

March 14, 2022

## Growth, margin concerns resurface for auto sector amid prevailing geopolitical crises...

The automobile sector is an important constituent of domestic manufacturing economy; however, it has been facing a lot of unsettling bumps on the road over the past few years. These included revised axle load norms for the CV space, mandatory long term third party insurance at the time of new vehicle purchase, change in emission norms from BS-IV to BS-VI, Covid-19 led volume disruptions, spike in fuel prices, shortages of semiconductor chip and recent commodity inflation led increase in vehicle prices. This has led to high double digit increase in vehicle prices with consequent domestic sales volume declining in excess of ~30% from the past peak attained in FY19. As things were settling down, with 4-W and CV space depicting clear signs of revival, the industry is now witnessing geopolitical crises leading to further rise in commodity prices, re-surfaced chip availability concerns. However, the situation is quiet fragile and volatile with either side sharp move in commodity prices making it difficult to incorporate the same in our numbers. However, with near term disruption at bay, we build in **lower volume growth & gross margins (~50-60 bps)** for our coverage companies, going forward. Consequently, we **downgrade** our **earnings estimates by ~8-10% along with target prices**. Directional call, however, stays broadly the same wherein we are **positive on M&M, Tata Motors and Ashok Leyland** in OEM space while we ascribe **neutral stance on 2-W pack, Maruti, Escorts**.

### Resurfaced chip availability concerns amid geopolitical issues

**Russia** is the largest producer (~40% share in global production) of **rare earth metal "palladium"**, which is used in manufacturing of semiconductor. Further **Ukraine** is the largest producer of **neon gas**, which is another important component for semiconductor (chip) manufacturing. Therefore, any supply chain disruption of these critical raw materials in this space would impact the availability of chips, resulting in an adverse impact on OEM volumes and associated productivity.

### Rise in Brent crude to impact margins as well as demand...

Russia is a major supplier of oil & gas to the world, especially Europe. Its share in global oil & gas production is pegged at ~12-13% while it meets ~31-33% of Europe's energy requirement. Consequent to the prevailing geopolitical crises, Brent oil prices are currently trading at ~US\$110/bb vs. ~\$79/bb average recorded in Q3FY22. Therefore, a **domestic fuel price hike is expected anytime soon**. Rise in Brent crude will have an adverse impact on the raw material front on account of use of **plastics in automobiles and crude derivatives in the tyre space**. In addition to this, rise in fuel prices also have an impact on customer purchase decision for new vehicle as it increases the trade-off between personal mobility and public transportation (more preferred). This is expected to impact demand in the near term especially across the entry level segment in 2-W & PV space.

### With EV transition underway, remain positive on PV & CV space

Daily Vahan registration depict vehicle retails at ~80-85% of pre Covid levels, implying that the industry is still recovering from repercussions of Covid-19. It is primarily dampened by muted demand in the 2-W space. Going forward, led by pent-up demand & low base, we expect the domestic automobile industry to grow in double digit in FY23E. **Electrification**, as a trend, is rapidly gaining traction with both centre as well as state governments supporting the space across the ecosystem (demand incentives, charging infrastructure, etc.). **As a category we remain positive on the PV and CV space amid need for personal mobility & cyclical recovery underway (capex beneficiary) respectively in these domains**. We reiterate our preference for business models that are capital efficient in nature, have healthy balance sheet, are readily adopting EV transition and possess growth longevity.

#### Sector View: Neutral

##### ICICI Direct Auto OEM universe (change in rating)

Company	Old Rating	New Rating
Maruti Suzuki	Hold	Hold
Tata Motors	Buy	Buy
M&M	Buy	Buy
Bajaj Auto	Hold	Hold
Hero MotoCorp	Hold	Hold
Ashok Leyland	Buy	Buy
Eicher Motors	Hold	Hold
Escorts	Buy	Hold

##### ICICI Direct Auto OEM universe (change in targets)

Company	CMP (₹/share)	Old Target (₹/share)	New Target (₹/share)	Upside (%)
Maruti Suzuki	7,105	8,760	7,750	9%
Tata Motors	420	625	550	31%
M&M	735	1,125	1,045	42%
Bajaj Auto	3,425	3,460	3,370	-2%
Hero MotoCorp	2,330	3,000	2,515	8%
Ashok Leyland	105	165	140	33%
Eicher Motors	2,290	2,790	2,535	11%
Escorts	1,820	2,200	2,050	13%

#### Top OEM Picks:

- M&M
- Tata Motors
- Ashok Leyland

#### Key risks for sector

- (1) Elongated supply chain disruption on semi-conductor (chip) side
- (2) Substantial, sustainable rise in commodity prices further impacting gross margins

#### Research Analysts

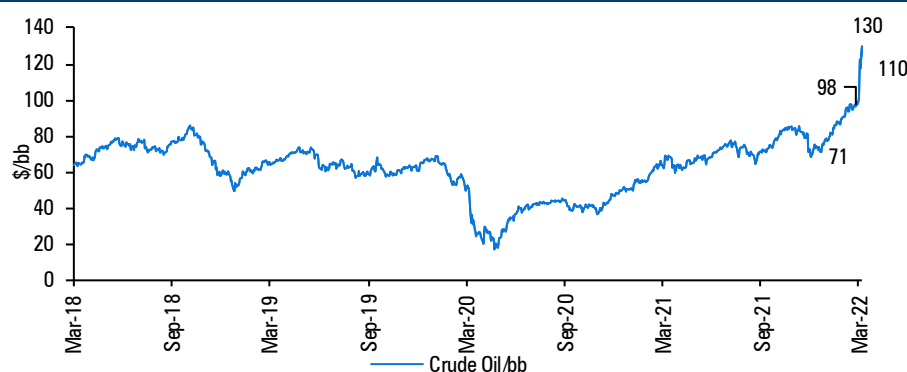
Shashank Kanodia, CFA  
shashank.kanodia@icicisecurities.com

Raghvendra Goyal  
raghvendra.goyal@icicisecurities.com

## Key commodity prices...

Steel, aluminium and plastics form a large chunk of raw material costs for manufacturing of vehicles. Steel & aluminium together comprise ~60-70% of raw material cost, both of which have witnessed steep price increase reaching ~₹80,500/ton & ~\$3460/ton respectively. Brent crude oil also sky-rocketed (~\$130/bb) amid the geopolitical crisis, with current trading price at ~\$110/bb.

Exhibit 1: Brent crude oil chart



Source: Bloomberg, ICICI Direct Research

Crude during Q3FY22 was trading at average price on \$79/bb vs. average of \$94/bb YTD CY22. Currently it is trading at ~\$110/bb

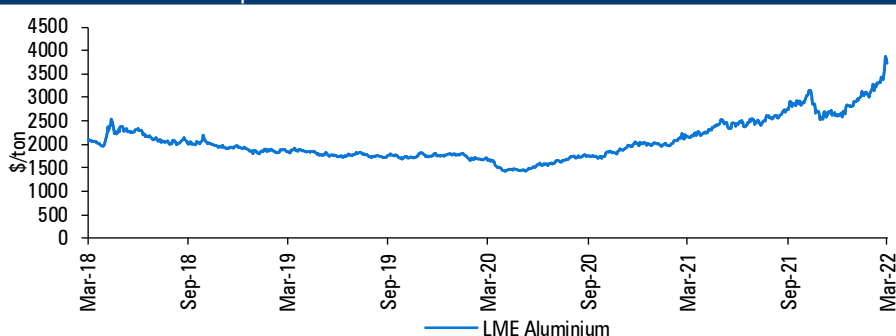
Exhibit 2: Steel (CRC) price chart



Source: Bloomberg, ICICI Direct Research

Steel during Q3FY22 was trading at average price on ₹74,400/ton vs. average of ₹71,450/ton YTD CY22. Currently, it is trading at ~₹80,500/tonne.

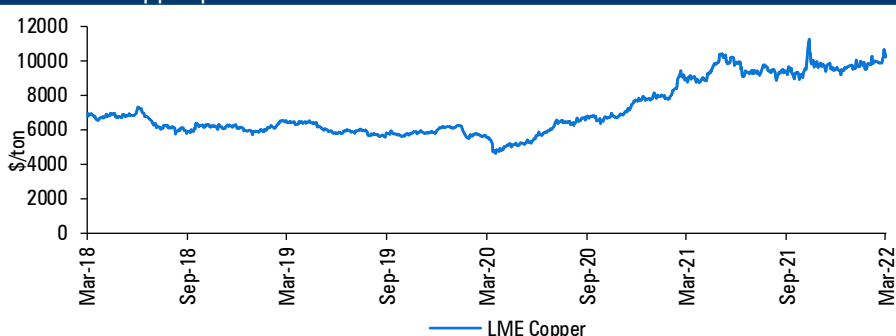
Exhibit 3: Aluminium price chart



Source: Bloomberg, ICICI Direct Research

Aluminium during Q3FY22 was trading at average price on \$2,754/ton vs. average of \$3,188/ton YTD CY22. Currently, it is trading at ~\$3,460/tonne

Exhibit 4: Copper price chart



Source: Bloomberg, ICICI Direct Research

Copper during Q3FY22 was trading at average price on \$9,704/ton vs average of \$9,914/ton YTD CY22. Currently it is trading at ~\$10,151/tonne

## Third party insurance premium increase: minimal impact seen

Recently, MoRTH, in consultation with IRDA, has come out with a draft notification depicting an increase in prices of third party motor insurance across all segments effective from FY22-23 (April 2022). To promote clean mobility, it also proposes to offer a discount of 15% for EVs and a discount of 7.5% for hybrid vehicles on premium amount.

Exhibit 5: Impact on PV (new vehicle purchase)

New Private Car - Three year Single Premium					
Category	Old rate (in ₹)	New rate (in ₹)	Absolute Increase (in ₹)	% Increase	% Share of total segment sales
< 1000 cc	5,286	6,521	1,235	23.4	9.8
> 1000 cc but < =1500 cc	9,534	10,640	1,106	11.6	83.6
> 1500 cc	24,305	24,596	291	1.2	6.5
<b>Average Increase (in ₹)</b>					<b>1,065</b>
<b>Average on-road prevailing price of a passenger car (in ₹)</b>					<b>7,00,000</b>
<b>% of on-road price</b>					<b>0.2%</b>

Source: MoRTH, ICICI Direct Research

Exhibit 6: Impact on 2W (new vehicle purchase)

New Two Wheeler (2-W) - Five year Single Premium					
Category	Old rate (in ₹)	New rate (in ₹)	Absolute Increase (in ₹)	% Increase	% Share of total segment sales
< 75 cc	1,045	2,901	1,856	177.6	-
> 75 cc but < = 150 cc	3,285	3,851	566	17.2	88.8
> 150 cc but < = 350 cc	5,453	7,365	1,912	35.1	10.9
> 350 cc	13,034.0	15,117.0	2,083	16.0	0.3
<b>Average Increase (in ₹)</b>					<b>717</b>
<b>Average on-road prevailing price of a passenger car (in ₹)</b>					<b>70,000</b>
<b>% of on-road price</b>					<b>1.0%</b>

Source: MoRTH, ICICI Direct Research

Exhibit 7: Renewal premium for PV (annual)

Category	Old rate (in ₹)	New rate (in ₹)	Absolute Increase (in ₹)	% Increase
< 1000 cc	2,072	2,094	22	1.1
> 1000 cc but < =1500 cc	3,221	3,416	195	6.1
> 1500 cc	7,890	7,897	7	0.1

Source: MoRTH, ICICI Direct Research

Exhibit 8: Renewal premium for 2-W (annual)

Category	Old rate (in ₹)	New rate (in ₹)	Absolute Increase (in ₹)	% Increase
< 75 cc	482	538	56	11.6
> 75 cc but < = 150 cc	752	714	(38)	(5.1)
> 150 cc but < = 350 cc	1,193	1,366	173	14.5
> 350cc	2,323.0	2,804.0	481	20.7

Source: MoRTH, ICICI Direct Research

Exhibit 9: Premium for electric PV (three-year single premium)

Battery Capacity	Old rate (in ₹)	New rate (in ₹)	Absolute Increase (in ₹)	% Increase
< 30 Kw	4,493	5,543	1,050	23.4
> 30 kw but < =65 kw	8,104	9,044	940	11.6
> 65 kw	20,659	20,907	248	1.2

Source: MoRTH, ICICI Direct Research

Exhibit 10: Premium for E-2W (five-year single premium)

Battery Capacity	Old rate (in ₹)	New rate (in ₹)	Absolute Increase (in ₹)	% Increase
< 3 kw	888	2,466	1,578	177.7
> 3 kw but < = 7 kw	2,792	3,273	481	17.2
> 7 kw but < = 16 kw	4,635	6,260	1,625	35.1
> 16 kw	11,079.0	12,849.0	1,770	16.0

