

Wabco India Ltd.

Sensex: 17233.98 CMP: INR 1354.50 Target Price: INR 1509



Auto Ancillaries

Wabco India has reported Net Sales of INR 2462 mn, up by 16.8% YoY & down by 3.1% QoQ. PAT at INR 376 mn, was up by 20.5% YoY & down by 11.7% on a QoQ basis. EBITDA margins at 19.4% contracted by 38 bps YoY & 88 bps QoQ, due to higher than expected employee costs. WIL posted revenue growth of 17.5% in 9MFY12 YoY, ahead of the M&HCV segment growth of 9.3% in the same period. We retain our BUY recommendation.

Results in-line with estimates

WIL was able to maintain its volume growth, driven by strong demand from M&HCV sector in Q3FY12. It reported net sales of INR 2462 mn, up by 16.8% YoY & down by 3.1% QoQ. PAT at INR 376 mn was up by 20.5% YoY & down by 11.7% on a QoQ basis. Revenue in 9MFY12 stood at INR 7366 mn, up by 17.5% YoY & Net Profit at INR 1144 mn was up by 23% in the same period.

Contraction in EBITDA Margins

EBITDA margins at 19.40% contracted by 38 bps on a YoY basis & 88 bps on a QoQ basis. This was largely due to higher than expected employee costs, which were up by 109 bps YoY & 13 bps QoQ. Raw material costs de-grew by 190 bps YoY and were up by 51 bps QoQ. Other operating expenses were also up by 118 bps YoY & 141 bps QoQ. WIL reported EBITDA margins of 19.37% in 9MFY12, down by 73 bps vis-à-vis 9MFY11. We expect WIL to report EBITDA margins of 19.58% in FY12E & 19.75% in FY13E.

Sales Mix

WIL derives ~70% of its revenues through OEM segment, 16-17% through replacement markets and 13-14% from exports. WIL has almost all the OEMs as its clients. Tata Motors, Ashok Leyland, Volvo and Eicher Motors together contributes ~ 60% of its OE revenues. It also caters to other customers like Swaraj Mazda, Mahindra Navistar, BEML, Caterpillar, TAFE etc.

Expansion Plans

WIL has embarked on phase 2 expansion of its 100% EOU, located at Mahindra World City, which is likely to be completed by end of FY12. WIL exclusively uses this unit to cater to the needs of WABCO plants globally. WIL is also looking for establishing a new assembly plant in Lucknow to serve customers in North India. It has already purchased land and expects this capacity to come in by FY13E.

Products lined up

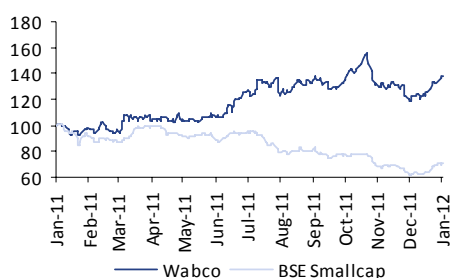
WIL plans to develop and launch lift-axle control system and foot-brake valve with integrated switches in the Indian market and design and develop hydraulic-brake booster and a series of valve devices for North American OEMs by mid of 2012. In FY11, WIL has introduced localized clutch servos and higher capacity compressors, which have also received very good response.

Outlook & Valuation

We expect M&HCV sector to register a CAGR of 10-12% over FY11-13E, resulting in sustained growth for WIL. We expect growth in Q4FY12 to be better than the last quarter as sales in March has been traditionally strong for the M&HCV segment. We expect WIL's revenue & profit to register a CAGR of 24% & 25% respectively over the next two years. **We retain our "BUY" recommendation with a target price of INR 1509 in 15 months at 10x FY13E EV/EBITDA.**

