

Wabco India Ltd.

Sensex: 18645

CMP: INR 1629

Target: INR 1832



Auto Ancillaries

Wabco India reported Net Sales of INR 2509 mn, down by 4.2% YoY & up by 0.65% QoQ due to sluggish demand from the M&HCV segment. EBITDA margin stood at 20.3% squeezed by 221 bps YoY & 259 bps QoQ. PAT at INR 328 mn was down by 22.9% YoY & 21.5% QoQ which was hit by higher operating expenses and lower other income. We retain our "BUY" recommendation.

Sluggish demand from M&HCV segment effecting performance

WIL reported net Sales of INR 2509 mn, down by 4.2% YoY & up by 0.65% QoQ, led by sluggish demand in the M&HCV segment. PAT stood at INR 328 mn was down by 22.9% YoY & 21.5% QoQ hit by higher operating expenses and lower other income. We expect a growth of 6% in M&HCV segment for FY13 which would help the company to perform better in H2FY13.

Contraction in EBITDA & PAT Margin

EBITDA margin at 20.3% contracted by 221 bps YoY & 259 bps QoQ. This was driven by higher than expected operating expenses (up by 192 bps YoY & 246 bps QoQ) and higher employee cost (up by 148 bps YoY & 13 bps QoQ) partly offset by lower cost of goods sold (down by 119 bps YoY). PAT margin also contracted to 13.09% (down by 318 bps YoY & 370 bps QoQ) on the back of INR ~25 mn forex loss.

Status of expansion plans

WIL has inaugurated Phase II of its plant 2 at the dedicated export zone of the Mahindra World City, near Chennai. The INR 500 mn facility will be ramped up to a capacity of 1,80,000 units per annum. The plant will take care of machining and assembling of heavy duty engine platform compressors for its customers in

Poland, Germany, USA and China. Thus with this expansion, we expect the company to post a healthy growth in its export revenues crossing INR 2000 mn in FY13. WIL is expecting to commence production at the Lucknow plant towards the end of FY13.

Products lined up

The level of technology in CV products in India is only 10-20% of that worldwide. WIL's strong technological capabilities and continuous thrust on R&D provides the company with an opportunity to tap the market by introducing more products and upgrading them. We believe with the introduction of more technologically advanced products in the Indian market and strong parentage support from Wabco Inc., WIL will be able to continue to expand its contents per vehicle.

Outlook & Valuation

The macroeconomic challenges being faced by the M&HCV sector has hit the company's top line. We expect M&HCV segment to register a CAGR of 8% over FY13-14E with better prospects from H2FY13, resulting in sustained growth for WIL. We expect WIL's revenue & profit to register a CAGR of 20.5% & 22.8% respectively over the next two years. **We retain our "BUY" recommendation with a target of INR 1832 in 15 months at 10x FY14E EV/EBITDA.**

Shareholding (%)	Sep-12
Promoters	75.00
FIIIs	2.38
DIIIs	9.37
Others	13.25

Relative Price Performance



Key Data	
BSE Code	533023
NSE Code	WABCOINDIA
Bloomberg Code	WIL IN
Reuters Code	WABC.BO
Shares Outstanding (mn)	18.96
Face Value	5
Mcap (INR bn)	30.63
52 Week H/L	1797.5/1125.2
2W Avg. Vol, NSE	6092
Free Float (INR bn)	7.66
Beta	0.48

(INR mn)	FY11	FY12	FY13E	FY14E
Net Sales	8925	10456	12433	15184
Growth (%)	50.95%	17.16%	18.91%	22.13%
EBIDTAM (%)	22.48%	21.03%	21.27%	21.21%
Adj. PAT	1268	1523	1876	2297
Growth (%)	62.08%	20.16%	23.12%	22.47%
Adj. EPS (INR)	66.87	80.35	98.93	121.16
P/E (x)	15.48	19.23	14.93	12.19
EV/EBIDTA	9.67	12.85	9.98	7.92
Net Debt/Equity	-0.03	-0.15	-0.23	-0.28
RoACE (%)	56.07%	44.61%	39.76%	37.13%
RoAE (%)	38.59%	33.27%	30.48%	28.44%

Quarterly Financials

Particulars (INR mn)	Q2FY13	Q2FY12	YoY %	Q1FY13	QoQ %	FY12	FY11	Chg %
Net Sales	2509	2620	-4.22%	2493	0.65%	10456	8925	17.16%
Other Income	3	41	-92.87%	67	-95.61%	121	54	125.00%
Total Income	2512	2661	-5.60%	2560	-1.89%	10577	8979	17.80%
Stock Adjustment	33	1	-2186.50%	-78	142.65%	-69	-132	47.59%
Raw Material Consumed	1292	1414	-8.59%	1396	-7.41%	5793	5082	13.99%
COGS	1326	1415	-6.33%	1318	0.62%	5723	4950	15.63%
Employees Cost	271	244	10.98%	266	1.91%	943	712	32.44%
Operating & Mfg. Expenses	403	371	8.80%	339	18.87%	1591	1257	26.54%
Total Expenditure	2000	2030	-1.49%	1922	4.02%	8257	6919	19.34%
Operating Profit	512	631	-18.83%	638	-19.68%	2320	2060	12.61%
EBIDTA (excluding OI)	509	590	-13.63%	571	-10.72%	2199	2006	9.61%
Interest	0	0	-20.00%	0	-28.57%	1	2	-42.35%
Depreciation	45	38	17.12%	47	-4.79%	156	144	8.41%
PBT	468	593	-21.14%	591	-20.86%	2162	1914	12.99%
Income Tax	139	167	-16.58%	173	-19.26%	628	639	-1.73%
Exp./Extraordinay Items	0	0		0		0	0	
APAT	328	426	-22.93%	418	-21.52%	1534	1274	20.37%
Eq. Capital (INR Mn)	95	95	0.00%	95	0.00%	95	95	0.00%
EPS (Adjusted)	17.31	22.46	-22.93%	22.06	-21.52%	80.87	67.19	20.37%
OPM (%)	20.42%	24.10%		25.59%		22.19%	23.08%	
EBIDTAM (%)	20.30%	22.51%		22.89%		21.03%	22.48%	
PATM (%)	13.09%	16.26%		16.78%		14.67%	14.28%	

