

Wabco India Ltd.

Sensex: 16222

CMP: INR 1584

Target: INR 1677



Auto Ancillaries

Wabco India has reported Net Sales of INR 2754 mn, up by 15.3% YoY & 13.3% QoQ. PAT at INR 390 mn, was up by 13.3% YoY & 3.6% QoQ. EBITDA margins at 16.1%, contracted by 382 bps YoY & 183 bps QoQ due to higher than expected COGS & other operating expenses. We introduce FY14 estimates & roll-forward our valuations by 12 months and recommend a "HOLD" on the stock.

Results in-line with estimates

WIL reported net Sales of INR 2754 mn, up by 15.3% YoY & 13.3% QoQ. PAT at INR 390 mn was up by 13.3% YoY & 3.6% QoQ. Although margins was below our expectations, lower than expected tax resulted in in-line profits. WIL derives ~71% of its revenues through OEM segment, 15-16% through replacement markets and 13-14% from exports. WIL posted revenue growth of 16% in FY12 & has been able to outperform M&HCV segment growth of 8% in the same period.

Contraction in EBITDA Margins

EBITDA margins at 16.1%, contracted by 382 bps YoY & 183 bps QoQ. This was largely due to higher than expected cost of goods sold in Q4FY12, which was up by 238 bps YoY & 312 bps QoQ. Other operating expenses were also up by 79 bps YoY & 21 bps QoQ. In FY12, WIL reported EBITDA margins of 17.84%, down by 225 bps YoY. We expect margins to expand by 112 bps to 18.95% in FY14E, on the back of favorable sales mix.

Expansion Plans

WIL is expanding its capacity of its 100% EOU, located at Mahindra World City by incurring a capex of INR 400 mn, which is likely to commence operations in Q1FY13. WIL exclusively uses this unit to cater to the needs of WABCO plants globally. We expect

exports to register a CAGR of 35% over FY12-FY14E. 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 FY13.

New products lined up

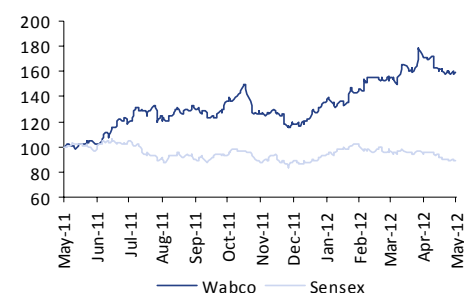
WIL plans to develop and launch lift-axle control system and foot-brake valve with integrated switches in the Indian market and design and develop hydraulic-brake booster and a series of valve devices for North American OEMs by mid of 2012. We believe with introduction of more technologically advanced products in the Indian market, WIL will continue to expand its content per vehicle.

Outlook & Valuation

We expect M&HCV sector to register a CAGR of 12% over FY12-14E, resulting in sustained growth for WIL. WIL is a globally preferred vendor for Daimler for supply of braking & control systems and will be one of the beneficiaries of Daimler's operations in India starting from FY13. We expect WIL's revenue & profit to register a CAGR of 23% & 26% respectively over the next two years. **We recommend a "HOLD" on the stock with a target of INR 1677 in 18 months at 10x FY14E EV/EBITDA.**

Shareholding (%)	Mar-12
Promoters	75.00
FIIIs	1.26
DIIIs	10.95
Others	12.79

Relative Price Performance



Key Data	
BSE Code	533023
NSE symbol	WABCOINDIA
Bloomberg Code	WIL IN
Reuters Code	WABC.BO
Shares Outstanding (mn)	18.97
Face Value	5
Mcap (INR bn)	30.05
52 Week H/L	1797.5/970.0
2W Avg. Vol, NSE	1077
Free Float (INR bn)	7.51
Beta	0.44

