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TALBROS AUTOMOTIVE COMPONENTS LIMITED: RELATIVE VALUATION

Monika Chopra and Umang Gupta wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In 2015, an automobile ancillary client of JM Financial Limited, a leading investment bank based in New Delhi, India, wanted to pursue acquisitions and expand revenues from its two-wheeler and four-wheeler vehicle segments. The client hoped to do so by acquiring original equipment manufacturer (OEM) customers like Bajaj Auto and Maruti Suzuki. Accordingly, Abhishek Agarwal, a financial analyst working with JM Financial, was assigned the task of identifying the right target for the client and performing the relative valuation analysis in order to calculate the worth of the target company and the expected transaction value. He was advised to use two valuation techniques—comparable company analysis and comparable transaction analysis—and communicate the results to management so that it could initiate a meeting with the client and take the deal forward. In accordance with the client's requirements, Agarwal identified Talbro Automotive Components Limited (Talbro) as the best target.

ABOUT TALBROS

Talbro was established in partnership with a U.K. company, Coopers Payen, in 1965. Talbro's major products were gaskets and heat shields, forgings, suspension systems and modules, anti-vibration components, and hoses. The company's manufactured product lines catered to various segments, including passenger vehicles, commercial vehicles, two-wheelers, three-wheelers, and farm equipment. It had a variety of OEM customers in India and abroad, as well as clients in after-markets. Many of the world's largest OEMs (e.g., Ashok Leyland Limited, Bajaj Auto Limited, Cummins Group, Eicher Motors Limited, Escorts Group, Force Motors Limited, General Motors, Hero Motocorp Ltd., Hyundai Motor Company, John Deere, Mahindra and Mahindra Limited, Maruti Suzuki India Limited, Tafe Motors & Tractors Limited, and Tata Motors Limited) and international corporations (e.g., Carraro, Dana, KMP Brand, and GKN Drivelines) were customers of Talbro. In addition, the company also had partnerships with global giants, including the following firms:

Nippon Leakless Talbros Private Limited

Established in 2005, this partnership was a 40:60 joint venture between Talbros and Nippon Leakless Corporation, Japan, created to manufacture gaskets for passenger cars, motorcycles, scooters, power equipment products, and industrial applications.

Magneti Marelli Talbros Chassis System Private Limited

This association was a 50:50 joint venture with Sistemi Sospensioni, SPA, Italy. It was established in 2011 in order to manufacture chassis components such as control arms, steering knuckles, front cross-members, and rear twist-beam axles.

Talbros Maurogo Rubber Private Limited

This 50:50 joint venture was established in 2012 with Marugo Rubber Industries, Japan, to manufacture products such as suspension bushes, strut mounts, and engine mounts and hoses.

The company's technology partners were Sanwa Packaging, Japan, and Interface Solutions, United States. Talbros' manufacturing facilities were located in Faridabad (Haryana), Sitarganj (Uttarakhand), Pune (Maharashtra), Bawal (Haryana), and Haridwar and Manesar (Haryana).¹

Identification of Approach for Valuation

Agarwal decided to conduct a relative valuation of Talbros using two methods: comparable company analysis and comparable transaction analysis. He finalized three valuation metrics for this analysis: enterprise value-to-sales (EV/sales); EV-to-earnings before interest, tax, depreciation, and amortization (EV/EBITDA); and price-to-earnings per share (P/E ratio).

Comparable Firm Selection

The first step in this method was finding a set of comparable firms. Agarwal searched for publicly traded firms whose primary industry classification was auto parts and equipment, which yielded a list of four firms. He then acquired the income statements and balance sheets for each of the four firms (see Exhibits 1–8). He compared this information to the same available data for Talbros (see Exhibits 9–10). Using this data, Agarwal also calculated certain variables for further analysis at the end of each company's financials and reviewed a description of each firm's business (see Exhibit 11).

Control Premium Analysis

The next step in the analysis was to estimate the control premium. Agarwal reviewed recent transactions where the buyer had offered the premium for the acquisition of companies that were similar to Talbros in the automobile ancillary sector (see Exhibit 12).

¹ "Talbros Automotive Components Limited" (business description), CMIE Prowess Database, accessed May 25, 2015, <https://prowess.cmie.com>.

