

CMP: Rs 1109
2 Year Target: Rs 1418

Investor's Rationale

Goodyear India Ltd. (GIL) commands leadership position in tractor tyres industry in India and supplies to almost all leading tractor manufacturers. With monsoons being normal this year, government's focus on increasing farm income, increasing level of mechanization in agriculture and growing rural wages is likely to drive higher demand for tractors in the coming years. Considering the drop in natural rubber prices, higher/stable price in tyre replacement market, pricing discipline in the industry and improving financials, we think GIL remains a good bet on rural prosperity.

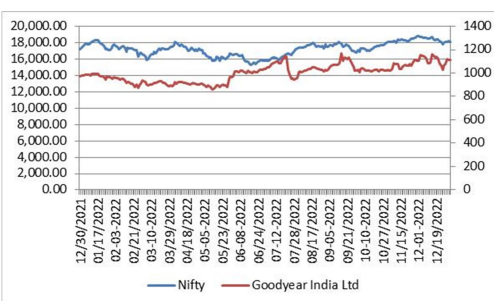
GIL would continue to receive technology support from its parent company "GTRC", which is one of the world's leading tyre companies. GIL's excellent Balance sheet strength (zero debt company) and its MNC parentage (ultimate owner Goodyear Tire & Rubber – US) drives confidence on the company

Valuation

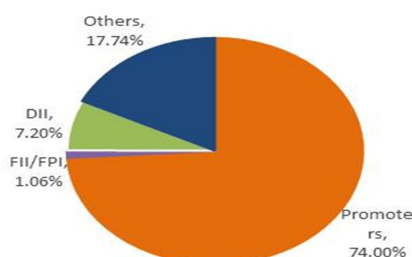
We expect GIL's Revenue/EBITDA/PAT to grow at 17/30/35% CAGR over FY22-FY24E, led by increased sales volume and moderation in material prices. We expect RoNW to increase from ~13% in FY22 to ~23% by FY24E. We have arrived at target price of Rs 1418 by giving a PE multiple of 17.5X to FY24 earnings.

Face Value	10.00
Market Cap (Rs cr)	2,557
52 week high/low	1205/840
Shares O/S (Cr)	2.31
Book Value per Share (Rs)	238
Sensex	60,840
Nifty	18,105

1 yr. Price Chart of Stock and Nifty



Shareholding pattern as on 30th Sep 2022.



	FY21	FY22	FY23E	FY24E
Revenue (Rs.Cr)	1,792.0	2,436.0	2,984.0	3,357.0
EBITDA (Rs. cr)	53.0	53.0	56.0	61.0
Adj. profit (Rs.Cr)	137.0	102.0	126.0	188.0
Adj. EPS (Rs.)	59.1	44.6	54.6	81.6
P/E (x)	18.6	24.6	20.0	13.5
EV/EBITDA (x)	8.9	12.4	10.0	7.0
ROCE (%)	21.30	18.30	23.60	31.80
ROE (%)	15.50	13.20	17.20	23.30

Acquisition of Cooper Tire by parent

Goodyear Tire & Rubber Company, the ultimate parent company of Goodyear India has acquired Cooper Tire & Rubber Company for approximately \$2.5 billion in 2021. The transaction will expand Goodyear's product offering by combining two portfolios of complementary brands in the highly profitable light truck and SUV product segments. Cooper tyres is a proven American brand and these tyres are likely to be introduced in India in the coming years giving an additional option in the tyre industry.

Normal monsoons augur well for tractor sales

GIL is one of the top leaders in the farm tyre segment in India (~30% market share) and has strong tie-ups with OEMs as well as a dominant presence in the replacement market. This year, the country received bountiful rainfall throughout the season, except in June, though the spread was uneven with gangetic plains receiving lesser rains. Also the wedding season has resulted in higher demand for tractors. Being a market leader in tractor tyres segment, GIL could be one of the leading beneficiaries in this regard. YTD tractor sales for Apr-Oct'22 has increased by 9.4% YoY on a high base year.