Source: MoRTH, ICICI Direct Research

The present hike comes after a hiatus of almost two years due to the ongoing Covid-19 led disruptions. On the face, such a hike (in %) seems to be in double digit for most of segments particularly across PV & 2-W category. However, in blended terms the same amounts to ~0.2% of on road price for PV (blended rise of ₹ 1065/unit) & ~1% of on road price for 2-W (blended rise of ₹ 717/unit). We believe such a hike is nominal in nature and will not have any meaningful negative impact on demand prospects

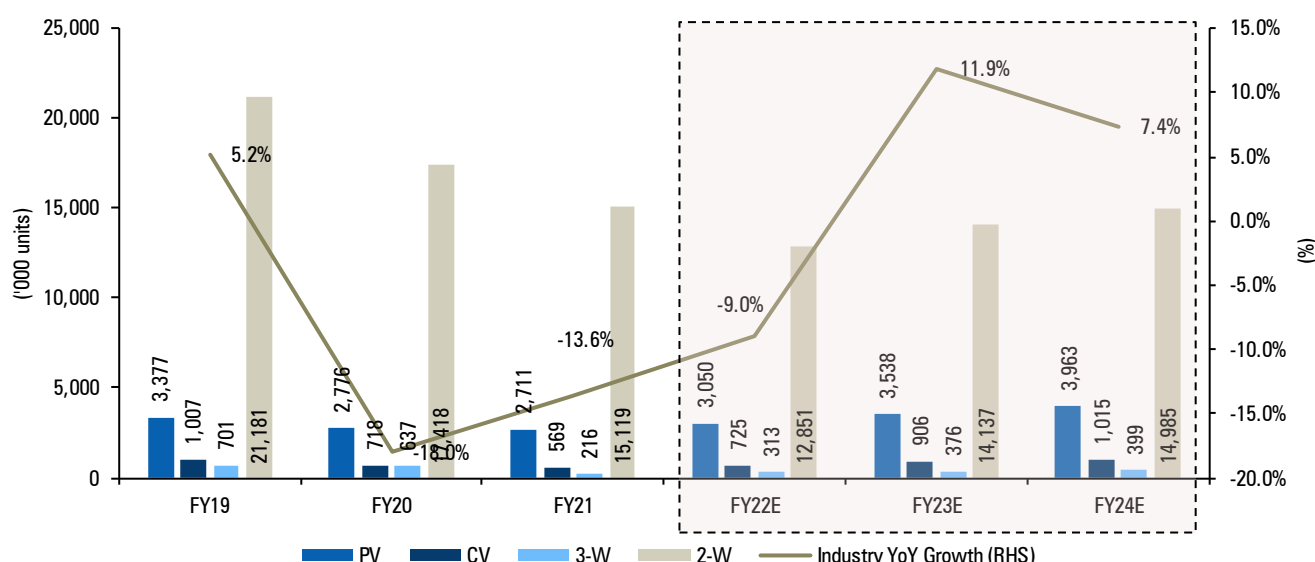
## Outlook – What’s in store?

With 11 month’s data points already released, domestic automobile sales are expected to decline ~9% on a YoY basis in FY22E, primarily tracking double digit decline in the 2-W space (down ~15% YoY) with constitutes large chunk of volume pie (~76%) amid healthy double digit growth in rest of the segments propelled by need for personal mobility and recovery from low base. The near term volumes could be impacted by re-surfaced concerns over semiconductor supply. However, we believe the situation will normalise from Q1FY23 onwards with healthy double digit volume growth expected in FY23E at ~12% YoY. It will be broadly aided by low base following three years of decline, favourable demographics, expected economic growth and a renewed focus on personal mobility. We expect the automotive industry to post ~9.6% volume CAGR (domestic) over FY22E-24E, with CV space seen as an outsized beneficiary of (a) the government’s infrastructure expenditure and (b) revival in private capex cycle.

### I-direct volume growth expectations

Domestic Volume Growth (YoY)				
Category	FY21	FY22E	FY23E	FY24E
2-W	-13.2%	-15.0%	10.0%	6.0%
3-W	-66.0%	45.0%	20.0%	6.0%
PV	-2.3%	12.5%	16.0%	12.0%
CV	-20.8%	27.5%	25.0%	12.0%
<b>Total Industry</b>	<b>-13.6%</b>	<b>-9.0%</b>	<b>11.9%</b>	<b>7.4%</b>
<b>Tractors</b>	<b>26.9%</b>	<b>-8.0%</b>	<b>6.0%</b>	<b>7.0%</b>

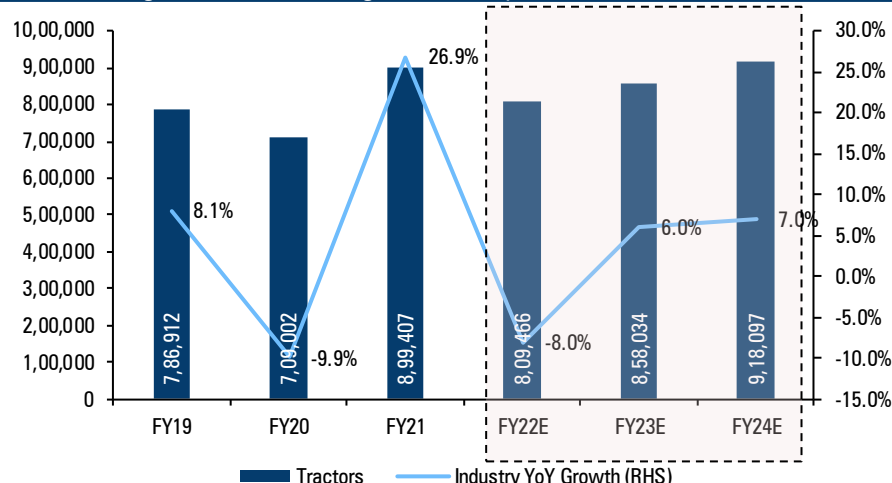
Exhibit 11: Volume growth expectations at industry level over FY21-24E (domestic sales)



Source: Siam, ICICI Direct Research; Note – excludes Quadricycles

On a very high base of FY21, tractor industry volumes are seen declining ~8% YoY in FY22E, post which they are expected to grow at their long term growth trend of ~6-7% CAGR over FY22E-24E. It will be broadly aided by favourable macroeconomic factors i.e. government support to rural incomes and infra development, high crop production and normal monsoons.

Exhibit 12: High base seen leading to steadier performance for tractors



Source: Crisil Research, ICICI Direct Research

## Impact: Auto &amp; Auto Ancillaries Coverage Universe

## Maruti Suzuki (MSIL)

Maruti Suzuki (MSIL) is the market leader in the domestic passenger vehicle (PV) space with market share pegged at ~48% as of FY21 and popular models being Alto, WagonR, Swift, Brezza, Baleno, Ertiga, etc., among others. Also, the company's market share passenger car sub-segment is pegged at ~62%, SUVs are pegged at ~22% & vans at ~97%.

- MSIL's approach towards green mobility is through the CNG route wherein it is expanding its portfolio by adding CNG trims of existing products with penetration now at ~15% of its overall portfolio. Its most recent launch in this space was compact sedan i.e. Dzire
- MSIL is yet to affirm on laying down its plan on electric mobility
- With recent model refreshes as well as new product launches we expect it to report double digit volume growth over FY21-24E
- The present product mix at MSIL is tilted more towards Mini & Compact segment rather than the hot selling SUV space. However, MSIL has planned new product launches under this category and would be one of the key monitorables for the company, going forward

MSIL could be potentially impacted by both chip shortages as well as rise in commodity led raw material prices leading to downward revision in our sales volume as well as margin estimates, going forward. For MSIL, we now build in 13.7% volume CAGR over FY21-24E (earlier 14.8%). Sales, PAT CAGR in the aforesaid period is now at 20%, 22.7%, respectively. We now value MSIL at ₹ 7,750 i.e. 30x P/E on FY24E EPS of ₹ 258/share and assign HOLD rating to the stock (earlier TP, rating: ₹ 8,760, HOLD, respectively).



Particulars	
Particular	₹ crore
Market Capitalization	2,14,628
Total Debt (FY21)	489
Cash & Investment (FY21)	43,607
EV	1,71,510
52 week H/L (₹)	9022 / 6400
Equity capital	₹ 151 Crore
Face value	₹ 5

*We expect MSIL to clock total sales volume of 19.1 lakh units in FY23E vs. 16.2 lakh units in FY22E and 14.6 lakh units in FY21. FY24E volume estimates are placed at 21.4 lakh units (up 12% YoY)*

## Exhibit 13: Revised financial summary for MSIL

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	86,020.3	75,610.6	70,332.5	4.0%	86,734.9	1,06,300.3	1,21,514.6	20.0%
EBITDA	10,999.3	7,302.6	5,345.3	-9.9%	5,036.7	8,011.1	10,985.6	27.1%
EBITDA Margins (%)	12.8	9.7	7.6		5.8	7.5	9.0	
Net Profit	7,500.6	5,650.6	4,229.7	-1.5%	3,175.5	5,448.4	7,806.8	22.7%
EPS (₹)	248.3	187.1	140.0		105.1	180.4	258.4	
P/E	28.6	38.0	50.7		67.6	39.4	27.5	
RoNW (%)	16.3	11.7	8.2		5.9	9.5	12.5	
RoIC (%)	68.6	26.8	24.2		17.5	33.5	52.1	

Source: Company, ICICI Direct Research

## Exhibit 14: Change in Estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Total Operating Income	88,693	86,735	-2.2	1,09,785	1,06,300	-3.2	1,25,190	1,21,515	-2.9
EBITDA	5,432	5,037	-7.3	9,499	8,011	-15.7	12,287	10,986	-10.6
EBITDA Margin (%)	6.1	5.8	-32 bps	8.7	7.5	-112 bps	9.8	9.0	-77 bps
PAT	3,463	3,176	-8.3	6,575.0	5,448	-17.1	8,818	7,807	-11.5
EPS (₹)	115	105	-8.3	218.0	180	-17.1	292	258	-11.5

Source: ICICI Direct Research

## Financial Summary (MSIL)

Exhibit 15: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Total operating Income</b>	<b>70,333</b>	<b>86,735</b>	<b>1,06,300</b>	<b>1,21,515</b>	
Growth (%)	-7.0	23.3	22.6	14.3	
Raw Material Expenses	50,817	65,288	79,864	90,277	
Employee Expenses	3,403	3,980	4,252	4,629	
Other expenses	10,767	12,431	14,173	15,623	
Total Operating Expenditure	64,987	81,698	98,289	1,10,529	
<b>EBITDA</b>	<b>5345.3</b>	<b>5036.7</b>	<b>8011.1</b>	<b>10985.6</b>	
Growth (%)	-27	-6	59	37	
Depreciation	3,032	2,776	2,976	3,159	
Interest	101	91	82	73	
Other Income	2,946	1,824	2,077	2,321	
PBT	5,159	3,995	7,030	10,073	
Total Tax	930	819	1,582	2,266	
Tax Rate (%)	18.0	20.5	22.5	22.5	
<b>PAT</b>	<b>4229.7</b>	<b>3175.5</b>	<b>5448.4</b>	<b>7806.8</b>	
Growth (%)	-25.1	-24.9	71.6	43.3	
<b>EPS (₹)</b>	<b>140.0</b>	<b>105.1</b>	<b>180.4</b>	<b>258.4</b>	

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Profit after Tax</b>	<b>4,230</b>	<b>3,176</b>	<b>5,448</b>	<b>7,807</b>	
Add: Depreciation	3,032	2,776	2,976	3,159	
Sub: Other Income	2,946	1,824	2,077	2,321	
(Inc)/dec in Current Assets	113	-1,780	-2,580	-1,637	
Inc/(dec) in CL and Provisions	4,429	1,160	2,847	2,809	
Others	101	91	82	73	
<b>CF from operating activities</b>	<b>8957.9</b>	<b>3597.7</b>	<b>6696.8</b>	<b>9891.5</b>	
(Inc)/dec in Investments	-4,762	1,500	-2,250	-5,000	
(Inc)/dec in Fixed Assets	-2,360	-5,500	-4,000	-4,000	
Others	-749	-310	-310	-310	
Add: Other income	2,946	1,824	2,077	2,321	
<b>CF from investing activities</b>	<b>-4924.4</b>	<b>-2485.7</b>	<b>-4483.0</b>	<b>-6989.5</b>	
Issue/(Buy back) of Equity	0	0	0	0	
Inc/(dec) in loan funds	383	-100	-100	-100	
Dividend paid & dividend tax	-1,359	-1,057	-1,812	-2,568	
Others	-41	-91	-82	-73	
<b>CF from financing activities</b>	<b>-1018.3</b>	<b>-1248.0</b>	<b>-1994.1</b>	<b>-2741.2</b>	
Net Cash flow	3,015	-136	220	161	
Opening Cash	21	3,036	2,900	3,120	
<b>Closing Cash</b>	<b>3036.4</b>	<b>2900.3</b>	<b>3120.0</b>	<b>3280.8</b>	