Identification of Comparable Transactions

For comparable transaction analysis, Agarwal identified the transactions that were most relevant. Transactions were selected that were similar in size to the transaction that was being considered for the target company. The type of transaction and the characteristics of the target were similar. Transactions that occurred more recently were given more weight than older transactions (see Exhibit 13).

THE VALUATION OF TALBROS

With the data he had gathered, Agarwal had to value Talbros on the basis of comparable company analysis and comparable transaction analysis using the three valuation ratios specified (EV/sales, EV/EBITDA, and P/E ratio). The objective was to arrive at the final valuation range by combining the results of both techniques and then calculating the final value of Talbros. Valuation by use of EV along with P/E multiples was selected as they were based on gross cash flows or operating income and earnings. The final price in the range of values derived would actually depend on the value acceptable to both parties so that post-merger success was ensured.

Major issues that Agrawal needed to handle while completing the valuation were as follows: What set of companies and transactions should he select for calculation of multiples in order to get a reasonable approximation of the target company? What should be the fair value of the takeover/control premium such that both parties' return can be maximized and the benefit of synergies preserved? Agrawal decided to proceed with first, a comparable firm, and then second, a comparable transaction analysis.

EXHIBIT 1: COMPARABLE FINANCIALS FOR MUNJAL SHOWA LIMITED

Income Statement (in ₹ millions except EPS)	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales	12,893	15,568	15,814	15,979	16,429
Other income	23	16	35	61	81
Total revenue	12,916	15,584	15,849	16,040	16,510
Operating expenses	12,083	14,341	14,761	14,926	15,163
EBITDA	810	1,227	1,053	1,053	1,266
Depreciation & amortization	262	272	276	284	286
Earnings before interest & taxes (EBIT)	571	971	812	830	1,061
Finance costs	91	112	72	27	4
Profit before tax & exceptional items	480	859	740	803	1,057
Exceptional items			(61)		7
Tax expense	139	187	72	101	307
Net profit for the year	341	672	607	702	757
EPS face value	8.5	16.7	15.1	17.4	18.9

Expected Income Statement Particulars (in ₹ millions except EPS)	FY2016 (E)	FY2017 (E)
Net sales	18,154	20,283
EBITDA	1,422	1,629
Net profit for the year	832	969
EPS	20.8	24.3

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2016; 1 EPS = earnings per share; FY = fiscal year; E = estimated.

Source: Munjal Showa Ltd, "Equities, Analyze Munjal Showa Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015; Munjal Showa Ltd, "Equities, Analyze Munjal Showa Ltd: Financial Analysis 2016(E)-2017(E)," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 2: BALANCE SHEET FOR MUNJAL SHOWA LIMITED

Balance Sheet (in ₹ millions)	FY2011	FY2012	FY2013	FY2014	FY2015
Equities & liabilities					
Shareholders' funds					
Share capital	79	79	79	79	79
Reserves & surplus	1,949	2,482	2,948	3,481	4,027
Noncurrent liabilities					
Long-term borrowings	519	211			
Deferred tax liabilities (net)	139	142	142	118	85
Long-term provisions	6	6	7	15	25
Other long-term liabilities			53		
Current liabilities					
Short-term borrowings	54	200			
Trade payables	1,637	1,686	1,508	1,656	1,552
Other current liabilities	378	393	391	158	106
Short-term provisions	188	182	191	234	252
Total	4,949	5,381	5,319	5,741	6,126
Assets					
Noncurrent assets					
Fixed assets					
Tangible assets	2,513	2,427	2,439	2,309	2,092
Intangible assets	32	22	20	19	18
Capital work in progress	85	112	74	5	17
Intangible assets under development					
Noncurrent investments					
Long-term loans & advances	35	34	382	440	394
Other noncurrent assets	8	2	0.1	0.6	0.7
Current assets					
Current investments		30	200	300	680
Inventories	367	491	399	493	665
Trade receivables	1,429	1,759	1,416	1,768	2,033
Cash & bank balances	31	47	179	155	15
Short-term loans & advances	369	371	186	208	174
Other current assets	80	86	24	44	38
Total	4,949	5,381	5,319	5,741	6,126

Workings from Balance Sheet	
Current market price of share	₹160.8
Common shares outstanding	39,995,000
Market value of equity	₹6,431 million
Net debt	₹(695 million)
EV	₹5,736 million
EV/Sales	0.32x
EV/EBITDA	4x
Price/EPS	7.7x

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2015; 1 EPS = earnings per share; FY = fiscal year; E = estimate.