Shareholding (%)	Dec-11
Promoters	75.00
FII's	2.10
DIIS	10.49
Others	12.41

Price Performance



Key Data	
BSE Code	533023
NSE symbol	WABCOINDIA
Bloomberg Code	WIL IN
Reuters Code	WABC.BO
Shares Outstanding (mn)	18
Face Value	5
Mcap (INR bn)	25.69
52 Week H/L	1524.95/863
2W Avg. Vol, NSE	649
Free Float (INR bn)	6.42
Beta	0.38

(INR mn)	FY10	FY11	FY12E	FY13E
Net Sales	5913	8678	10382	13396
Growth (%)	38.81%	46.77%	19.64%	29.03%
EBIDTAM (%)	19.87%	20.11%	19.58%	19.75%
Adj. PAT	782	1274	1518	1993
Growth (%)	120.12%	62.98%	19.12%	31.33%
Adj. EPS (INR)	41.22	67.18	80.03	105.10
P/E (x)	16.93	15.41	16.93	12.89
EV/EBIDTA	11.31	11.12	12.13	8.89
Net Debt/Equity	0.02	-0.03	-0.15	-0.24
RoACE (%)	38.48%	48.17%	40.68%	39.66%
RoAE (%)	33.42%	38.79%	33.21%	32.22%

Quarterly Financials

Particulars (INR mn)	Q3FY12	Q3FY11	YoY %	Q2FY12	QoQ %	9MFY12	9MFY11	Chg %
Net Sales	2462	2108	16.77%	2541	-3.11%	7366	6271	17.47%
Other Income	112	91	23.54%	116	-3.63%	323	227	42.50%
Total Income	2574	2199	17.05%	2657	-3.13%	7689	6498	18.34%
Stock Adjustment	-27	-24	-14.77%	1	-1963.01%	-98	-54	-79.93%
Raw Material Consumed	1383	1224	12.95%	1414	-2.22%	4200	3654	14.94%
Employees Cost	240	182	31.45%	244	-1.78%	701	517	35.49%
Operating & Mfg. Expenses	389	309	26.14%	366	6.35%	1137	894	27.20%
Total Expenditure	1984	1691	17.32%	2025	-2.03%	5939	5010	18.54%
Operating Profit	589	508	16.12%	631	-6.64%	1750	1487	17.66%
EBIDTA (excluding OI)	478	417	14.51%	515	-7.32%	1427	1261	13.20%
Interest	1	0	400.00%	0	NA	1	3	-72.41%
Depreciation	38	35	9.09%	38	0.89%	113	107	5.79%
PBT	550	472	16.56%	593	-7.21%	1636	1377	18.78%
Income Tax	174	160	8.82%	167	4.09%	492	447	9.99%
Exp./Extraordinay Items	0	0		0		0	0	
APAT	376	312	20.53%	426	-11.65%	1144	930	23.00%
Eq. Capital (INR Mn)	95	95	0.00%	95	0.00%	95	95	0.00%
EPS (Adjusted)	19.84	16.46	20.53%	22.46	-11.65%	60.31	49.03	23.00%
OPM (%)	23.94%	24.07%		24.85%		23.76%	23.72%	
EBIDTAM (%)	19.40%	19.78%		20.28%		19.37%	20.10%	
PATM (%)	15.29%	14.81%		16.77%		15.53%	14.83%	

Financials

Income statement

Year End March (INR mn)	FY10	FY11	FY12E	FY13E
Net Sales	5913	8678	10382	13396
Growth in Sales (%)	38.81%	46.77%	19.64%	29.03%
Cost of goods sold	3302	4950	5894	7607
Employees Cost	536	704	935	1179
Other Expenses	899	1279	1521	1963
Total Expenditure	4738	6933	8350	10750
EBIDTA (without OI)	1175	1745	2032	2646
% Growth	119.52%	48.59%	16.45%	30.21%
EBITDA Margin %	19.87%	20.11%	19.58%	19.75%
Depreciation/Amortization	144	144	171	191
EBIT	1,030	1,601	1,862	2,455
EBIT Margin %	17.42%	18.45%	17.93%	18.33%
Interest Expense	30	2	1	0
Other Income	183	314	375	468
Exceptionals	-	-	-	-
EBT	1,183	1,914	2,236	2,924
Tax Expenses	401	639	718	930
PAT	782	1,274	1,518	1,993
APAT	782	1,274	1,518	1,993
% Growth	120.12%	62.98%	19.12%	31.33%
APAT Margin %	13.22%	14.68%	14.62%	14.88%