Increased focus of government to improve agriculture

The government has taken several initiatives over the last few years for the entire agri value chain from seed to market and also improved the old systems. Agriculture budget has increased manifold in just six years and farm loans for farmers have also been increased by 2.5 times in seven years. Key drivers of the Farm industry like monsoon, rabi crop harvest, government support through increased MSP and water storage levels are positive. This would lead to increase in rural income. Increasing mechanization in agriculture due to labour shortages could also drive higher sales of tractors in the coming years.

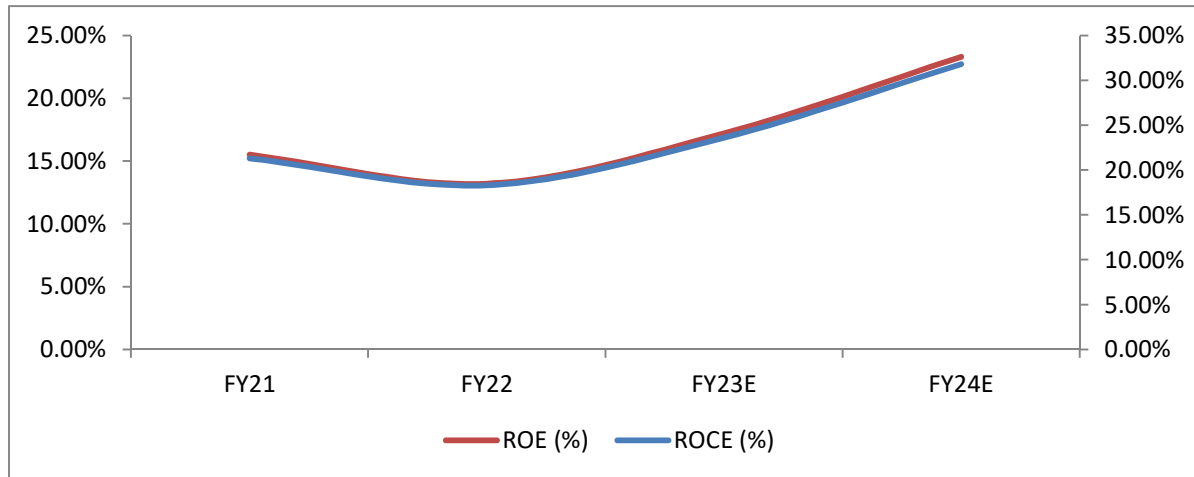
High dividend payout

GIL has historically paid out ~25% of its earnings as dividends. Over the last 2 years the company has utilized its reserves and paid out huge dividends. It paid a dividend of Rs 178/share for FY21 and Rs 100/share for FY22. The company has no debts and currently there are no plans of significant capex. We believe dividend payouts are likely to remain high (though not to this extent) for the coming few years.

