Cap / Sales	1.6	1.2	1.0	0.9
Price to Book Value	5.2	4.5	3.9	3.3
Solvency Ratios				
Debt/Equity	0.2	0.1	0.0	0.0
Current Ratio	1.0	0.6	0.8	0.9
Quick Ratio	0.4	0.3	0.3	0.3

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18E	EPS (₹) FY19E	EPS (₹) FY20E	P/E (x) FY18E	P/E (x) FY19E	P/E (x) FY20E	EV/EBITDA (x) FY18E	EV/EBITDA (x) FY19E	EV/EBITDA (x) FY20E	RoCE (%) FY18E	RoCE (%) FY19E	RoCE (%) FY20E	RoE (%) FY18E	RoE (%) FY19E	RoE (%) FY20E
Amara Raja (AMARAJ)	765	875	Hold	13066	27.6	32.8	41.0	27.7	23.3	18.6	15.5	13.2	10.6	23.3	23.4	25.0	16.0	16.3	17.3
Apollo Tyre (APOTYR)	274	325	Buy	15665	12.7	19.9	25.0	21.6	13.8	11.0	7.9	7.9	6.5	7.8	11.1	12.6	7.4	10.6	12.0
Ashok Leyland (ASHLEY)	108	135	Buy	30369	5.3	6.6	8.2	20.1	16.3	13.2	10.2	8.8	6.8	28.5	31.2	33.0	21.9	23.4	24.2
Bajaj Auto (BAAUTO)	3114	2900	Hold	90118	140.6	169.1	194.5	19.4	16.1	14.0	15.1	12.0	10.3	29.6	31.3	31.5	21.5	22.5	22.5
Balkrishna Ind. (BALIND)	1146	1215	Hold	22162	38.2	52.3	63.9	30.1	22.0	18.0	20.2	14.5	11.9	22.4	26.5	27.4	18.1	26.5	27.4
Bharat Forge (BHAFOR)	581	859	Buy	35523	15.0	19.3	26.9	50.9	39.5	28.3	28.5	19.1	14.5	16.7	23.2	29.1	15.4	19.0	22.9
Bosch (MICO)	17768	19500	Hold	55791	449.1	573.8	645.4	40.1	31.4	27.9	24.9	20.2	17.7	14.4	15.9	16.1	21.4	23.7	24.0
Eicher Motors (EICMOT)	27183	35600	Buy	73420	725.5	1114.9	1325.3	37.5	24.4	20.5	28.2	21.3	16.9	39.1	36.9	34.6	29.9	31.3	28.1
Exide Industries (EXIIND)	262	300	Buy	22253	8.2	10.1	12.4	31.8	25.9	21.1	18.1	15.2	12.5	19.1	20.1	21.9	13.0	14.2	15.5
Hero Moto (HERHON)	3483	4300	Buy	69562	185.1	221.9	254.2	18.8	15.7	13.7	12.8	10.8	9.0	43.7	43.9	44.0	32.1	32.7	31.7
JK Tyre & Ind (JKIND)	124	150	Hold	2823	2.9	14.6	24.3	43	8.5	5.1	10.8	6.7	4.9	7.8	12.0	15.7	3.7	14.9	20.4
Mahindra CIE (MAHAUT)	255	280	Buy	9641	9.5	12.8	15.3	26.9	20.0	16.7	12.3	10.0	8.4	9.8	11.6	12.3	11.2	13.4	15.1
Maruti Suzuki (MARUTI)	9370	10500	Buy	245879	255.6	340.0	403.6	34.2	25.7	21.6	21.8	17.5	14.5	25.9	28.2	28.5	18.5	21.0	21.1
Motherson (MOTSUM)	283	335	Hold	59624	7.6	12.0	14.5	37.3	23.7	19.6	13.9	10.0	8.1	16.3	23.5	27.0	17.4	24.2	24.5
Tata Motors (TELCO)	253	430	Buy	76034	26.8	35.4	43.6	11.2	8.5	6.9	3.7	3.1	2.5	10.5	11.8	12.8	10.3	13.5	14.0
Wabco India (WABTVS)	6790	7700	Hold	12901	143.8	174.2	213.9	47.2	39.0	31.7	34.0	28.7	23.1	17.9	18.2	18.4	25.1	25.4	25.8

Source: Company, ICICI Direct Research

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