Source: Created by the case authors using data from Munjal Showa Ltd, "Equities, Analyze Munjal Showa Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 3: COMPARABLE FINANCIALS FOR GABRIEL INDIA LIMITED

Income Statement (in ₹ millions except EPS)	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales	9,699	11,282	12,053	12,866	14,440
Other income	93	74	40	56	43
Total revenue	9,792	11,356	12,093	12,922	14,483
Operating expenses	8,810	10,362	11,226	11,961	13,275
EBITDA	889	920	827	905	1,165
Depreciation & amortization	219	276	272	270	311
Earnings before interest & taxes (EBIT)	763	718	595	691	897
Finance costs	171	170	122	89	55
Profit before tax & exceptional items	592	548	473	602	842
Exceptional items	(17)	77	(59)	(42)	(6)
Tax expense	122	93	30	131	235
Net profit for the year	453	532	384	429	601
EPS face value 1	6.3	7.4	2.6	2.9	4.2

Expected Income Statement Particulars (in ₹ millions except EPS)	FY2016 (E)	FY2017 (E)
Net sales	17,659	20,211
EBITDA	1,462	1,782
Net profit for the year	865	1,091
EPS	6	7.6

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2016; 1 EPS = earnings per share; FY = fiscal year; E = estimated.

Source: Gabriel India Ltd, "Equities, Analyze Gabriel India Ltd: Financial Analysis 2011–2015," Bloomberg L.P., accessed May 25, 2015; Gabriel India Ltd, "Equities, Analyze Gabriel India Ltd: Financial Analysis 2016(E)–2017(E)," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 4: BALANCE SHEET FOR GABRIEL INDIA LIMITED

Balance Sheet (in ₹ millions)	FY2011	FY2012	FY2013	FY2014	FY2015
Equities & liabilities					
Shareholders' funds					
Share capital	72	72	144	144	144
Reserves & surplus	1,793	2,240	2,424	2,708	3,111
Noncurrent liabilities					
Long-term borrowings	562	246	164	96	58
Deferred tax liabilities (net)	157	133	111	96	105
Long-term provisions	53	30	57	41	93
Other long-term liabilities			36		
Current liabilities					
Short-term borrowings	678	662	497	469	
Trade payables	1,467	1,411	1,391	1,578	1,907
Other current liabilities	401	468	557	454	411
Short-term provisions	115	118	195	291	335
Total	5,298	5,380	5,576	5,877	6,164
Assets					
Noncurrent assets					
Fixed assets					
Tangible assets	2,024	2,059	2,498	2,635	2,655
Intangible assets	76	79	56	36	21
Capital work in progress	108	37	64	125	31
Intangible assets under development					
Noncurrent investments	133	0.2	0.2	0.2	0.2
Long-term loans & advances	414	377	298	232	226
Other noncurrent assets					24
Current assets					
Current investments					
Inventories	1,017	1,235	1,112	1,168	1,121
Trade receivables	943	1,244	1,215	1,360	1,723
Cash & bank balances	39	56	74	48	38
Short-term loans & advances	382	267	254	273	321
Other current assets	162	26	5	0.2	3
Total	5,298	5,380	5,576	5,877	6,164

Workings from Balance Sheet	
Current market price of share	₹76.9
Common shares outstanding	143,643,940
Market value of equity	₹11,046 million
Net debt	₹20 million
EV	₹11,066 million
EV/Sales	0.6×
EV/EBITDA	7.6×
Price/EPS	12.8×

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2015; 1 EPS = earnings per share; FY = fiscal year; E = estimated.

Source: Created by the case authors using data from Gabriel India Ltd, "Equities, Analyze Gabriel India Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 5: COMPARABLE FINANCIALS FOR MINDA INDUSTRIES LIMITED

Income Statement (in ₹ millions except EPS)	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales	9,542	11,792	13,404	17,061	22,266
Other income	146	163	109	168	229
Total revenue	9,688	11,955	13,513	17,229	22,495
Operating expenses	8,704	11,033	12,469	16,282	20,722
EBITDA	838	759	935	779	1,544
Depreciation & amortization	338	402	463	591	835
Earnings before interest & taxes (EBIT)	646	520	581	356	938
Finance costs	167	198	191	242	250
Profit before tax & exceptional items	479	322	390	114	688
Exceptional items		(76)	2	15	159
Tax expense	122	3	109	76	194
Net profit	357	243	283	53	653
(-) Share of profit transferred to minority		2	6	10	3
(+) Share of profit/loss of associate		42	(7)	8	24
Net profit for the year	357	283	270	51	674
EPS face value 10	26.1	17.7	17.7	4.5	42.8