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	151	151	151	151	
Reserve and Surplus	51,216	53,334	56,970	62,209	
<b>Total Shareholders funds</b>	<b>51366.8</b>	<b>53485.0</b>	<b>57120.9</b>	<b>62360.0</b>	
Total Debt	489	389	289	189	
Deferred Tax Liability	385	385	385	385	
Others Liabilities	2,209	2,249	2,289	2,329	
<b>Total Liabilities</b>	<b>54449.5</b>	<b>56507.7</b>	<b>60083.6</b>	<b>65262.7</b>	
<b>Assets</b>					
Gross Block	32,896	38,088	43,088	47,088	
Less: Acc Depreciation	17,641	20,417	23,393	26,552	
<b>Net Block</b>	<b>15254.5</b>	<b>17671.3</b>	<b>19694.9</b>	<b>20535.5</b>	
Capital WIP	1,192	1,500	500	500	
Total Fixed Assets	16,447	19,171	20,195	21,035	
<b>Investments</b>	<b>41786.7</b>	<b>40536.7</b>	<b>43036.7</b>	<b>48286.7</b>	
Inventory	3,050	3,564	4,369	4,994	
Debtors	1,277	1,901	2,912	3,329	
Loans and Advances	23	28	35	40	
Other Current Assets	2,725	3,361	4,119	4,708	
<b>Cash</b>	<b>3036.4</b>	<b>2900.3</b>	<b>3120.0</b>	<b>3280.8</b>	
Total Current Assets	10,111	11,755	14,554	16,351	
Creditors	10,162	10,218	11,649	13,317	
Provisions	742	746	850	972	
Other current Liabilities	4,715	5,814	7,126	8,145	
Total Current Liabilities	15,618	16,778	19,625	22,434	
<b>Net Current Assets</b>	<b>-5506.9</b>	<b>-5023.2</b>	<b>-5071.0</b>	<b>-6082.6</b>	
Other Assets	1,723	1,823	1,923	2,023	
<b>Application of Funds</b>	<b>54449.5</b>	<b>56507.7</b>	<b>60083.6</b>	<b>65262.7</b>	

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	140.0	105.1	180.4	258.4
Cash EPS	240.4	197.0	278.9	363.0
BV	1,700.4	1,770.6	1,890.9	2,064.4
DPS	45.0	35.0	60.0	85.0
Cash Per Share	1,443.6	1,389.4	1,471.1	1,642.0
<b>Operating Ratios</b>				
EBITDA Margin (%)	7.6	5.8	7.5	9.0
PBIT / Net sales (%)	3.3	2.6	4.7	6.4
PAT Margin (%)	6.0	3.7	5.1	6.4
Inventory days	15.8	15.0	15.0	15.0
Debtor days	6.6	8.0	10.0	10.0
Creditor days	52.7	43.0	40.0	40.0
<b>Return Ratios (%)</b>				
RoE	8.2	5.9	9.5	12.5
RoCE	4.3	4.0	8.4	12.0
RoIC	24.2	17.5	33.5	52.1
<b>Valuation Ratios (x)</b>				
P/E	50.7	67.6	39.4	27.5
EV / EBITDA	32.1	34.4	21.3	15.0
EV / Net Sales	2.4	2.0	1.6	1.4
Market Cap / Sales	3.1	2.5	2.0	1.8
Price to Book Value	4.2	4.0	3.8	3.4
<b>Solvency Ratios</b>				
Debt/EBITDA	0.1	0.1	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.6	0.8	0.9	0.9
<b>Quick Ratio</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>

Source: Company, ICICI Direct Research



## Tata Motors (TML)

Tata Motors (TML) is an auto OEM from the house of Tatas, operating in domestic (PV, CV) as well as global markets (Jaguar Land Rover i.e. JLR). JLR is a luxury car brand, which includes two prominent names i.e. Jaguar (models like I-pace, etc) and Land Rover (models like Defender, Evoque, etc). On a consolidated basis TML derives ~78% of its revenues from JLR (manufacturing base in Europe) and ~22% from Indian operations (CV+PV)

- TML has been at the forefront of electrification, with electric PV sales in India at ~15,000 units (~82% of market share) on FY22E YTD basis. Further, it plans to launch 10 new models by 2025 in India and go all electric at Jaguar sub-brand in its foreign subsidiary JLR by 2025 along with six BEVs in Land Rover in the next five years
- TML has witnessed runaway success at its Indian PV arm with innovative feature rich and consumer centric product launches with channel inventory < six days at beginning of Q4FY22 and market share at ~13% as of 9MFY22 vs. ~8-9% as of FY21
- TML witnessed chip constraints at its JLR arm with subdued volumes in Q2-Q3FY22. The management at JLR has guided for a gradual improvement in production levels amid improving chip availability

Going forward, we believe JLR could be adversely impacted due to ongoing geopolitical crises given its production base in Europe, which is reasonably dependent on Russian oil & gas resources for its energy needs. Moreover, demand sentiments could also take a knock off momentarily amid such times of uncertainty. At the consolidated level, as an entity, TML could witness pressure on volumes and profitability due to re-surfaced chip availability concerns & rise in key commodity prices respectively. Consequently, we downward revise our sales and margins estimates, going forward. However, we derive comfort from TML's long term target of healthy profitability, healthy FCF generation and consequent tapering of debt on b/s. Hence, we retain BUY rating on TML with SOTP based target price of ₹ 550

**TATA MOTORS**  
Connecting Aspirations

Particulars	
Particular	₹ crore
Market Capitalization	1,60,818
Total Debt (FY21)	1,35,905
Cash and Investments (FY21)	65,844
EV (FY21)	2,30,879
52 week H/L (₹)	537 / 268
Equity capital (₹ crore)	765.8
Face value (₹)	2.0

*On the CV front TML continues to dominate in terms of market share & continues to ride on double digit growth trajectory amidst cyclical upswing in CV space supported by increased government capex spends.*

### Exhibit 19: Revised financial summary for TML

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	3,01,938.4	2,61,068.0	2,49,794.8	-1.9%	2,74,355.0	3,55,895.0	3,96,314.5	16.6%
EBITDA	29,794.8	23,914.1	35,782.0	-3.1%	30,436.6	42,558.4	53,492.5	14.3%
EBITDA Margins (%)	9.9	9.2	14.3		11.1	12.0	13.5	
Net Profit	(28,724.2)	(11,975.4)	(13,395.0)	PL	(11,869.3)	2,808.1	10,242.8	LP
EPS (₹)	(79.8)	(33.3)	(35.0)		(31.0)	7.3	26.8	
P/E	(5.3)	(12.6)	(12.0)		(13.5)	57.3	15.7	
RoNW (%)	(47.3)	(18.7)	(23.6)		(26.4)	5.9	18.0	
RoCE (%)	3.7	1.3	6.3		3.1	9.5	15.1	

Source: Company, ICICI Direct Research

### Exhibit 20: Change in Estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	2,74,589	2,74,355	-0.1	3,61,359	3,55,895	-1.5	4,02,374.0	3,96,314.5	-1.5
EBITDA	31,453	30,437	-3.2	47,958	42,558	-11.3	56,489.0	53,492.5	-5.3
EBITDA Margin (%)	11.5	11.1	-41 bps	13.3	12.0	-134 bps	14.0	13.5	-50 bps
PAT	-11,213	-11,869	-5.9	6,423	2,808	-56.3	12,148.0	10,242.8	-15.7
EPS (₹)	(29.3)	(31.0)	-5.9	16.8	7.3	-56.3	31.7	26.8	-15.7

Source: ICICI Direct Research

### Exhibit 21: SoTP Valuation

Particulars	Parameters	EBITDA	Multiple	Per Share Equity Value
Tata Motors Core business	FY24E EV/EBITDA	6,263	13.0	194
JLR	FY24E Adj EV/EBITDA	37,285	3.5	177
India EV business	~11% stake sale @₹7,500	NA	NA	158
Other Investments	3x P/B on FY21	2,369	3.0	21
<b>Total value per share</b>				<b>550</b>

Source: ICICI Direct Research

## Financial Summary (TML)

Exhibit 22: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Total operating Income	2,49,795	2,74,355	3,55,895	3,96,315	
Growth (%)	-4.3	9.8	29.7	11.4	
Raw Material Expenses	1,58,291	1,79,746	2,35,855	2,62,671	
Employee Expenses	27,648	30,607	32,704	33,514	
Marketing Expenses	40,922	47,759	62,572	66,453	
Capitalised Expenses	-12,849	-14,193	-17,795	-19,816	
Total Operating Expenditure	2,14,013	2,43,918	3,13,337	3,42,822	
<b>EBITDA</b>	<b>35,782</b>	<b>30,437</b>	<b>42,558</b>	<b>53,492</b>	
Growth (%)	49.6	-14.9	39.8	25.7	
Product development Exp	5227	8527	8211	9753	
Depreciation	23547	24418	24913	25760	
Interest	8097	9159	8807	8119	
Other Income	2643	2843	3004	3190	
<b>PBT</b>	<b>8,513</b>	<b>68</b>	<b>11,843</b>	<b>22,803</b>	
Minority Interest	0	142	200	220	
Total Tax	2542	3131	726	2936	
<b>Reported PAT</b>	<b>(13,395)</b>	<b>(11,869)</b>	<b>2,808</b>	<b>10,243</b>	
Growth (%)	NM	LP	-123.7	264.8	
<b>EPS (₹)</b>	<b>(35.0)</b>	<b>(31.0)</b>	<b>7.3</b>	<b>26.8</b>	

Source: Company, ICICI Direct Research

Exhibit 23: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit after Tax	(13,395.0)	(11,869.3)	2,808.1	10,242.8	
Add: Depreciation	23,547	24,418	24,913	25,760	
(Inc)/dec in Current Assets	-6,045	-4,693	-19,719	-9,497	
Inc/(dec) in CL and Provisions	9,999	3,575	26,857	15,527	
Others	21,444	4,159	8,807	8,119	
<b>CF from operating activities</b>	<b>35,549</b>	<b>15,589</b>	<b>43,665</b>	<b>50,152</b>	
(Inc)/dec in Investments	-8,312	11,750	-750	-5,000	
(Inc)/dec in Fixed Assets	-33,809	-25,200	-28,000	-25,000	
Others	4,317	-4,314	4,586	1,769	
<b>CF from investing activities</b>	<b>(37,803)</b>	<b>(17,764)</b>	<b>(24,164)</b>	<b>(28,231)</b>	
Issue/(Buy back) of Equity	46	0	0	0	
Inc/(dec) in loan funds	17,094	10,000	-10,000	-12,000	
Dividend paid & dividend tax	0	0	0	0	
Inc/(dec) in Sec. premium	3,424	0	0	0	
Others (incl finance costs)	-5,244	-9,159	-8,807	-9,268	
<b>CF from financing activities</b>	<b>15,320</b>	<b>841</b>	<b>(18,807)</b>	<b>(21,268)</b>	
Net Cash flow	13,066	-1,333	694	653	
Opening Cash	33,727	46,792	45,459	46,153	
<b>Closing Cash</b>	<b>46,792</b>	<b>45,459</b>	<b>46,153</b>	<b>46,806</b>	