Financials

Income statement

Year End March (INR mn)	FY11	FY12	FY13E	FY14E
Net Sales	8925	10456	12433	15184
<i>Growth in Sales (%)</i>	<i>50.95%</i>	<i>17.16%</i>	<i>18.91%</i>	<i>22.13%</i>
Cost of goods sold	4950	5723	6789	8285
Employees Cost	712	943	1221	1582
Other Expenses	1257	1591	1779	2097
Total Expenditure	6919	8257	9789	11964
EBIDTA (without OI)	2006	2199	2644	3221
<i>% Growth</i>	<i>70.81%</i>	<i>9.62%</i>	<i>20.24%</i>	<i>21.79%</i>
<i>EBITDA Margin %</i>	<i>22.48%</i>	<i>21.03%</i>	<i>21.27%</i>	<i>21.21%</i>
Depreciation/Amortization	144	156	198	222
EBIT	1,862	2,043	2,447	2,999
<i>EBIT Margin %</i>	<i>20.86%</i>	<i>19.54%</i>	<i>19.68%</i>	<i>19.75%</i>
Interest Expense	2	1	-	-
Other Income	54	121	199	237
Exceptionals	7	11	-	-
EBT	1,914	2,162	2,646	3,236
Tax Expenses	639	628	770	939
PAT	1,274	1,534	1,876	2,297
APAT	1,268	1,523	1,876	2,297
<i>% Growth</i>	<i>62.08%</i>	<i>20.16%</i>	<i>23.12%</i>	<i>22.47%</i>
<i>APAT Margin %</i>	<i>14.20%</i>	<i>14.57%</i>	<i>15.09%</i>	<i>15.13%</i>

Key Ratios

Year End March	FY11	FY12	FY13E	FY14E
Per Share Data (INR)				
Reported EPS	66.87	80.35	98.93	121.16
Adj. EPS	66.87	80.35	98.93	121.16
Growth (%)	62.08%	20.16%	23.12%	22.47%
CEPS	74.47	88.60	109.36	132.84
DPS	5.00	5.00	7.00	8.00
BVPS	203.97	279.06	370.03	482.08
Return Ratios (%)				
RoACE	56.07%	44.61%	39.76%	37.13%
RoANW	38.59%	33.27%	30.48%	28.44%
RoIC	38.77%	32.22%	28.63%	26.66%
Liquidity Ratios				
Net Debt/Equity	(0.03)	(0.15)	(0.23)	(0.28)
Current Ratio	2.89	3.12	3.59	3.93
Quick Ratio	2.10	2.20	2.69	3.03
Efficiency Ratios				
Asset Turnover Ratio	2.63	2.22	1.98	1.84
Inventory Days	33	40	39	39
Debtor Days	70	55	56	56
Creditor days	62	69	67	67
Valuation Ratios				
P/E (x)	15.48	19.23	14.93	12.19
P/BV (x)	5.08	5.54	3.99	3.06
P/CEPS (x)	13.90	17.44	13.51	11.12
Dividend Yield (%)	0.48%	0.32%	0.47%	0.54%
EV/Net Sales (x)	2.17	2.70	2.12	1.68
EV/EBIDTA (x)	9.67	12.85	9.98	7.92

Balance Sheet

Year End March (INR mn)	FY11	FY12	FY13E	FY14E
Sources of funds				
Share capital	95	95	95	95
Reserves & Surplus	3772	5196	6921	9045
Total Networth	3867	5291	7016	9140
Secured Loan	0	0	0	0
Unsecured Loan	0	0	0	0
Total Debt	0	0	0	0
Total Liabilities	4000	5408	7166	9340
Application of funds				
Net Block	1804	2302	2620	2874
Capital Work-in-Progress	99	128	134	141
Investments	122	232	464	928
Current Assets	2902	3934	5315	7031
Current Liabilities	1004	1261	1479	1788
Net Current Assets	1898	2673	3836	5244
Misc. Exp not written off	0	0	0	0
Net Deferred Tax Asset	-82	-109	-139	-166
Total Assets	4000	5408	7166	9340

Cash Flow

Year End March (INR mn)	FY11	FY12	FY13E	FY14E
EBT	1914	2162	2646	3236
Less: Other Income/Exceptionals	-54	-121	-199	-237
Add: Depreciation	144	156	198	222
Add: Interest paid	2	1	0	0
Direct taxes paid	-590	-601	-741	-912
Change in Working Capital	-796	-93	-415	-526
Others	0	0	0	0
Cash Flow from operations (a)	620	1506	1489	1782
Change in Fixed Assets	-141	-651	-516	-475
Change in CWIP	-33	-28	-6	-7
Change in Investments	-100	-110	-232	-464
Others	6	23	33	65
Cash Flow from Investing (b)	-268	-766	-722	-880
Change in Equity	0	0	0	0
Debt Raised/(Repaid)	-72	0	0	0
Dividend paid	-95	-95	-133	-152
Interest paid	-2	-1	0	0
Others	-79	47	158	160
Cash Flow from Financing (c)	-247	-50	26	9
Net Change in Cash (a+b+c)	105	690	793	910
Opening Cash	24	129	819	1611
Closing Cash	129	819	1611	2522

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