Expected Income Statement Particulars (in ₹ millions except EPS)	FY2016 (E)	FY2017 (E)
Net sales	23,546	27,031
EBITDA	1,919	2,342
Net profit for the year	742	1,086
EPS	46.9	65.8

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2016; 1 EPS = earnings per share; FY = fiscal year; E = estimated.
Source: Minda Industries Ltd, "Equities, Analyze Minda Industries Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015; Minda Industries Ltd, "Equities, Analyze Minda Industries Ltd: Financial Analysis 2016(E)-2017(E)," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 6: BALANCE SHEET FOR MINDA INDUSTRIES LIMITED

Balance Sheet (in ₹ millions)	FY2011	FY2012	FY2013	FY2014	FY2015
Equities & liabilities					
Shareholders' funds					
Share capital	565	194	194	194	194
Reserves & surplus	1,422	2,668	2,895	2,920	3,459
Minority interest		115	123	138	213
Deferred revenue income				8	
Noncurrent liabilities					
Long-term borrowings	552	661	887	1,376	972
Deferred tax liabilities (net)	103	5			
Long-term provisions	74	157	176	237	264
Other long-term liabilities	2	6	74	19	30
Current liabilities					
Short-term borrowings	950	938	808	1,402	1,115
Trade payables	1,399	1,773	2,164	2,473	2,669
Other current liabilities	448	551	633	935	894
Short-term provisions	79	99	111	111	157
Total	5,594	7,167	8,065	9,813	9,967
Assets					
Noncurrent assets					
Fixed assets					
Tangible assets	2,405	2,654	3,116	3,928	4,027
Intangible assets	98	92	69	77	85
Capital work in progress	62	47	416	218	89
Intangible assets under development	7	4	6	0.7	3
Noncurrent investments	189	217	218	244	263
Deferred tax assets			14	16	2
Long-term loans & advances	133	216	224	206	186
Other noncurrent assets	17	15	45	86	119
Current assets					
Current investments		11		230	20
Inventories	837	1,963	895	1,246	1,406
Trade receivables	1,307	808	2,173	2,610	2,895
Cash & bank balances	229	666	385	278	280
Short-term loans & advances	301	446	466	598	544
Other current assets	9	28	38	75	48
Total	5,594	7,167	8,065	9,813	9,967

Workings from Balance Sheet	
Current market price of share	₹506.9
Common shares outstanding	15,871,324
Market value of equity	₹8,042 million
Net debt	₹2,000 million
EV	₹10,042 million
EV/Sales	0.43x
EV/EBITDA	5.23x
Price/EPS	10.81x

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2015; 1 EPS = earnings per share; FY = fiscal year; E = estimated.
Source: Created by the case authors using data from Minda Industries Ltd, "Equities, Analyze Minda Industries Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 7: COMPARABLE FINANCIALS FOR SONA KOYO STEERING SYSTEMS LIMITED

Income Statement (in ₹ millions except EPS)	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales	12,067	14,212	14,600	14,923	15,529
Other income	33	31	93	397	48
Total revenue	12,100	14,243	14,693	15,320	15,577
Operating expenses	10,608	12,464	12,953	13,138	13,371
EBITDA	1,459	1,748	1,647	1,785	2,158
Depreciation & amortization	377	457	585	679	1,037
Earnings before interest & taxes (EBIT)	1,115	1,322	1,155	1,503	1,169
Finance costs	437	459	411	392	311
Profit before tax & exceptional items	678	863	744	1,111	858
Exceptional items	58				
Tax expense	245	258	263	247	267
Net profit	491	605	481	864	591
(-) Share of profit transferred to minority	45	115	98	177	204
(+) Share of profit/loss of associate				(7)	(6)
Net profit for the year	446	490	383	680	381
EPS face value 1	2.2	2.4	1.9	3.4	1.9

Expected Income Statement Particulars (in ₹ millions except EPS)	FY2016 (E)	FY2017 (E)
Net sales	17,406	18,873
EBITDA	2,322	2,617
Net profit for the year	702	666
EPS	3.5	3.4