Source: Company, ICICI Direct Research

Exhibit 24: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Liabilities					
Equity Capital	766	766	766	766	
Reserve and Surplus	54,481	42,612	45,420	54,514	
Others	1,574	1,574	1,574	1,574	
<b>Total Shareholders funds</b>	<b>56,820</b>	<b>44,951</b>	<b>47,759</b>	<b>56,853</b>	
Total Debt	1,35,905	1,45,905	1,35,905	1,23,905	
Deferred Tax Liability	1,556	1,709	2,217	2,469	
Long term provisions	13,607	12,201	15,827	17,625	
Minority Interest / Others	21,095	20,426	26,496	29,505	
<b>Total Liabilities</b>	<b>2,28,982</b>	<b>2,25,191</b>	<b>2,28,204</b>	<b>2,30,356</b>	
Assets					
Gross Block	3,46,703	3,81,903	4,14,903	4,44,903	
Less: Acc Depreciation	2,08,799	2,33,217	2,58,129	2,83,890	
Net Block	1,37,904	1,48,686	1,56,774	1,61,013	
Capital WIP	20,964	15,964	10,964	5,964	
<b>Total Fixed Assets</b>	<b>1,58,868</b>	<b>1,64,650</b>	<b>1,67,738</b>	<b>1,66,977</b>	
Investments	24,620	12,870	13,620	18,620	
Inventory	36,089	39,086	50,703	56,461	
Debtors	12,679	13,530	17,551	19,544	
Loans and Advances	1,749	1,921	2,492	2,776	
<b>Cash</b>	<b>46,792</b>	<b>45,459</b>	<b>46,153</b>	<b>46,806</b>	
Total Current Assets	1,27,836	1,31,197	1,51,610	1,61,760	
Creditors	68,180	71,407	87,755	97,721	
Provisions	12,848	13,456	16,537	18,415	
Total Current Liabilities	1,14,143	1,17,719	1,44,576	1,60,103	
<b>Net Current Assets</b>	<b>13,693</b>	<b>13,478</b>	<b>7,034</b>	<b>1,657</b>	
Deferred Tax Asset	4,520	4,965	6,440	7,172	
<b>Application of Funds</b>	<b>2,28,982</b>	<b>2,25,191</b>	<b>2,28,204</b>	<b>2,30,356</b>	

Source: Company, ICICI Direct Research

Exhibit 25: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	-35.0	-31.0	7.3	26.8
Cash EPS	26.5	32.8	72.4	94.0
BV	148.4	117.4	124.7	148.5
DPS	0.0	0.0	0.0	0.0
Cash Per Share	172.0	137.1	140.3	141.3
<b>Operating Ratios</b>				
EBITDA Margin (%)	14.3	11.1	12.0	13.5
PBT / Net sales (%)	4.9	2.2	5.0	7.0
PAT Margin (%)	-5.4	-4.3	-0.5	1.9
Inventory days	52.7	52.0	52.0	52.0
Debtor days	18.5	18.0	18.0	18.0
Creditor days	99.6	95.0	90.0	90.0
<b>Return Ratios (%)</b>				
RoE	-23.6	-26.4	5.9	18.0
RoCE	6.3	3.1	9.5	15.1
RoIC	11.4	4.9	14.6	22.5
<b>Valuation Ratios (x)</b>				
P/E (adjusted)	NM	NM	17.1	9.0
EV / EBITDA	6.5	8.4	5.7	4.3
EV / Net Sales	0.9	0.9	0.7	0.6
Market Cap / Sales	0.6	0.6	0.5	0.4
Price to Book Value	2.8	3.6	3.4	2.8
<b>Solvency Ratios</b>				
Debt/EBITDA	3.8	4.8	3.2	2.3
Debt / Equity	2.4	3.2	2.8	2.2
Current Ratio	0.6	0.6	0.6	0.6
<b>Quick Ratio</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

Source: Company, ICICI Direct Research



## Mahindra & Mahindra (M&M)

M&M is a conglomerate with a presence in auto, IT, financial services, logistics, hospitality, real estate, etc. At the standalone level, it is India's largest tractor manufacturer (38.2% market share FY21), second largest CV, fourth largest PV maker. Standalone revenue mix ~56% auto, ~41% tractors.

- M&M remains on track with its commitment to launch eight new electric SUVs and LCVs each by 2027 starting from E-XUV 300 planned to be launched in H2FY23. It is also leading the electrification charge on e-3W front as well

M&M (farm + auto) is broadly a domestic oriented business with exports <10% of its overall sales. With strong order backlog in automotive segment and market leadership in tractor space it is not likely to witness demand destruction. However, it may witness industry specific chip supply constraints and commodity led raw material price inflation. Consequently, we incorporate YTD FY22 volume outperformance and build in a marginal decline in margin estimates such that our forward earnings do not change much for M&M. We retain BUY rating on M&M with an SoTP based target price of ₹ 1,045 (7x FY24E EV/EBITDA; 25% holding company discount to investments).



### Particulars

Particular	Amount
Market Capitalization (₹ crore)	91,375
Total Debt (FY21, ₹ crore)	7,667
Cash and Inv (FY21, ₹ crore)	10,744
EV (FY21, ₹ crore)	88,298
52 week H/L (₹)	979 / 671
Equity capital (₹ crore) (FY21)	597.4
Face value (₹)	₹ 5

We expect M&M to clock total sales volume of 9.6 lakh units in FY23E vs. 8.1 lakh units in FY22E and 7.1 lakh units in FY21.

### Exhibit 26: Revised financial summary for M&M

Particulars	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	53,614.0	45,487.8	45,041.0	2.0%	57,144.9	71,331.4	80,235.7	21.2%
EBITDA	6,639.6	5,798.0	6,506.1	7.1%	7,199.7	8,684.0	10,266.1	16.4%
EBITDA Margins (%)	12.4	12.7	14.4		12.6	12.2	12.8	
Net Profit	4,796.1	1,330.4	268.6	-39.1%	4,836.9	5,567.3	6,740.7	192.8%
Adjusted Net Profit	4,818.6	2,190.4	942.5	-21.5%	5,094.6	5,567.3	6,740.7	92.7%
EPS (₹)	40.2	11.2	2.3		40.5	46.7	56.5	
P/E	18.3	65.9	326.5		18.1	15.8	13.0	
RoNW (%)	14.1	6.4	2.7		13.4	13.2	14.3	
RoCE (%)	12.3	8.8	9.5		9.8	11.5	13.1	

Source: Company, ICICI Direct Research

### Exhibit 27: Change in Estimates

	FY22E			FY23E			FY24E		
(₹ Crore)	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	55,627	57,145	2.7	68,935	71,331	3.5	77,493	80,236	3.5
EBITDA	6,934	7,200	3.8	8,656	8,684	0.3	10,210	10,266	0.5
EBITDA Margin (%)	12.5	12.6	10 bps	12.6	12.2	-43 bps	13.2	12.8	-41 bps
PAT	4,622	4,837	4.7	5,573	5,567	-0.1	6,712	6,741	0.4
EPS (₹)	38.7	40.5	4.7	46.7	46.7	-0.1	56.3	56.5	0.4

Source: ICICI Direct Research

### Exhibit 28: SoTP Valuation

Automotive Business (UV+PV+CV+Tractors)		₹crore	₹/share	Remark
Standalone business				
FY24E EBITDA		10,266		
Assigning EV/EBITDA Multiple of 7x		7.00		
Enterprise Value		71,863	602	
Net Debt (FY24E)		(3,341)	-28	
Value of Standalone Business		75,203	630	
Total value of automobile business (A)			630	
Value of Investments (listed companies)	M&M stake	Co's Market Capitalisation	Contribution to M&M	Remark
	(%)	₹ crore	₹crore ₹/share	
Tech Mahindra	26	1,43,674	37,355 313	Current market cap
M&M Financial Services	52	17,916	9,345 78	Current market cap
Mahindra Life space	52	4,700	2,421 20	Current market cap
Mahindra CIE	11	6,800	778 7	Current market cap
Mahindra Holidays & Resorts	67	4,250	2,860 24	Current market cap
Mahindra Logistics	58	3,100	1,807 15	
Other subsidiaries & investments			11,082 93	
Total Value of subsidiaries & associates (B)			65,648 551	
Value of investments post 25% holding company discount (C = 0.75*D)			415	
M&M Target Price (value of equity per share . A+C)			1,045	

Source: Company, ICICI Direct Research

## Financial Summary (M&amp;M)

Exhibit 29: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Total operating Income</b>	<b>45,041.0</b>	<b>57,144.9</b>	<b>71,331.4</b>	<b>80,235.7</b>	
Growth (%)	-1.0	26.9	24.8	12.5	
Raw Material Expenses	31,613.0	41,854.7	53,196.1	59,539.0	
Employee Expenses	2,858.8	3,445.1	3,744.9	4,011.8	
Other Expenses	4,063.1	4,645.3	5,706.5	6,418.9	
Total Operating Expenditure	38,534.9	49,945.1	62,647.5	69,969.6	
<b>EBITDA</b>	<b>6,506.1</b>	<b>7,199.7</b>	<b>8,684.0</b>	<b>10,266.1</b>	
Growth (%)	12.2	10.7	20.6	18.2	
Depreciation	2,233.0	2,428.7	2,674.9	2,888.5	
Interest	370.9	227.1	270.7	226.7	
Other Income	1,221.3	2,048.7	1,704.5	1,860.7	
<b>PBT</b>	<b>5,123.6</b>	<b>6,592.7</b>	<b>7,442.9</b>	<b>9,011.6</b>	
Others (incl exceptional iter	3,663.3	333.5	0.0	0.0	
Total Tax	1,191.7	1,422.3	1,875.6	2,270.9	
<b>PAT</b>	<b>268.6</b>	<b>4,836.9</b>	<b>5,567.3</b>	<b>6,740.7</b>	
<b>Adjusted PAT</b>	<b>942.5</b>	<b>5,094.6</b>	<b>5,567.3</b>	<b>6,740.7</b>	
Growth (%)	-79.8	1,700.7	15.1	21.1	
<b>EPS (₹)</b>	<b>2.2</b>	<b>40.5</b>	<b>46.7</b>	<b>56.5</b>	

Source: Company, ICICI Direct Research

Exhibit 30: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Profit after Tax</b>	<b>3,931.9</b>	<b>4,836.9</b>	<b>5,567.3</b>	<b>6,740.7</b>	
Add: Depreciation	2,233.0	2,428.7	2,674.9	2,888.5	
(Inc)/dec in Current Assets	-853.1	-2,233.9	-2,768.7	-1,737.8	
Inc/(dec) in CL and Provisions	4,599.6	-51.8	3,111.4	1,962.2	
<b>CF from operating activities</b>	<b>9,911.4</b>	<b>4,979.9</b>	<b>8,584.9</b>	<b>9,853.6</b>	
(Inc)/dec in Investments	-7,790.2	0.0	-500.0	-2,500.0	
(Inc)/dec in Fixed Assets	-2,840.5	-4,000.0	-4,000.0	-4,000.0	
Others	-1,626.0	-426.6	-500.1	-313.9	
<b>CF from investing activities</b>	<b>(12,256.8)</b>	<b>(4,426.6)</b>	<b>(5,000.1)</b>	<b>(6,813.9)</b>	
Issue/(Buy back) of Equity	0.9	0.0	0.0	0.0	
Inc/(dec) in loan funds	4,599.1	-350.0	-1,100.0	-1,100.0	
Dividend paid & dividend tax	-1,043.9	-1,252.7	-1,431.6	-1,729.9	
Others	808.5	0.0	0.0	0.0	
<b>CF from financing activities</b>	<b>4,364.5</b>	<b>(1,602.7)</b>	<b>(2,531.6)</b>	<b>(2,829.9)</b>	
Net Cash flow	2,019.2	-1,049.4	1,053.2	209.8	
Opening Cash	4,236.4	6,255.6	5,206.2	6,259.4	
<b>Closing Cash</b>	<b>6,255.6</b>	<b>5,206.2</b>	<b>6,259.4</b>	<b>6,469.3</b>	

Source: Company, ICICI Direct Research

Exhibit 31: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	597.4	597.4	597.4	597.4	
Reserve and Surplus	33,904.5	37,488.8	41,624.4	46,635.2	
<b>Total Shareholders funds</b>	<b>34,501.9</b>	<b>38,086.2</b>	<b>42,221.8</b>	<b>47,232.6</b>	
Total Debt	7,667.1	7,317.1	6,217.1	5,117.1	
Deferred Tax Liability	1,343.2	1,343.2	1,343.2	1,343.2	
Others	1,540.5	1,954.5	2,439.7	2,744.3	
<b>Total Liabilities</b>	<b>45,052.7</b>	<b>48,700.9</b>	<b>52,221.8</b>	<b>56,437.1</b>	
<b>Assets</b>					
Gross Block	26,527.9	31,360.0	36,360.0	40,360.0	
Less: Acc Depreciation	16,348.5	18,777.2	21,452.1	24,340.6	
<b>Net Block</b>	<b>10,179.4</b>	<b>12,582.9</b>	<b>14,907.9</b>	<b>16,019.4</b>	
Capital WIP	4,832.2	4,000.0	3,000.0	3,000.0	
Total Fixed Assets	15,011.5	16,582.9	17,907.9	19,019.4	
Other investments	19,576.6	21,076.6	23,076.6	25,076.6	
Liquid Investments	4,488.5	2,988.5	1,488.5	1,988.5	
Inventory	3,955.5	4,696.8	5,862.9	6,594.7	
Debtors	2,342.9	3,131.2	3,908.6	4,396.5	
Loans and Advances	756.9	960.4	1,198.8	1,348.4	
Other current assets	1,863.3	2,364.0	2,950.9	3,319.3	
<b>Cash</b>	<b>6,255.6</b>	<b>5,206.2</b>	<b>6,259.4</b>	<b>6,469.3</b>	
Total Current Assets	15,824.0	17,008.5	20,830.4	22,778.0	
Creditors	9,988.2	9,393.7	11,725.7	13,189.4	
Provisions	486.5	457.5	571.1	642.4	
Total Current Liabilities	10,474.6	9,851.2	12,296.8	13,831.8	
<b>Net Current Assets</b>	<b>5,349.4</b>	<b>7,157.3</b>	<b>8,533.6</b>	<b>8,946.1</b>	
<b>Application of Funds</b>	<b>45,052.7</b>	<b>48,700.9</b>	<b>52,221.8</b>	<b>56,437.1</b>	