Key Ratios

Year End March	FY10	FY11	FY12E	FY13E
Per Share Data (INR)				
Reported EPS	41.22	67.18	80.03	105.10
Adj. EPS	41.22	67.18	80.03	105.10
Growth (%)	120.12%	62.98%	19.12%	31.33%
CEPS	48.84	74.79	89.03	115.18
DPS	2.50	5.00	5.00	7.50
BVPS	142.52	203.89	278.07	374.39
Return Ratios (%)				
RoACE	38.48%	48.17%	40.68%	39.66%
RoANW	33.42%	38.79%	33.21%	32.22%
RoIC	25.31%	33.32%	28.48%	27.76%
Liquidity Ratios				
Net Debt/Equity	0.02	-0.03	-0.15	-0.24
Interest Coverage Ratio	34.79	946.27	2,409.21	-
Current Ratio	1.96	2.71	3.19	3.55
Quick Ratio	1.48	2.00	2.45	2.83
Efficiency Ratios				
Asset Turnover Ratio	2.21	2.61	2.27	2.16
Inventory Days	29	26	31	30
Debtor Days	59	61	63	59
Creditor Days	71	59	60	60
Valuation Ratios				
P/E (x)	16.93	15.41	16.93	12.89
P/BV (x)	4.90	5.08	4.87	3.62
P/CEPS (x)	14.29	13.84	15.21	11.76
Dividend Yield (%)	0.36%	0.48%	0.37%	0.55%
EV/Net Sales (x)	2.25	2.24	2.37	1.76
EV/EBIDTA (x)	11.31	11.12	12.13	8.89

Balance Sheet

Year End March (INR mn)	FY10	FY11	FY12E	FY13E
Sources of funds				
Share capital	95	95	95	95
Reserves & Surplus	2608	3772	5179	7006
Total Networth	2703	3867	5274	7101
Secured Loan	72	6	6	0
Unsecured Loan	0	0	0	0
Total Debt	72	6	6	0
Total Liabilities	2775	3873	5280	7101
Application of funds				
Net Block	1802	1804	2191	2401
Capital Work-in-Progress	66	99	149	74
Investments	22	122	244	488
Current Assets	1875	3060	4120	6026
Current Liabilities	957	1131	1291	1699
Net Current Assets	918	1929	2829	4327
Misc. Exp not written off	0	0	0	0
Net Deferred Tax Asset	-32	-82	-133	-190
Total Assets	2775	3873	5280	7101

Cash Flow

Year End March (INR mn)	FY10	FY11	FY12E	FY13E
EBT	1183	1914	2236	2924
Less: Other Income/Exceptionals	58	111	132	155
Add: Depreciation	144	144	171	191
Add: Interest paid	30	2	1	0
Direct taxes paid	-409	-590	-671	-877
Change in Working Capital	-331	-907	-206	-624
Others	-117	-222	-264	-309
Cash Flow from operations (a)	559	451	1398	1459
Change in Fixed Assets	-15	-141	-558	-402
Change in CWIP	-27	-33	-50	74
Change in Investments	68	-100	-122	-244
Others	1	6	7	7
Cash Flow from Investing (b)	26	-268	-722	-564
Change in Equity	0	0	0	0
Debt Raised/(Repaid)	-530	-66	0	-6
Dividend paid	-47	-95	-95	-142
Interest paid	-30	-2	-1	0
Others	33	84	113	128
Cash Flow from Financing (c)	-574	-78	18	-20
Net Change in Cash (a+b+c)	11	105	694	874
Opening Cash	13	24	129	822
Closing Cash	24	129	822	1696

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