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2016; 1 EPS = earnings per share; FY = fiscal year; E = estimated.
Source: Sona Koyo Steering Systems Ltd, "Equities, Analyze Sona Koyo Steering Systems Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015; Sona Koyo Steering Systems Ltd, "Equities, Analyze Sona Koyo Steering Systems Ltd: Financial Analysis 2016(E)-2017(E)," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 8: BALANCE SHEET FOR SONA KOYO STEERING SYSTEMS LIMITED

Balance Sheet (in ₹ millions)	FY2011	FY2012	FY2013	FY2014	FY2015
Equities & liabilities					
Shareholders' funds					
Share capital	198	198	198	198	198
Reserves & surplus	1,857	2,193	2,423	2,890	3,035
Minority interest	382	508	607	785	985
Noncurrent liabilities					
Long-term borrowings	2,547	2,623	2,403	1,695	1,674
Deferred tax liabilities (net)	353	397	517	525	417
Long-term provisions	40	44	54	61	68
Other long-term liabilities	3	0.1	3	3	2
Current liabilities					
Short-term borrowings	322	352	703	653	424
Trade payables	1,937	2,033	1,935	1,951	1,926
Other current liabilities	809	995	1,442	1,398	1,202
Short-term provisions	196	185	189	227	199
Total	8,644	9,528	10,474	10,386	10,130
Assets					
Noncurrent assets					
Fixed assets					
Tangible assets	4,541	5,184	5,783	5,715	5,469
Intangible assets	142	264	286	302	372
Capital work in progress	146	398	254	632	490
Intangible assets under development	93	62	65	121	142
Goodwill on consolidation	11	15	24		
Noncurrent investments	295	295	295	9	12
Long-term loans & advances	214	226	137	103	72
Other noncurrent assets	3	3	4	4	4
Current assets					
Current investments					
Inventories	752	607	814	935	1,004
Trade receivables	1,617	1,752	2,274	2,082	1,892
Cash & bank balances	119	123	25	28	179
Short-term loans & advances	550	361	291	361	322
Other current assets	161	238	222	94	172
Total	8,644	9,528	10,474	10,386	10,130

Workings from Balance Sheet	
Current market price of share	₹50.4
Common shares outstanding	198,741,832
Market value of equity	₹10,017 million
Net debt	₹2,904 million
EV	₹12,921 million
EV/Sales	0.7x
EV/EBITDA	5.6x
Price/EPS	14.4x

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2015; 1 EPS = earnings per share; FY = fiscal year; E = estimated.
Source: Created by the case authors using Sona Koyo Steering Systems Ltd, "Equities, Analyze Sona Koyo Steering Systems Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 9: INCOME STATEMENT FOR TALBROS AUTOMOTIVE COMPONENTS LIMITED

Income Statement (in ₹ millions except EPS)	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales	3,208	3,754	3,447	3,659	3,887
Other income	50	39	62	71	96
Total revenue	3,258	3,793	3,509	3,730	3,983
Operating expenses	2,843	3,326	3,055	3,301	3,484
EBITDA	365	428	392	358	403
Depreciation & amortization	108	112	103	104	99
Earnings before interest & taxes (EBIT)	307	355	351	325	400
Finance costs	166	199	205	190	187
Profit before tax & exceptional items	141	156	146	135	213
Exceptional items				88	(18)
Tax expense	14	11	7	27	51
Net profit for the year	127	145	139	196	144
EPS face value 10	10.2	11.6	11.2	15.6	11.4

Expected Income Statement Particulars (in INR millions except EPS)	FY2016 (E)	FY2017 (E)
Net sales	4,600	5,460
EBITDA	540	700
Net profit for the year	210	310
EPS	17	25.1

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2016; 1 EPS = earnings per share; FY = fiscal year; E = estimated.