Source: Company, ICICI Direct Research

Exhibit 32: Key ratios					
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Per share data (₹)</b>					
EPS	2.3	40.5	46.7	56.5	
Cash EPS	21.0	60.9	69.1	80.7	
BV	289.2	319.2	353.9	395.9	
DPS	8.8	10.5	12.0	14.5	
Cash Per Share	90.1	68.7	64.9	70.9	
<b>Operating Ratios (%)</b>					
EBITDA Margin	14.4	12.6	12.2	12.8	
PBT / Net sales	9.5	8.3	8.4	9.2	
PAT Margin	0.6	8.5	7.8	8.3	
Inventory days	32.1	30.0	30.0	30.0	
Debtor days	19.0	20.0	20.0	20.0	
Creditor days	80.9	60.0	60.0	60.0	
Net Working Capital days	-29.9	-10.0	-10.0	-10.0	
<b>Return Ratios (%)</b>					
RoE	2.7	13.4	13.2	14.3	
RoCE	9.5	9.8	11.5	13.1	
RoIC	14.5	13.1	14.5	16.4	
<b>Valuation Ratios (x)</b>					
P/E	326.5	18.1	15.8	13.0	
EV / EBITDA	13.6	12.6	10.3	8.6	
EV / Net Sales	2.0	1.6	1.3	1.1	
Market Cap / Sales	2.0	1.6	1.3	1.1	
Price to Book Value	2.5	2.3	2.1	1.9	
<b>Solvency Ratios</b>					
Debt/Equity	0.2	0.2	0.1	0.1	
Current Ratio	0.7	0.9	0.9	0.9	
<b>Quick Ratio</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	

Source: Company, ICICI Direct Research

## Bajaj Auto (BAL)

Bajaj Auto (BAL) is the second largest motorcycle manufacturer and largest 3-W OEM domestically (FY21 market share at 18%, 50.6% respectively). BAL's exports comprised ~52% of FY21 volumes. >125 cc motorcycles constituted ~28% of FY21 volumes with Pulsar 125 enjoying good success. BAL has a strong b/s with ~₹ 17,500 crore surplus cash on books (H1FY22), history of >20% RoCE & one of the highest dividend yield stock in Nifty 50.

- BAL's Chetak scooter is its on-road presence in the electric space. It proposes to invest ₹ 300 crore at its Akurdi plant in Pune for half-a-million capacity of electric scooters with plant commissioned expected by June 2022. It's current order book pegged is at 10,000 units as at December 2021 in this domain
- BAL is expected to launch its electric 3-W in Q1FY23E with present focus on CNG powered vehicles in this domain
- It plans to aggressive foray into newer export markets, going forward

BAL could witness disruption from the general industry trend of chip availability concerns and commodity led raw material price inflation. However, it also stands to benefit from depreciation of Indian currency, thereby limiting the downward revision to our forward estimates. Given the impending electric transition in the 2-W & 3-W space and stiff competition in this domain from new age OEMs, start-ups, we continue to assign HOLD rating on the stock, valuing it at ₹ 3,370 on SoTP basis.



## Particulars

Particular	₹ crore
Market Capitalization	99,109
Total Debt (FY21)	0.0
Cash & Liquid Invests (FY21)	21,925
EV	77,184
52 week H/L (₹)	4,348 / 3,028
Equity capital (₹)	289.4
Face value (₹)	₹ 10

*Demand pressure continues to exist on entry 2-W motorcycles amidst weak rural demand. Tapering our growth estimates we now expect volumes at 47.7 lakhs for FY23E, 43.7 lakh for FY22E amid 39.7 lakh volumes clocked in FY21.*

## Exhibit 33: Revised financial summary for BAL

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	30,250.0	29,918.6	27,741.1	4.2%	33,118.6	36,864.3	39,974.4	12.9%
EBITDA	4,982.0	5,096.2	4,928.5	0.6%	5,024.4	5,497.4	6,136.4	7.6%
EBITDA Margins (%)	16.5	17.0	17.8		15.2	14.9	15.4	
Net Profit	4,675.1	5,100.0	4,554.6	3.0%	4,608.0	5,000.5	5,482.8	6.4%
EPS (₹)	161.6	176.2	157.4		159.2	172.8	189.5	
P/E	21.2	19.4	21.8		21.5	19.8	18.1	
RoNW (%)	19.9	25.6	18.1		18.0	19.1	20.6	
RoCE (%)	21.1	23.9	18.2		18.2	19.5	21.4	

Source: Company, ICICI Direct Research

## Exhibit 34: Change in Estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	34,060	33,119	-2.8	37,760	36,864	-2.4	40,998	39,974	-2.5
EBITDA	5,243	5,024	-4.2	5,829	5,497	-5.7	6,480	6,136	-5.3
EBITDA Margin (%)	15.4	15.2	-22 bps	15.4	14.9	-52 bps	15.8	15.4	-45 bps
PAT	4,776	4,608	-3.5	5,261	5,001	-5.0	5,753	5,483	-4.7
EPS (₹)	165	159	-3.5	182	173	-5.1	199	189	-4.8

Source: ICICI Direct Research

## Exhibit 35: SoTP Valuation

SoTP Valuation	Estimated value	Per share (₹)	Remark
Core Business			
FY23-24E Average EPS (₹)	181.1		
Multiple (x)	17.0		~3x PEG over FY21-24E
Value per share (₹)		3,080	
Market Capitalisation of PMAG (₹ crore)	22,832		PMAG houses KTM AG
BAL's effective stake (%)	36.7		
BAL's stake value (₹ crore)	8,379		
Value per share (₹)		290	
Total Value per Share (₹)		3,370	

Source: ICICI Direct Research

## Financial Summary (BAL)

Exhibit 36: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Total operating Income	27741.1	33118.6	36864.3	39974.4	
Growth (%)	-7.3	19.4	11.3	8.4	
Raw Material Expenses	19,609.7	24,532.8	27,432.2	29,604.0	
Employee Expenses	1,286.0	1,401.9	1,493.4	1,593.0	
Other expenses	1,929.3	2,173.7	2,455.4	2,656.5	
Total Operating Expenditure	22,812.6	28,094.2	31,366.9	33,838.0	
<b>EBITDA</b>	<b>4928.5</b>	<b>5024.4</b>	<b>5497.4</b>	<b>6136.4</b>	
Growth (%)	-3.3	1.9	9.4	11.6	
Depreciation	259.3	271.6	294.9	319.8	
Interest	6.7	6.8	3.4	1.7	
Other Income	1,276.5	1,236.2	1,295.1	1,305.6	
PBT	5,939.0	5,982.3	6,494.2	7,120.5	
Total Tax	1,384.4	1,374.3	1,493.7	1,637.7	
<b>PAT</b>	<b>4554.6</b>	<b>4608.0</b>	<b>5000.5</b>	<b>5482.8</b>	
Growth (%)	-10.7	1.2	8.5	9.6	
<b>EPS (₹)</b>	<b>157.4</b>	<b>159.2</b>	<b>172.8</b>	<b>189.5</b>	

Source: Company, ICICI Direct Research

Exhibit 37: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit after Tax	4,554.6	4,608.0	5,000.5	5,482.8	
Add: Depreciation	259.3	271.6	294.9	319.8	
Sub: Other Income	1,276.5	1,236.2	1,295.1	1,305.6	
(Inc)/dec in Current Assets	-2,110.7	-145.5	-652.0	-541.4	
Inc/(dec) in CL and Provisions	1,368.5	-507.0	477.2	396.2	
<b>CF from operating activities</b>	<b>2823.3</b>	<b>3116.4</b>	<b>3917.7</b>	<b>4430.6</b>	
(Inc)/dec in Investments	-4,434.7	550.0	-25.0	-100.0	
(Inc)/dec in Fixed Assets	-181.0	-515.0	-515.0	-515.0	
Others	19.7	-95.0	-95.0	-95.0	
Add: Other Income	1,276.5	1,236.2	1,295.1	1,305.6	
<b>CF from investing activities</b>	<b>-3319.5</b>	<b>1176.2</b>	<b>660.1</b>	<b>595.6</b>	
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0	
Dividend paid & dividend tax	-4,051.2	-4,147.2	-4,500.5	-4,934.5	
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0	
Others	4,766.6	-20.8	-17.4	-15.7	
<b>CF from financing activities</b>	<b>715.4</b>	<b>-4168.0</b>	<b>-4517.9</b>	<b>-4950.2</b>	
Net Cash flow	219.3	124.6	59.9	76.0	
Opening Cash	308.0	527.3	651.9	711.9	
<b>Closing Cash</b>	<b>527.3</b>	<b>651.9</b>	<b>711.9</b>	<b>787.9</b>	

Source: Company, ICICI Direct Research

Exhibit 38: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	289.4	289.4	289.4	289.4	
Reserve and Surplus	24,912.8	25,359.6	25,845.7	26,380.0	
<b>Total Shareholders funds</b>	<b>25,202.2</b>	<b>25,649.0</b>	<b>26,135.1</b>	<b>26,669.3</b>	
Total Debt	-	-	-	-	
Deferred Tax Liability	522.1	522.1	522.1	522.1	
Other non-current liabilities	0.5	0.5	0.5	0.5	
<b>Total Liabilities</b>	<b>25,886.9</b>	<b>26,343.7</b>	<b>26,839.8</b>	<b>27,384.1</b>	
<b>Assets</b>					
Gross Block	4,248.7	4,464.7	5,164.7	5,714.7	
Less: Acc Depreciation	2,631.1	2,902.7	3,197.6	3,517.4	
Net Block	1,617.6	1,562.0	1,967.1	2,197.3	
Capital WIP	16.0	300.0	100.0	50.0	
<b>Total Fixed Assets</b>	<b>1,633.6</b>	<b>1,862.0</b>	<b>2,067.1</b>	<b>2,247.3</b>	
Investments	22,631.0	22,131.0	22,206.0	22,356.0	
Inventory	1,493.9	1,361.0	1,515.0	1,642.8	
Debtors	2,716.9	2,722.1	3,029.9	3,285.6	
Loans and Advances	5.7	6.9	7.6	8.3	
Other current assets	1,403.2	1,675.2	1,864.6	2,022.0	
<b>Cash</b>	<b>527.3</b>	<b>651.9</b>	<b>711.9</b>	<b>787.9</b>	
Total Current Assets	6,147.0	6,417.1	7,129.1	7,746.5	
Creditors	4,573.8	4,083.1	4,544.9	4,928.4	
Provisions	152.4	136.0	151.4	164.2	
Other current liabilities	509.6	608.4	677.2	734.3	
Total Current Liabilities	5,643.2	5,255.0	5,821.0	6,294.3	
<b>Net Current Assets</b>	<b>503.7</b>	<b>1,162.1</b>	<b>1,308.1</b>	<b>1,452.2</b>	
Deferred Tax asset	-	-	-	-	
<b>Application of Funds</b>	<b>25,886.9</b>	<b>26,343.7</b>	<b>26,839.8</b>	<b>27,384.1</b>	

Source: Company, ICICI Direct Research

Exhibit 39: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	157.4	159.2	172.8	189.5
Cash EPS	166.4	168.6	183.0	200.5
BV	870.9	886.4	903.2	921.6
DPS	140.0	143.3	155.5	170.5
Cash Per Share	18.2	22.5	24.6	27.2
<b>Operating Ratios (%)</b>				
EBITDA Margin	17.8	15.2	14.9	15.4
PBT / Net sales	16.8	14.4	14.1	14.6
PAT Margin	16.4	13.9	13.4	13.4
Inventory days	19.7	15.0	15.0	15.0
Debtor days	35.7	30.0	30.0	30.0
Creditor days	60.2	45.0	45.0	45.0
<b>Return Ratios (%)</b>				
RoE	18.2	18.2	19.5	21.4
RoCE	18.1	18.0	19.1	20.6
RoIC	123.4	108.7	104.6	108.1
<b>Valuation Ratios (x)</b>				
P/E	21.8	21.5	19.8	18.1
EV / EBITDA	15.7	15.4	14.1	12.6
EV / Net Sales	2.8	2.3	2.1	1.9
Market Cap / Sales	3.6	3.0	2.7	2.5
Price to Book Value	3.9	3.9	3.8	3.7
<b>Solvency Ratios</b>				
Current Ratio	1.1	1.2	1.2	1.2
<b>Quick Ratio</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>

Source: Company, ICICI Direct Research

## Hero MotoCorp (HMCL)

Hero MotoCorp (HMCL) is the world's largest 2-W manufacturer by volume, with domestic market share at 37% as of FY21. Its suite of popular models includes Splendor, Passion, Glamour, etc. Motorcycle market share pegged at 51.5% in FY21. It derives ~50% of volumes from rural India.