(INR mn)	FY11	FY12	FY13E	FY14E
Net Sales	8678	10050	12411	15157
Growth (%)	46.77%	15.81%	23.50%	22.12%
EBIDTAM (%)	20.11%	17.84%	18.93%	18.95%
Adj. PAT	1274	1534	1988	2435
Growth (%)	62.98%	20.39%	29.59%	22.46%
Adj. EPS (INR)	67.18	80.88	104.82	128.36
P/E (x)	15.41	19.10	15.12	12.34
EV/EBIDTA	11.12	16.14	11.74	9.08
Net Debt/Equity	-0.03	-0.17	-0.28	-0.33
RoACE (%)	48.17%	35.68%	34.88%	32.37%
RoAE (%)	38.79%	33.50%	32.06%	29.58%

Quarterly Financials

Particulars (INR mn)	Q4FY12	Q4FY11	YoY %	Q3FY12	QoQ %	FY12	FY11	Chg %
Net Sales	2754	2390	15.24%	2432	13.28%	10050	8657	16.08%
Other Income	128	98	30.64%	144	-11.06%	527	321	64.12%
Total Income	2882	2488	15.84%	2575	11.92%	10577	8979	17.80%
Stock Adjustment	28	-78	136.50%	-27	204.49%	-69	-132	47.59%
Raw Material Consumed	1593	1428	11.56%	1383	15.22%	5793	5082	13.99%
COGS	1621	1350	20.10%	1355	19.63%	5723	4950	15.63%
Employees Cost	242	195	24.33%	240	1.19%	943	712	32.44%
Operating & Mfg. Expenses	449	370	21.12%	391	14.73%	1591	1257	26.54%
Total Expenditure	2312	1915	20.73%	1986	16.44%	8257	6919	19.34%
Operating Profit	570	573	-0.50%	589	-3.31%	2320	2060	12.61%
EBIDTA (excluding OI)	442	475	-6.92%	446	-0.81%	1793	1739	3.10%
Interest	0	-1	-148.35%	1	NA	1	2	-42.35%
Depreciation	43	37	15.86%	38	12.21%	156	144	8.41%
PBT	526	536	-1.87%	550	-4.38%	2162	1914	12.99%
Income Tax	136	192	-29.09%	174	-21.67%	628	639	-1.73%
Exp./Extraordinay Items	0	0		0		0	0	
APAT	390	344	13.32%	376	3.62%	1534	1274	20.38%
Eq. Capital (INR Mn)	95	95	0.00%	95	0.00%	95	95	0.00%
EPS (Adjusted)	20.57	18.15	13.32%	19.85	3.62%	80.87	67.18	20.38%
OPM (%)	20.69%	23.96%		24.24%		23.08%	23.79%	
EBIDTAM (%)	16.05%	19.87%		18.33%		17.84%	20.08%	
PATM (%)	14.16%	14.40%		15.48%		15.26%	14.72%	

Financials

Income statement

Year End March (INR mn)	FY11	FY12	FY13E	FY14E
Net Sales	8678	10050	12411	15157
<i>Growth in Sales (%)</i>	<i>46.77%</i>	<i>15.81%</i>	<i>23.50%</i>	<i>22.12%</i>
Cost of goods sold	4950	5723	7105	8650
Employees Cost	704	943	1164	1422
Other Expenses	1279	1591	1792	2213
Total Expenditure	6933	8257	10062	12285
EBIDTA (without OI)	1745	1793	2350	2872
<i>% Growth</i>	<i>48.59%</i>	<i>2.71%</i>	<i>31.07%</i>	<i>22.22%</i>
<i>EBITDA Margin %</i>	<i>20.11%</i>	<i>17.84%</i>	<i>18.93%</i>	<i>18.95%</i>
Depreciation/Amortization	144	156	184	206
EBIT	1,601	1,636	2,165	2,665
<i>EBIT Margin %</i>	<i>18.45%</i>	<i>16.28%</i>	<i>17.45%</i>	<i>17.58%</i>
Interest Expense	2	1	0	1
Other Income	314	527	639	768
Exceptionals	-	-	-	-
EBT	1,914	2,162	2,803	3,432
Tax Expenses	639	628	815	998
PAT	1,274	1,534	1,988	2,435
APAT	1,274	1,534	1,988	2,435
<i>% Growth</i>	<i>62.98%</i>	<i>20.39%</i>	<i>29.59%</i>	<i>22.46%</i>
<i>APAT Margin %</i>	<i>14.68%</i>	<i>15.27%</i>	<i>16.02%</i>	<i>16.06%</i>