Source: Talbros Automotive Components Ltd, "Equities, Analyze Talbros Automotive Components Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015; Talbros Automotive Components Ltd, "Equities, Analyze Talbros Automotive Components Ltd: Financial Analysis 2016(E)-2017(E)," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 10: BALANCE SHEET FOR TALBROS AUTOMOTIVE COMPONENTS LIMITED

Balance Sheet (In ₹ millions)	FY2011	FY2012	FY2013	FY2014	FY2015
Equities & liabilities					
Shareholders' funds					
Share capital	123	123	123	123	123
Reserves & surplus	749	847	935	1,069	1,148
Noncurrent liabilities					
Long-term borrowings	343	327	257	309	317
Deferred tax liabilities (net)	71	76	65	52	47
Long-term provisions	39	32	39	40	41
Other long-term liabilities			12	6	3
Current liabilities					
Short-term borrowings	588	678	758	772	851
Trade payables	778	825	754	749	923
Other current liabilities	274	288	332	310	357
Short-term provisions	28	19	27	28	25
Total	2,993	3,215	3,302	3,458	3,835
Assets					
Noncurrent assets					
Fixed assets					
Tangible assets	1,046	1,063	1,013	1,038	1,110
Intangible assets	14	11	39	40	35
Capital work in progress	21	5	38	103	85
Intangible assets under development		1	4		4
Noncurrent investments	6	25	29	42	57
Long-term loans & advances	67	87	115	114	127
Other noncurrent assets		1	2	3	5
Current assets					
Current investments	9				
Inventories	856	989	1,065	1,068	1,275
Trade receivables	658	716	644	696	738
Cash & bank balances	57	76	89	81	103
Short-term loans & advances	251	235	255	264	287
Other current assets	8	6	9	9	9
Total	2,993	3,215	3,302	3,458	3,835

Workings from Balance Sheet	
Current market price of share	₹119
Common shares outstanding	12,345,630
Market value of equity	₹1,469 million
Net debt	₹1,065 million
EV	₹2,534 million
EV/Sales	0.55x
EV/EBITDA	4.7x
Price/EPS	7x

Note: ₹ = INR = Indian rupee. All currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 on March 31, 2011 to March 31, 2015; 1 EPS = earnings per share; FY = fiscal year; E = estimated.

Source: Created by the case authors using Talbro Automotive Components Ltd, "Equities, Analyze Talbro Automotive Components Ltd: Financial Analysis 2011-2015," Bloomberg L.P., accessed May 25, 2015.

EXHIBIT 11: COMPARISON OF BUSINESS DESCRIPTIONS FOR EACH FIRM**Munjal Showa Limited**

Munjal Showa Limited was established in 1985. It was started as a technical joint venture between Showa Corporation, Japan, and Hero Group.

Munjal Showa Limited manufactured auto components for two-wheelers and four-wheelers. Its product range consisted of front forks, shock absorbers, struts, gas springs, and window balancers for sale in the domestic market. The company had exports in Japan, Germany, the United States, and the United Kingdom. Its products also functioned as original equipment for companies like Maruti Suzuki (for its upper-end cars and exported models), Honda (for its city cars), Hero Honda Motorcycles, Kawasaki Bajaj Motorcycles, and Scooters India Private Limited. The company's manufacturing operations were spread across the states of Haryana and Uttarakhand.

Gabriel India Limited

Established in 1961, Gabriel India Limited had partnered with Maremont Corporation to manufacture shock absorbers. The company's product line included front forks and rear shock absorbers (for two-wheelers), McPherson struts and shock absorbers (for passenger cars), axles, cabin and seat dampers, suspension shock absorbers (for commercial vehicles), and shock absorbers (for railway coaches). Its major clients included two- and three-wheeler manufacturers (e.g., Bajaj, HMSI, Mahindra and Mahindra, Piaggio, Royal Enfield, Suzuki, TVS, Yamaha, and the after-market), passenger vehicle manufacturers (Bajaj, General Motors, Honda, Hyundai, Indian Railways, Mahindra and Mahindra, Maruti Suzuki, Piaggio, Renault, TATA Motors, Toyota, and Volkswagen), commercial vehicle manufacturers (Ashok Leyland, Asia Motor Works, Daimler-Bharat Benz, Force Motors, Indian Railways, Mahindra and Mahindra, MAN Trucks, Ride Control LLC, TATA Motors, VE Commercial Vehicles, and Wheels India Limited). The company had six manufacturing facilities (Pune, Khandsa, Nashik, Hosur, Dewas, and Parwanoo) and three satellite plants (Sanand, Malur, and Aurangabad).

Minda Industries Limited

Minda Industries Limited was established in 1992 as the flagship company of the UNO Minda Group. It was the largest manufacturer of automotive switches for two-wheelers, three-wheelers, and off-road vehicles in India. Sales to OEMs formed the largest revenue segment for the company, followed by the after-market and exports.