- HMCL is primarily a motorcycle player with scooter comprising <10% of total sales. HMCL is more of a domestic market oriented player with export sales amounting to only ~6% of total sales volume
- HMCL's current EV presence is two-fold; (i) First is through stake (~35%) in Ather Energy, which has its product running on Indian roads and (ii) Second is through partnership with battery swapping technology leader Gogoro Inc. with product yet to be launched domestically. It has recently also announced a further equity participation in Ather and stake purchase in Gogoro Inc.'s parent company
- In the recent past, HMCL and Bharat Petroleum Corporation (BPCL) have also collaborated to set up charging infrastructure for two-wheeled electric vehicles (EVs) across the country
- With the vision to be the future of mobility, on the organic front in the EV domain, HMCL has launched a new brand identity Vida, powered by Hero with first product launch guided for July 1, 2022

HMCL could witness disruption from the general industry trend of chip availability concerns and commodity led raw material price inflation. Given the impending electric transition in the 2-W space and stiff competition in this domain from new age OEM's/start-ups, we continue to assign HOLD rating to the stock, valuing it at ₹ 2,515 on SoTP basis.



Particulars	
Particular	Amount
Market Capitalization	₹ 46530.1 Crore
Total Debt (FY21)	₹ 0 Crore
Cash & Inv. (FY21)	₹ 8393 Crore
EV (FY21)	₹ 38137 Crore
52 week H/L (₹)	3396 / 2148
Equity capital (₹ crore)	40.0
Face value	₹ 2

*Demand pressure continues to exist on entry 2-W motorcycles on back of which we expect volumes at 54 lakhs for FY23E, 49 lakhs for FY22E vs 58 lakh for FY21.*

### Exhibit 40: Revised financial summary for HMCL

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	33,650.5	28,836.1	30,800.7	1.6%	28,690.1	33,506.5	36,231.1	5.6%
EBITDA	4,929.8	3,958.0	4,019.2	-2.0%	3,384.6	4,321.0	4,798.3	6.1%
EBITDA Margins (%)	14.6	13.7	13.0		11.8	12.9	13.2	
Net Profit	3,384.6	3,633.3	2,964.1	-1.3%	2,421.7	3,134.5	3,544.0	6.1%
Normalised Net Profit	3,384.6	3,202.6	2,964.1	-1.3%	2,421.7	3,134.5	3,544.0	6.1%
EPS (₹)	169.5	181.9	148.4		121.3	157.0	177.5	
P/E	13.7	12.8	15.7		19.2	14.8	13.1	
RoNW (%)	26.3	22.7	19.5		14.8	17.5	18.0	
RoCE (%)	32.0	21.3	20.8		15.8	19.4	19.9	

Source: Company, ICICI Direct Research

### Exhibit 41: Change in Estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	29,864	28,690	-3.9	35,882	33,506	-6.6	38,793	36,231	-6.6
EBITDA	3,589	3,385	-5.7	4,769	4,321	-9.4	5,230	4,798	-8.3
EBITDA Margin (%)	12.0	11.8	-20 bps	13.3	12.9	-40 bps	13.5	13.2	-26 bps
PAT	2,568	2,422	-5.7	3,472	3,135	-9.7	3,852	3,544	-8.0
EPS (₹)	128.6	121.3	-5.7	173.8	157.0	-9.7	192.9	177.5	-8.0

Source: ICICI Direct Research

### Exhibit 42: SoTP Valuation

Particulars	Amount (₹)
FY23E-24E Core EPS (₹/share, A)	167.2
P/E Multiple assigned (x, B)	13.0
<b>Value of Base Business (C = A*B)</b>	<b>2,175</b>
Other investment like Hero Fincorp & Ather Energy (₹ crore as of FY22E, D)	3,364
P/B Multiple Assigned (x, E)	2.0
Value of long term Investments (₹ crore, F = D*E)	6,727
<b>Per share value of long term investments (G)</b>	<b>340</b>
<b>Target Price (C+G)</b>	<b>2,515</b>

Source: ICICI Direct Research



## Financial Summary (HMCL)

Exhibit 43: Profit and loss statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Total operating Income</b>	<b>30,800.7</b>	<b>28,690.1</b>	<b>33,506.5</b>	<b>36,231.1</b>
Growth (%)	6.8	-6.9	16.8	8.1
Raw Material Expenses	21,762.3	20,556.9	23,749.1	25,647.5
Employee Expenses	1,898.8	1,922.6	2,001.4	2,071.0
Other expenses	3,120.3	2,825.8	3,434.4	3,713.7
Total Operating Expenditure	26,781.5	25,305.4	29,185.1	31,432.4
<b>EBITDA</b>	<b>4019.2</b>	<b>3384.6</b>	<b>4321.4</b>	<b>4798.7</b>
Growth (%)	1.5	-15.8	27.7	11.0
Depreciation	676.9	659.9	686.9	706.5
Interest	21.9	25.8	27.0	28.4
Other Income	579.9	518.6	583.5	674.5
<b>PBT</b>	<b>3900.3</b>	<b>3217.6</b>	<b>4190.5</b>	<b>4737.9</b>
Total Tax	936.2	795.9	1,056.0	1,194.0
<b>PAT</b>	<b>2964.1</b>	<b>2421.7</b>	<b>3134.5</b>	<b>3544.0</b>
Growth (%)	-18.4	-18.3	29.4	13.1
Normalised PAT (₹)	2,964.1	2,421.7	3,134.5	3,544.0
<b>EPS (₹)</b>	<b>148.4</b>	<b>121.3</b>	<b>157.0</b>	<b>177.5</b>
Normalised EPS (₹)	148.4	121.3	157.0	177.5

Source: Company, ICICI Direct Research

Exhibit 44: Cash flow statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Profit after Tax</b>	<b>2,964.1</b>	<b>2,421.7</b>	<b>3,134.5</b>	<b>3,544.0</b>
Add: Depreciation & Interest	698.7	685.6	713.9	734.9
Sub: Other Income	579.9	518.6	583.5	674.5
(Inc)/dec in Current Assets	-1,151.9	256.1	-713.1	-403.4
Inc/(dec) in CL and Provisions	2,134.2	-959.7	391.5	450.7
<b>CF from operating activities</b>	<b>4065.2</b>	<b>1885.1</b>	<b>2943.4</b>	<b>3651.6</b>
(Inc)/dec in Investments	-1,892.5	700.0	-620.0	-1,275.0
(Inc)/dec in Fixed Assets	-643.6	-850.0	-1,000.0	-1,000.0
Others	-169.8	-1,000.0	-250.0	-200.0
Add: Other Income	579.9	518.6	583.5	674.5
<b>CF from investing activities</b>	<b>-2126.0</b>	<b>-631.4</b>	<b>-1286.5</b>	<b>-1800.5</b>
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-2,096.9	-1,238.1	-1,597.6	-1,797.3
Inc/(dec) in Sec. premium & Othe	172.8	-25.8	-27.0	-28.4
<b>CF from financing activities</b>	<b>-1924.0</b>	<b>-1263.9</b>	<b>-1624.6</b>	<b>-1825.7</b>
Net Cash flow	15.3	-10.1	32.2	25.4
Opening Cash	241.9	257.1	247.0	279.2
<b>Closing Cash</b>	<b>257.1</b>	<b>247.0</b>	<b>279.2</b>	<b>304.6</b>

Source: Company, ICICI Direct Research

Exhibit 45: Balance Sheet ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	40.0	40.0	40.0	40.0
Reserve and Surplus	15,158.5	16,342.0	17,878.9	19,625.6
<b>Total Shareholders funds</b>	<b>15198.4</b>	<b>16382.0</b>	<b>17918.9</b>	<b>19665.6</b>
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	404.1	404.1	404.1	404.1
Others	448.3	448.3	448.3	448.3
<b>Total Liabilities</b>	<b>16050.8</b>	<b>17234.4</b>	<b>18771.3</b>	<b>20518.0</b>
<b>Assets</b>				
Gross Block	10,714.3	11,614.3	12,664.3	13,714.3
Less: Acc Depreciation	5,016.1	5,676.0	6,362.8	7,069.4
<b>Net Block</b>	<b>5698.2</b>	<b>5938.3</b>	<b>6301.4</b>	<b>6644.9</b>
Capital WIP	177.9	127.9	77.9	27.9
Total Fixed Assets	5,876.0	6,066.2	6,379.3	6,672.8
Investments	10,499.7	10,799.7	11,669.7	13,144.7
Inventory	1,469.6	1,336.2	1,560.6	1,687.5
Debtors	2,426.8	2,358.1	2,754.0	2,977.9
Loans and Advances	36.9	21.9	25.6	27.6
<b>Cash</b>	<b>257.1</b>	<b>247.0</b>	<b>279.2</b>	<b>304.6</b>
Total Current Assets	4,761.3	4,495.0	5,240.3	5,669.2
Creditors	5,204.6	4,323.2	4,589.9	4,963.2
Provisions	160.4	133.2	141.4	152.9
Total Current Liabilities	6,110.2	5,150.5	5,542.1	5,992.7
<b>Net Current Assets</b>	<b>-1,348.9</b>	<b>-655.5</b>	<b>-301.7</b>	<b>-323.6</b>
<b>Application of Funds</b>	<b>16050.8</b>	<b>17234.4</b>	<b>18771.3</b>	<b>20518.0</b>

Source: Company, ICICI Direct Research

Exhibit 46: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	148.4	121.3	157.0	177.5
Cash EPS	182.3	154.3	191.4	212.8
BV	761.1	820.3	897.3	984.8
DPS	105.0	62.0	80.0	90.0
Cash Per Share	420.3	384.7	417.4	482.5
<b>Operating Ratios (%)</b>				
EBITDA Margin	13.0	11.8	12.9	13.2
PBT / Net sales	10.9	9.5	10.8	11.3
PAT Margin	9.6	8.4	9.1	9.7
Inventory days	17.4	17.0	17.0	17.0
Debtor days	28.8	30.0	30.0	30.0
Creditor days	61.7	55.0	50.0	50.0
<b>Return Ratios (%)</b>				
RoE	19.5	14.8	17.5	18.0
RoCE	20.8	15.8	19.4	19.9
RoIC	44.7	28.9	35.1	37.7
<b>Valuation Ratios (x)</b>				
P/E	15.7	19.2	14.8	13.1
EV / EBITDA	9.5	11.5	8.8	7.7
Market Cap / Sales	1.5	1.6	1.4	1.3
Price to Book Value	3.1	2.8	2.6	2.4
<b>Solvency Ratios</b>				
Current Ratio	0.8	0.9	1.0	1.0
<b>Quick Ratio</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>

Source: Company, ICICI Direct Research

## Ashok Leyland (ALL)

Ashok Leyland (ALL) is a pure-play CV manufacturer domestically, with market share of 16.3% as at FY21. The company is present in M&HCV trucks and buses as well as LCV goods segments. Product mix is as 48.3%, 45.8%, 5.6% for LCV goods, Trucks & Bus segment, respectively.

- ALL is seen as beneficiary of revival of M&HCV demand amid increased government's infrastructure push (capex spend up 35% YoY for FY23E in Union Budget) and pick-up in core industrial activity. The company also stands to benefit from re-opening of schools and colleges, which shall generate demand for the buses segment
- ALL is also at the forefront of electrification with company winning relevant orders in the electric bus segment from state transport undertakings domestically. It is also expected to raise capital at its EV arm i.e. Switch Mobility, which will help in value discovery at that segment with ALL aiming to retain majority ownership

ALL could witness disruption from the general industry trend of chip availability concerns and commodity led raw material price inflation. Given the low operating margin profile at the CV players, the impact on bottom-line would be substantial. However, given that we value this business on EV/EBITDA basis, the impact on target price will be limited. Given the ongoing cyclical recovery in the CV space, we remain positive on this stock and assign BUY rating. We value ALL at revised SOTP based target price of ₹ 140 (15x CV FY24E EV/EBITDA, 2.5x P/BV for investments; earlier target price ₹ 165)



Particulars	
Particular	₹ crore
Market Capitalization	30,734.6
Total Debt (FY21)	3,728.8
Cash & Inv. (FY21)	823.0
EV (₹ Crore)	33,640.4
52 week H/L (₹)	153 / 93
Equity capital (₹ crore)	293.6
Face value (₹)	1.0

ALL has been a tad late to respond to growing consumer preference/market demand for CNG powered vehicles in the ICV segment. However, with recent launches it is expected to gain lost ground with attractive CNG offerings in this domain.