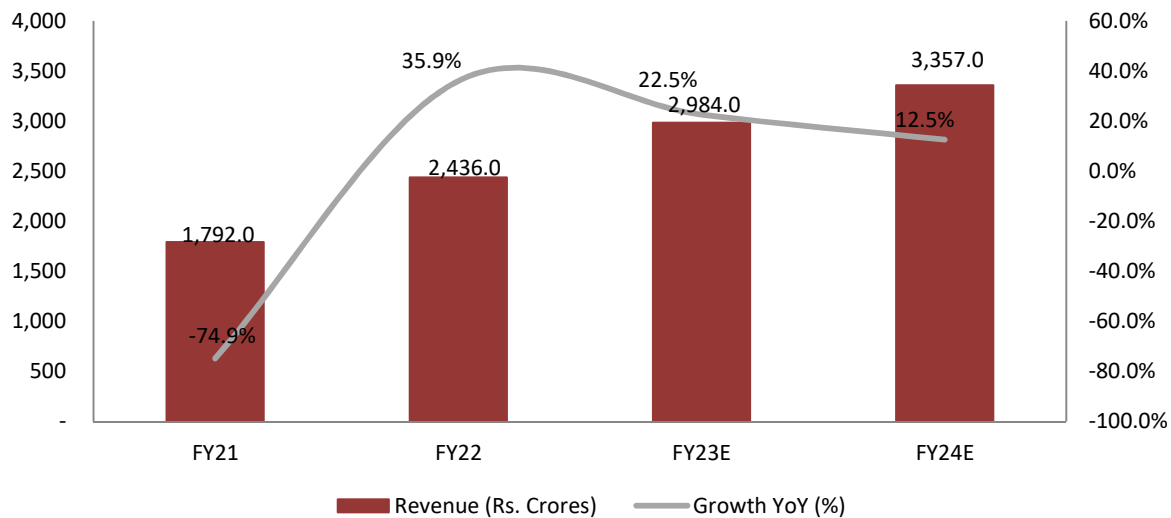
Strong brand & parentage

By virtue of Goodyear Tire & Rubber of USA being the parent company, the company uses the strong global brand of 'Goodyear' apart from technology and better management practices support from parent. This gives brand leverage in a market such as farm equipment tyre segment, where the market is dominated by local players. Further the strong global brand gives an edge in a replacement market for both farm equipment as well as passenger vehicles.

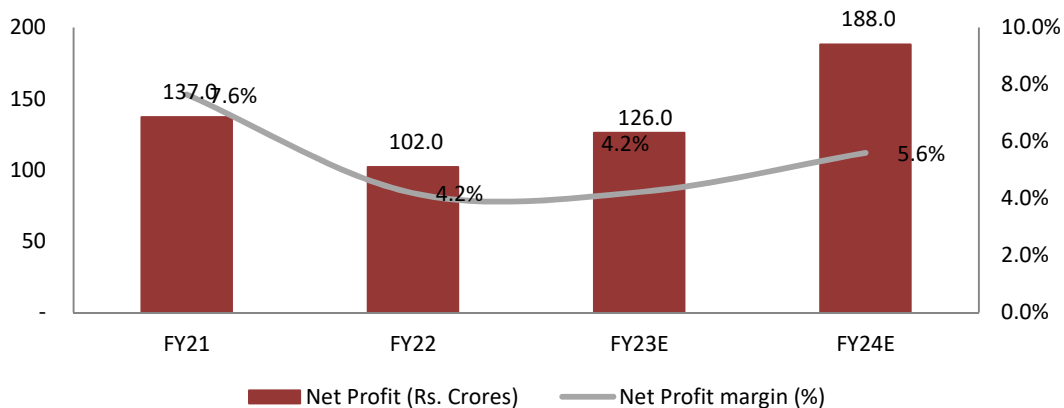
Return ratios to show strong growth in future



Revenue will experience Strong growth



Net profit will experience a growth trajectory



Outlook and Valuation

We expect GIL's Revenue/EBITDA/PAT to grow at 17/30/35% CAGR over FY22-FY24E, led by increased sales volume and moderation in material prices. We expect RoNW to increase from ~13% in FY22 to ~23% by FY24E. We believe investors can buy the stock in the band of Rs 1090-1110 and add on dips to Rs 970-990 band (12x FY24E EPS).

Goodyear India Ltd- Company Overview

Goodyear India Ltd (GIL) is a step down subsidiary of 'The Goodyear Tire & Rubber Company', Akron, Ohio, USA ("GTRC"). GIL is engaged in the business of manufacturing of bias tyres (farm tyres and medium commercial truck tyres), tubes and flaps at Ballabgarh (Haryana) facility. GIL also trades in "Goodyear" branded tyres [including radial passenger tyres (consumer) and Off The Road (OTR) bias tyres] manufactured by Goodyear South Asia Tyres Private Limited ('GSATPL'), Aurangabad. Goodyear has also been a pioneer in introducing tubeless radial tyres in the passenger car and in the farm segment in India; Goodyear tyres are supplied to all the major tractor companies including M&M, Escorts and John Deere. Approximately 40% of the net sales of GIL (vs 37% in FY21) were attributable to the sale of products procured from Goodyear South Asia Tyres Private Limited (GSATPL - a 100% subsidiary of Goodyear US), Aurangabad and some more being procured from other Goodyear group companies.