Some of its OEM customers were Bajaj Auto, Yamaha, Suzuki, Hero Motorcorp, HMSI, TVS, New Holland, Eicher, Mahindra and Mahindra, TAFE, and Royal Enfield.

Sona Koyo Steering Systems Limited

Sona Koyo Steering Systems Limited, established in 1985, was the flagship company of Sona Group and the largest manufacturer of steering systems in India, catering to passenger cars, utility vehicles, and light commercial vehicles. Some of its customers included major vehicle manufacturers in India, such as Maruti Suzuki, Toyota, Hyundai, Tata Motors, Mahindra and Mahindra, General Motors, and Mahindra-Renault. It also exported its products to the United States, Europe, and Japan.

Source: "Business Description of Companies," CMIE Prowess Database, accessed May 25, 2015.

EXHIBIT 12: CONTROL PREMIUM ANALYSIS

Target	Acquirer	Completion Date	Deal Value (in ₹ millions)	Offer Price (₹)	Premium	
					One Day Prior (%)	One month Prior (%)
Kar Mobiles Ltd (60.43%)	Rane Engine Valves Ltd	NA	460	150.50	48.94	40.79
JMT Auto Ltd (52.61%)	Amtek Auto Ltd	2013-01-13	2,440	148.70	34.39	50.96
Shanthy Gears Ltd (70.12%)	Tube Investments of India Ltd	2012-11-19	4,080	80.98	34.85	51.95
Igarashi Motors Ltd (51.9%)	Agile Electric Drives Technologies & Holdings Ltd	2011-03-31	760	76.30	69.15	-13.44
Automotive Stamping & Assemblies Ltd (37.5%)	Tata Autocomp Systems Ltd	NA	340	89.50	-5.29	-6.18
Amtek India Ltd (60.21%)	Amtek Auto Ltd	2010-12-15	9,400	70.40	-22.98	-28.20
Ahmednagar Forgings Ltd (47.4%)	Amtek Auto Ltd	NA	1,900	114.77	18.63	22.95

Source: "Mergers & Acquisition Deals in the Auto Parts & Equipment Industry in India 2005-2015," Merger Market Database, accessed May 25, 2015.

EXHIBIT 13: COMPARABLE TRANSACTIONS

Ann. Date	Completion Date	Target Company	Bidder Company	Deal Value (in ₹ millions)	EV (in ₹ millions)	Year 1 Ending Date	Sales (in ₹ millions)	EV/Sales Multiple	EV/EBITDA Multiple	PE Multiple
2014-05-20		Kar Mobiles Limited (60.43% stake)	Rane Engine Valve Limited	456	589.2	2014-03-31	1,201.7	0.49	7.01	24.47
2013-06-27	2013-10-03	JMT Auto Limited (52.61% stake)	Amtek Auto Limited	2,439	3,453.2	2013-03-31	3,350.2	1.03	6.17	18.07
2012-08-03	2012-08-03	Mag Engineering Private Limited (100% stake)	Sandhar Technologies Limited	700	700.0	2012-03-31	652.3	1.07	4.78	NA
2012-07-13	2012-11-19	Shanthi Gears Limited (70.12% stake)	Tube Investments of India Limited	4,081	6,058.2	2012-03-31	1,730.1	3.50	8.74	23.54
2012-01-05	2012-02-23	Trinity India Limited (78% stake)	Ring Plus Aqua Ltd.	741	893.2	2011-03-31	843.9	1.06	9.88	117.81
2010-12-10	2011-03-31	Igarashi Motors India Limited (51.9% stake)	Agile Electric Drives Technologies and Holdings Private Limited	776	1,523.4	2010-03-31	1,592.4	0.96	8.12	38.73
2008-08-01	2010-12-15	Amtek India Limited (60.21% stake)	Amtek Auto Limited	9,402	13,188.8	2008-06-30	13,189.1	1.00	2.56	6.15
2008-07-31		Ahmednagar Forgings Ltd (47.4% stake)	Amtek Auto Limited	1,900	5,025.5	2008-06-30	6,610.6	0.76	4.50	6.66

Source: "Mergers & Acquisition Deals in the Auto Parts & Equipment Industry in India 2005-2015," Merger Market Database, accessed May 25, 2015.