CV space is amidst cyclical upswing and expected to pick up pace. Consequently, for ALL we expect volume to be at 1.6 lakhs for FY23E, 1.2 lakhs for FY22E vs. 1 lakh in FY21.

### Exhibit 47: Revised financial summary for ALL

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	29,055.0	17,467.5	15,301.5	-4.2%	19,962.5	26,949.1	31,813.2	27.3%
EBITDA	3,135.7	1,173.6	535.1	-25.0%	617.1	1,534.6	2,465.3	65.6%
EBITDA Margins (%)	10.8	6.7	3.5		3.1	5.7	7.7	
Net Profit	1,983.2	239.5	(313.7)	PL	(243.0)	376.8	1,079.2	LP
EPS (₹)	6.8	0.8	(1.1)		(0.8)	1.3	3.7	
P/E	15.5	128.7	NM		(126.8)	81.8	28.6	
RoNW (%)	24.3	4.7	(4.4)		(4.2)	5.6	15.2	
RoCE (%)	25.7	4.5	(1.9)		(1.1)	6.5	14.4	

Source: Company, ICICI Direct Research

### Exhibit 48: Change in Estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	19,963	19,963	0.0	27,414	26,949	-1.7	33,429	31,813	-4.8
EBITDA	617	617	0.0	1,788	1,535	-14.2	2,857	2,465	-13.7
EBITDA Margin (%)	3.1	3.1	-1 bps	6.5	5.7	-81 bps	8.5	7.7	-75 bps
PAT	-240	-243	-1.3	563	377	-33.1	1,379	1,079	-21.7
EPS (₹)	-0.8	-0.8	-1.3	1.9	1.3	-33.1	4.7	3.7	-21.7

Source: ICICI Direct Research

### Exhibit 49: SoTP Valuation

SOTP	
Target EV/EBITDA (x)	15.0
EBITDA (₹ crore; FY24E)	2,465
Enterprise Value (₹ Crore)	36,980
Net Debt (₹ crore; FY24E)	2,770
Target Market cap Core business (₹crore)	34,210
Value/Share (A)	117
Strategic Investments FY24E (₹ crore)	3,519
P/BV(x)	2.5
Total Value/Share post applying 20% Holdco. Discount (B)	23
Price target (₹, A+B)	140

Source: ICICI Direct Research

## Financial Summary (ALL)

Exhibit 50: Profit and loss statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	15,301.5	19,962.5	26,949.1	31,813.2
Growth (%)	-12.4	30.5	35.0	18.0
Raw Material Expenses	11,403.4	15,415.9	20,999.6	24,605.9
Employee Expenses	1,583.9	1,678.1	1,765.2	1,820.3
Other Expenses	1,779.1	2,251.5	2,649.7	2,921.7
Total Operating Expenditure	14,766.4	19,345.4	25,414.5	29,347.9
<b>EBITDA</b>	<b>535.1</b>	<b>617.1</b>	<b>1534.6</b>	<b>2465.3</b>
Growth (%)	-54.4	15.3	148.7	60.6
Depreciation	747.7	748.6	781.5	811.2
Interest	306.8	295.0	317.2	279.7
Other Income	119.5	70.7	67.8	68.4
<b>PBT</b>	<b>-399.9</b>	<b>-355.8</b>	<b>503.7</b>	<b>1442.8</b>
Others	0.0	0.0	0.0	0.0
Total Tax	-98.2	-72.3	126.9	363.6
<b>PAT</b>	<b>-313.7</b>	<b>-243.0</b>	<b>376.8</b>	<b>1079.2</b>
Growth (%)	-231.0	-22.5	-255.1	186.4
<b>EPS (₹)</b>	<b>-1.1</b>	<b>-0.8</b>	<b>1.3</b>	<b>3.7</b>

Source: Company, ICICI Direct Research

Exhibit 51: Cash flow statement ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	-313.7	-243.0	376.8	1,079.2
Add: Depreciation	747.7	748.6	781.5	811.2
(Inc)/dec in Current Assets	-2,495.2	735.6	-798.1	-578.1
Inc/(dec) in CL and Provisions	2,031.6	-512.7	695.1	837.8
<b>CF from operating activities</b>	<b>277.2</b>	<b>1023.4</b>	<b>1372.5</b>	<b>2429.8</b>
(Inc)/dec in Investments	-349.1	-250.0	-100.0	-100.0
(Inc)/dec in Fixed Assets	-681.5	-600.0	-600.0	-500.0
Others	86.3	-181.2	-184.4	-181.5
<b>CF from investing activities</b>	<b>-944.3</b>	<b>-1031.2</b>	<b>-884.4</b>	<b>-781.5</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	447.4	600.0	-100.0	-500.0
Dividend paid & dividend tax	-176.1	-176.1	-264.2	-660.5
Others	-103.7	-295.0	-317.2	-279.7
<b>CF from financing activities</b>	<b>167.6</b>	<b>128.9</b>	<b>-681.4</b>	<b>-1440.1</b>
<b>Net Cash flow</b>	<b>-499.4</b>	<b>121.0</b>	<b>-193.3</b>	<b>208.1</b>
Opening Cash	1,322.4	823.0	944.0	750.8
<b>Closing Cash</b>	<b>823.0</b>	<b>944.0</b>	<b>750.8</b>	<b>958.9</b>

Source: Company, ICICI Direct Research

Exhibit 52: Balance Sheet ₹ crore				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Liabilities				
Equity Capital	293.6	293.6	293.6	293.6
Reserve and Surplus	6,683.7	6,264.6	6,377.2	6,795.9
<b>Total Shareholders funds</b>	<b>6977.2</b>	<b>6558.1</b>	<b>6670.7</b>	<b>7089.5</b>
Total Debt	3,728.8	4,328.8	4,228.8	3,728.8
Deferred Tax Liability	170.8	170.8	170.8	170.8
Other non-current liabilities	280.5	280.5	280.5	280.5
<b>Total Liabilities</b>	<b>11346.9</b>	<b>11527.7</b>	<b>11540.3</b>	<b>11459.1</b>
Assets				
Gross Block	8,706.7	9,528.5	10,178.5	10,728.5
Less: Acc Depreciation	3,107.5	3,856.1	4,637.6	5,448.9
<b>Net Block</b>	<b>5599.2</b>	<b>5672.4</b>	<b>5540.9</b>	<b>5279.7</b>
Capital WIP	371.9	150.0	100.0	50.0
Total Fixed Assets	5,971.0	5,822.4	5,640.9	5,329.7
Investments	3,068.7	3,318.7	3,418.7	3,518.7
Inventory	2,142.3	2,187.7	2,584.2	3,050.6
Debtors	2,816.0	1,914.2	2,215.0	2,614.8
Loans and Advances	20.6	26.9	36.3	42.9
Other current assets	0.0	0.0	0.0	0.0
<b>Cash</b>	<b>823.0</b>	<b>944.0</b>	<b>750.8</b>	<b>958.9</b>
Total Current Assets	5,801.9	5,072.8	5,586.2	6,667.1
Creditors	5,164.7	4,648.8	5,168.3	6,101.2
Provisions	465.0	418.5	465.3	549.3
Other current Liabilities	693.6	705.2	817.3	805.8
Total Current Liabilities	5,629.6	5,067.3	5,633.6	6,650.4
Net Current Assets	172.3	5.5	-47.4	16.7
<b>Application of Funds</b>	<b>11346.9</b>	<b>11527.7</b>	<b>11540.3</b>	<b>11459.1</b>

Source: Company, ICICI Direct Research

Exhibit 53: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	-1.1	-0.8	1.3	3.7
Cash EPS	1.5	1.7	3.9	6.4
BV	23.8	22.3	22.7	24.2
DPS	0.6	0.6	0.9	2.3
Cash Per Share	2.8	3.2	2.6	3.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	3.5	3.1	5.7	7.7
PBT / Net sales	-2.6	-1.8	1.9	4.5
PAT Margin	-2.1	-1.2	0.2	-0.2
Inventory days	51.1	40.0	35.0	35.0
Debtor days	67.2	35.0	30.0	30.0
Creditor days	123.2	85.0	70.0	70.0
<b>Return Ratios (%)</b>				
RoE	-4.4	-4.2	5.6	15.2
RoCE	-1.9	-1.1	6.5	14.4
RoIC	-2.1	-1.3	7.0	15.8
<b>Valuation Ratios (x)</b>				
P/E	-101.2	-112.4	81.8	28.6
EV / EBITDA	62.9	55.3	22.3	13.6
EV / Net Sales	2.2	1.7	1.3	1.1
Market Cap / Sales	2.0	1.5	1.1	1.0
Price to Book Value	4.4	4.7	4.6	4.3
<b>Solvency Ratios</b>				
Debt/Equity	0.5	0.7	0.6	0.5
Current Ratio	1.1	1.0	1.0	1.0
<b>Quick Ratio</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>

Source: Company, ICICI Direct Research

## Eicher Motors (EML)

Eicher Motors (EML) is the market leader in the >250 cc premium motorcycle segment (FY21 market share at 93.5%) through its aspirational models under the Royal Enfield (RE) brand, such as Bullet, Classic, Interceptor among others. Via its JV with Volvo i.e., VECV (EML has 54.4% stake), EML also has a presence in the CV space (6.4% FY21 market share), which is witnessing healthy demand traction, riding on cyclical recovery.

- Premium motorcycle segment is seen to be less disruptive in nature amid transition towards electrification. However, the company is yet to report meaningful volume recovery post normalisation of economic activity as well supply chain amid improved chip availability and recent launch of Classic 350
- With management guidance of strong new product pipeline over the next few quarters (on the RE front), we await volume recovery at the counter before turning decisively positive

EML could witness disruption from the general industry trend of chip availability concerns and commodity led raw material price inflation. Tapering our volumes and margins estimates we now expect sales, PAT at EML to grow at a CAGR of 18.5% & 26.8% respectively over FY21-24E. We value EML at ₹ 2,535 on SOTP basis; assigning 27x PE (~1x PEG) to RE business & 25x PE to VECV business on average of FY23-24E numbers.



### Particulars

Particular	₹ crore
Market Capitalization	62,586
Total Debt (FY21)	157
Cash & Investments	7,806
EV (FY21) (₹ crore)	54,937
52 week H/L (₹)	2995 / 2110
Equity capital	₹ 27.3 Crore
Face value	₹ 1

*On the EV front, management has maintained its earlier stance of working in the background in this domain with no product launch (electric vehicle) in the near term.*

*Largely faintly affected EV transition we foresee volumes of 7.5 lakhs for FY23E, 6.0 lakhs for FY22E vs. 6.1 lakh for FY21.*

### Exhibit 54: Revised Financial of EML

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	9,797.1	9,153.6	8,720.4	-11.1%	10,220.4	12,994.5	14,528.8	18.5%
EBITDA	2,903.1	2,180.3	1,781.3	-6.2%	2,060.6	2,819.5	3,302.2	22.8%
EBITDA Margins (%)	29.6	23.8	20.4		20.2	21.7	22.7	
Net Profit	2,202.8	1,827.5	1,346.9	1.1%	1,583.6	2,283.4	2,746.2	26.8%
EPS (₹)	80.8	67.0	49.3		57.9	83.5	100.5	
P/E	28.3	34.2	46.5		39.5	27.4	22.8	
RoNW (%)	24.8	18.3	11.8		12.7	16.3	17.3	
RoCE(%)	27.8	17.3	11.3		12.6	16.3	17.2	

Source: Company, ICICI Direct Research

### Exhibit 55: Change in Estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	10,489	10,220	-2.6	13,355	12,995	-2.7	14,932	14,529	-2.7
EBITDA	2,160	2,061	-4.6	2,985	2,819	-5.5	3,550	3,302	-7.0
EBITDA Margin (%)	20.6	20.2	-44 bps	22.4	21.7	-65 bps	23.8	22.7	-107 bps
PAT	1,667	1,584	-5.0	2,415	2,283	-5.5	2,943	2,746	-6.7
EPS (₹)	61	58	-5.0	88	84	-5.5	108	100	-6.7