Key Ratios

Year End March	FY11	FY12	FY13E	FY14E
Per Share Data (INR)				
Reported EPS	67.18	80.88	104.82	128.36
Adj. EPS	67.18	80.88	104.82	128.36
Growth (%)	62.98%	20.39%	29.59%	22.46%
CEPS	74.79	89.13	114.54	139.25
DPS	5.00	5.00	7.50	9.00
BVPS	203.89	278.95	374.99	492.82
Return Ratios (%)				
RoACE	48.17%	35.68%	34.88%	32.37%
RoANW	38.79%	33.50%	32.06%	29.58%
RoIC	33.32%	25.78%	25.20%	23.35%
Liquidity Ratios				
Net Debt/Equity	-0.03	-0.17	-0.28	-0.33
Interest Coverage Ratio	946.27	1,388.60	-	-
Current Ratio	2.71	3.01	3.55	3.89
Quick Ratio	2.00	2.23	2.78	3.11
Efficiency Ratios				
Asset Turnover Ratio	2.61	2.19	2.00	1.84
Inventory Days	34	38	38	38
Debtor Days	72	57	60	59
Creditor Days	63	70	70	70
Valuation Ratios				
P/E (x)	15.41	19.10	15.12	12.34
P/BV (x)	5.08	5.54	4.23	3.22
P/CEPS (x)	13.84	17.34	13.83	11.38
Dividend Yield (%)	0.48%	0.32%	0.47%	0.57%
EV/Net Sales (x)	2.24	2.88	2.22	1.72
EV/EBIDTA (x)	11.12	16.14	11.74	9.08

Balance Sheet

Year End March (INR mn)	FY11	FY12	FY13E	FY14E
Sources of funds				
Share capital	95	95	95	95
Reserves & Surplus	3772	5196	7018	9253
Total Networth	3867	5291	7113	9348
Secured Loan	6	9	4	5
Unsecured Loan	0	0	0	0
Total Debt	6	9	4	5
Total Liabilities	3873	5300	7116	9352
Application of funds				
Net Block	1804	2150	2360	2596
Capital Work-in-Progress	99	280	140	168
Investments	122	232	464	928
Current Assets	3060	4117	5983	7867
Current Liabilities	1131	1369	1685	2020
Net Current Assets	1929	2747	4298	5847
Misc. Exp not written off	0	0	0	0
Net Deferred Tax Asset	-82	-109	-146	-187
Total Assets	3873	5300	7116	9352

Cash Flow

Year End March (INR mn)	FY11	FY12	FY13E	FY14E
EBT	1914	2162	2803	3432
Less: Other Income/Exceptionals	-111	-125	-142	-162
Add: Depreciation	144	156	184	206
Add: Interest paid	2	1	0	1
Direct taxes paid	-590	-601	-778	-956
Change in Working Capital	-907	-27	-440	-491
Others	0	0	0	0
Cash Flow from operations (a)	451	1567	1628	2030
Change in Fixed Assets	-141	-502	-395	-442
Change in CWIP	-33	-181	140	-28
Change in Investments	-100	-110	-232	-464
Others	6	7	7	7
Cash Flow from Investing (b)	-268	-786	-480	-927
Change in Equity	0	0	0	0
Debt Raised/(Repaid)	-66	3	-5	1
Dividend paid	-95	-95	-142	-171
Interest paid	-2	-1	0	-1
Others	84	103	111	126
Cash Flow from Financing (c)	-78	10	-37	-45
Net Change in Cash (a+b+c)	105	791	1111	1058
Opening Cash	24	129	920	2031
Closing Cash	129	920	2031	3088

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| 2. Group/Directors ownership of the stock | - No |
| 3. Broking relationship with company covered | - No |

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