Goodyear is one of the world's largest tyre companies. It employs about 72,000 people and manufactures its products in 55 facilities in 23 countries around the world. Its two Innovation Centers in Akron, Ohio, and Colmar-Berg, Luxembourg, strive to develop state-of-the-art products and services that set the technology and performance standard for the industry.



Equity Research

Balance sheet (Consolidated)

(Rs crore)	FY21	FY22	FY23E	FY24E
Liabilities				
Paid up capital	23	23	23	23
Reserves and Surplus	817	692	738	829
SHF	840	715	761	852
Total Loans	-	-	-	-
Provisions				
Other Liabilities	14	11	13	15
Total Liabilities	854	726	774	867
Assets				
CWIP	16	33	17	8
Net Tangible Assets	312	317	343	350
Non Current Investments				
Deferred Tax Assets				
Net Current Assets	484	324	352	438
Other Assets	42	52	63	71
Total Assets	854	726	774	867

Profit & Loss Account (Consolidated)

(Rs crore)	FY21	FY22	FY23E	FY24E
Total operating Income	1,792	2,436	2,984	3,357
EBITDA	217	172	209	292
Depreciation	53	53	56	61
EBIT	164	119	153	231
Interest cost	3	4	5	5
Other Income & Extraordinary Items	23	23	21	25
Profit before tax	184	138	169	251
Tax	47	36	43	63
Profit after tax	137	102	126	188
Minority Interests				
P/L from Associates				
Other				
Adjusted PAT	137	102	126	188



Equity Research

Cash Flow Statement (Consolidated)

Y.E March (Rs crore)	FY21	FY22	FY23E	FY24E
Reported PBT	183	138	169	251
Non-operating & EO items	1	-1	-9	-6
Interest & Depri	38	42	61	66
Working Capital Change	-610	-112	-235	-329
Tax Paid	-51	-39	-43	-63
Cash flow from operating activities	-439	28	-57	-81
Capex	-44	-73	-65	-60
Free Cash Flow	250	16	127	146
Non-operating income	131	23	0	0
Cash flow from investing activities	337	-34	62	86
Interest Expenses	-4	-4	-5	-5
FCFE	377	35	123	141
Dividend	-220	-232	-81	-97
Cash flow from financing activities	153	-201	37	39
Net chg in cash	51	-207	42	44
Opening Cash	546	597	390	432
Closing Cash	597	390	432	476

Key Ratios & Valuations (Consolidated)

Y.E March (Rs crore)	FY21	FY22	FY23E	FY24E
Per share data (Rs.)				
EPS	59.1	44.6	54.6	81.6
DPS	178.00	100.00	35.00	42.00
Margin (%)				
EBITDA	12.1%	7.1%	7.0%	8.7%
NPM	7.6%	4.2%	4.2%	5.6%
Return Ratios (%)				
ROCE	21.3	18.3	23.6	31.8
ROE	15.5	13.2	17.2	23.3
Valuation(x)				
P/E	18.6	24.6	20.0	13.5
EV/EBITDA	8.9	12.4	10.0	7.0
Per share data (Rs.)				
EPS	59.1	44.6	54.6	81.6



Equity Research

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	Buy	More than equal to 15%
Hold	Between 10% & -5%	Accumulate*	Upside between 10% & 15%
Reduce	Less than -5%	Hold	Between 0% & 10%
		Reduce/sell	Less than 0%

* To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.



Member: BSE, NSE, MCX, MCX-SX, CDSL

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