Source: ICICI Direct Research

### Exhibit 56: SoTP Valuation

	Amount	Remarks
<b>Two-wheeler business-Royal Enfield</b>		
FY23E-24E Average EPS (₹)	88	
Target PE multiple(x)	27.0	Valued RE business at 27x P/E (~1x PEG)
Per share value (₹)	2,365	
Target market cap (₹ crore)	64,478	
<b>CV business-VECV</b>		
FY23E-24E PAT (₹ crore)	338	
Target PE multiple(x)	25.0	Valued VECV business at 25x P/E
Target market cap (₹ crore)	8,460	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	4,602	
Per share value-VECV Eicher (₹)	170	
Total target market cap (₹ crore)	69,080	
<b>Per share value (₹)</b>	<b>2,535</b>	

Source: ICICI Direct Research

## Financial Summary (EML)

Exhibit 57: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Total operating Income</b>	<b>8,720.4</b>	<b>10,220.4</b>	<b>12,994.5</b>	<b>14,528.8</b>	
Growth (%)	-4.7	17.2	27.1	11.8	
Raw Material Expenses	4,846.7	5,741.7	7,540.3	8,348.0	
Employee Expenses	843.3	809.0	841.8	918.9	
Other Expenses	983.1	1,301.9	1,484.8	1,615.1	
Total Operating Expenditure	6,939.1	8,159.8	10,175.1	11,226.6	
<b>EBITDA</b>	<b>1781.3</b>	<b>2060.6</b>	<b>2819.5</b>	<b>3302.2</b>	
Growth (%)	-18.3	15.7	36.8	17.1	
Depreciation	450.7	449.7	474.3	508.5	
Interest	16.5	21.7	19.5	17.6	
Other Income	453.2	432.3	516.7	613.4	
PBT	1,767.3	2,021.5	2,842.3	3,389.5	
Others	0.0	0.0	0.0	0.0	
Total Tax	451.5	488.9	716.3	854.2	
<b>PAT</b>	<b>1346.9</b>	<b>1583.6</b>	<b>2283.4</b>	<b>2746.2</b>	
Growth (%)	-26.3	17.6	44.2	20.3	
<b>EPS (₹)</b>	<b>49.3</b>	<b>57.9</b>	<b>83.5</b>	<b>100.5</b>	

Source: Company, ICICI Direct Research

Exhibit 58: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Profit after Tax</b>	<b>1,346.9</b>	<b>1,583.6</b>	<b>2,283.4</b>	<b>2,746.2</b>	
Add: Depreciation	450.7	449.7	474.3	508.5	
(Inc)/dec in Current Assets	-990.5	209.8	-459.3	-254.0	
Inc/(dec) in CL and Provisions	597.2	1.7	671.3	371.3	
<b>CF from operating activities</b>	<b>951.1</b>	<b>1812.4</b>	<b>2452.9</b>	<b>2758.6</b>	
(Inc)/dec in Investments	1,880.8	-1,100.0	-1,700.0	-1,900.0	
(Inc)/dec in Fixed Assets	-508.7	-450.0	-450.0	-450.0	
Others	433.2	382.2	466.6	563.3	
<b>CF from investing activities</b>	<b>1805.3</b>	<b>-1167.8</b>	<b>-1683.4</b>	<b>-1786.7</b>	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	13.0	-50.0	-10.0	-10.0	
Dividend paid & dividend tax	-464.6	-519.3	-737.9	-901.9	
Others	574.9	0.0	0.0	0.0	
<b>CF from financing activities</b>	<b>123.3</b>	<b>-569.3</b>	<b>-747.9</b>	<b>-911.9</b>	
Net Cash flow	2,879.7	75.4	21.6	60.0	
Opening Cash	2,950.5	5,830.2	5,905.6	5,927.2	
<b>Closing Cash</b>	<b>5830.2</b>	<b>5905.6</b>	<b>5927.2</b>	<b>5987.2</b>	

Source: Company, ICICI Direct Research

Exhibit 59: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	27.3	27.3	27.3	27.3	
Reserve and Surplus	11,410.8	12,475.1	14,020.5	15,864.8	
<b>Total Shareholders funds</b>	<b>11438.1</b>	<b>12502.4</b>	<b>14047.8</b>	<b>15892.2</b>	
Total Debt	157.4	107.4	97.4	87.4	
Deferred Tax Liability	221.5	221.5	221.5	221.5	
Others	270.2	274.1	281.3	285.2	
<b>Total Liabilities</b>	<b>12087.2</b>	<b>13105.4</b>	<b>14648.0</b>	<b>16486.3</b>	
<b>Assets</b>					
Gross Block	4,176.2	4,690.5	5,140.5	5,590.5	
Less: Acc Depreciation	1,742.9	2,192.6	2,666.9	3,175.4	
<b>Net Block</b>	<b>2433.3</b>	<b>2497.9</b>	<b>2473.6</b>	<b>2415.1</b>	
Capital WIP	314.3	250.0	250.0	250.0	
Total Fixed Assets	2,747.6	2,747.9	2,723.6	2,665.1	
Investments	3,902.2	5,052.2	6,802.2	8,752.2	
Inventory	874.6	840.0	1,068.0	1,194.1	
Debtors	158.2	140.0	178.0	199.0	
Others	869.3	712.2	905.5	1,012.4	
<b>Cash</b>	<b>5830.2</b>	<b>5905.6</b>	<b>5927.2</b>	<b>5987.2</b>	
Total Current Assets	7,732.2	7,597.8	8,078.8	8,392.8	
Creditors	1,535.8	1,400.1	1,780.1	1,990.2	
Provisions	90.2	82.2	104.5	116.9	
Others	845.4	990.8	1259.7	1408.5	
Total Current Liabilities	2,471.4	2,473.1	3,144.4	3,515.6	
<b>Net Current Assets</b>	<b>5260.8</b>	<b>5124.8</b>	<b>4934.4</b>	<b>4877.2</b>	
Other Non current asset	176.5	180.4	187.7	191.7	
<b>Application of Funds</b>	<b>12087.2</b>	<b>13105.4</b>	<b>14648.0</b>	<b>16486.3</b>	

Source: Company, ICICI Direct Research

Exhibit 60: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	49.3	57.9	83.5	100.5
Cash EPS	65.8	74.4	100.9	119.1
BV	418.5	457.5	514.0	581.5
DPS	17.0	19.0	27.0	33.0
Cash Per Share	285.6	328.6	391.6	463.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	20.4	20.2	21.7	22.7
PBT / Net sales	15.3	15.8	18.0	19.2
PAT Margin	15.4	15.5	17.6	18.9
Inventory days	36.6	30.0	30.0	30.0
Debtor days	6.6	5.0	5.0	5.0
Creditor days	64.3	50.0	50.0	50.0
<b>Return Ratios (%)</b>				
RoE	11.8	12.7	16.3	17.3
RoCE	11.3	12.6	16.3	17.2
RoIC	36.0	44.8	68.7	85.0
<b>Valuation Ratios (x)</b>				
P/E	46.5	39.5	27.4	22.8
EV / EBITDA	30.8	26.1	18.4	15.1
EV / Net Sales	6.3	5.3	4.0	3.4
Market Cap / Sales	7.2	6.1	4.8	4.3
Price to Book Value	5.5	5.0	4.5	3.9
<b>Solvency Ratios</b>				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	0.9	0.9	0.9
<b>Quick Ratio</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

Source: Company, ICICI Direct Research



## Escort Ltd

Escorts is India's fourth largest tractor maker (11.3% FY21 market share) and also serves the domestic construction equipment, railways space. Its topline is largely contributed by tractor segment at ~82%, whereas construction & railways contribute 11%, 7% respectively. Escort has cash rich b/s with net cash positive at ~₹ 5,000 crore.

- Tractor volumes at Escorts are expected to de-grow ~12% YoY in FY22E largely due to high base effect (record sales in FY21). On a normalised base, however, the tractor industry is expected to grow at a CAGR of 6-7% over the long term (FY23E onwards)
- The company has on-boarded Kubota Corporation (Japan) as a co-promoter with preferential allotment of fresh equity at ₹ 2,000/share and consequent open offer. We remain positive on this development, given Kubota's know how in the farm equipment, mechanisation and construction equipment space. We see this as a winning combination & shall expand the product offerings at Escorts

Given the low electronic content in product offering at Escorts we see the company witnessing just gross margin pressure if the commodity prices remain at elevated levels to the prevailing geo-political tensions. Consequently, we revise our forward estimates. We however downgrade the stock from BUY to HOLD given low growth trajectory at its core tractor business and await larger plans from its association with Kubota Corporation before turning decisively positive on the stock. We value Escorts at SOTP-based TP of ₹ 2,050 (25x P/E on core FY23E-24E average EPS, 15% discount on treasury shares)



Particulars	
Particular	₹ crore
Market Capitalization	24,013
Total Debt (FY22E)	0
Cash & Investments (FY22E)	5,071
EV	18,942
52 week H/L (₹)	1927 / 1100
Equity capital (₹crore)	131.9
Face value	₹ 10

*It's construction equipment and railway's segment however is expected to witness good traction (double digit CAGR growth) amid revival in domestic economic activity*

*We expect Escorts to clock tractor sales volumes of ~1 lakhs units in FY23E; .93 lakhs at FY22E vs 1.07 lakhs as at FY21.*

### Exhibit 61: Revised financial summary of Escorts

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	6,196.4	5,761.0	6,929.3	15.6%	7,052.0	7,974.2	8,752.0	8.1%
EBITDA	733.3	675.8	1,129.2	44.9%	919.3	1,008.0	1,177.1	1.4%
EBITDA Margins (%)	11.8	11.7	16.3		13.0	12.6	13.4	
Net Profit	484.9	485.6	873.3	59.8%	710.5	871.7	1,030.2	5.7%
EPS (₹)	36.8	36.8	66.2		53.9	66.1	78.1	
P/E	49.0	48.9	27.2		33.4	27.2	23.0	
RoNW (%)	15.6	14.2	16.2		9.0	10.1	10.9	
RoCE (%)	19.3	16.2	18.7		10.0	10.0	10.6	

Source: Company, ICICI Direct Research

### Exhibit 62: Change in Estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	7,373.9	7,052.0	-4.4	8,321.1	7,974.2	-4.2	9,129.5	8,752.0	-4.1
EBITDA	978.8	919.3	-6.1	1,094.7	1,008.0	-7.9	1,252.8	1,177.1	-6.0
EBITDA Margin (%)	13.3	13.0	(30) bps	13.2	12.6	(80) bps	13.7	13.4	(80) bps
PAT	755.9	710.5	-6.0	940.6	871.7	-7.3	1,093.3	1,030.2	-5.8
EPS (₹)	57.3	53.8	-6.0	71.3	66.1	-7.3	82.9	78.1	-5.8

Source: ICICI Direct Research

### Exhibit 63: SoTP Valuation

Particulars	Amount (₹)
FY23E-24E average EPS (₹/share, A)	72.1
P/E Multiple (x, B)	25.0
<b>Value of Base Business (C = A*B)</b>	<b>1,800</b>
No of Treasury Shares (crore)	2.1
Current Market Price (₹/share)	1,820
Value of Investments (₹ crore)	3,904
Holding company discount (%)	15
Revised value of Investments (₹ crore)	3,318
<b>Contribution per share (₹/share, D)</b>	<b>250</b>
<b>Target Price (C+D)</b>	<b>2,050</b>

Source: ICICI Direct Research

## Financial Summary (Escorts)

Exhibit 64: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Total operating Income	6,929.3	7,052.0	7,974.2	8,752.0	
Growth (%)	20.3	1.8	13.1	9.8	
Raw Material Expenses	4,153.6	4,366.3	5,103.5	5,557.5	
Employee Expenses	534.6	541.0	547.0	573.3	
Other expenses	671.8	728.3	797.4	875.2	
Total Operating Expenditure	5,800.1	6,132.7	6,966.2	7,574.8	
<b>EBITDA</b>	<b>1129.2</b>	<b>919.3</b>	<b>1008.0</b>	<b>1177.1</b>	
Growth (%)	67.1	-18.6	9.6	16.8	
Depreciation	115.7	128.7	148.0	168.3	
Interest	11.0	12.0	11.4	10.9	
Other Income	154.6	202.8	309.6	347.1	
PBT	1,157.1	981.4	1,158.2	1,345.1	
Total Tax	283.1	246.6	291.9	339.0	
Tax rate	24.5	25.1	25.2	25.2	
<b>PAT</b>	<b>873.3</b>	<b>710.5</b>	<b>871.7</b>	<b>1030.2</b>	
Growth (%)	79.9	-18.6	22.7	18.2	
<b>EPS (₹)</b>	<b>66.2</b>	<b>53.8</b>	<b>66.1</b>	<b>78.1</b>	

Source: Company, ICICI Direct Research

Exhibit 65: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit after Tax	873.3	710.5	871.7	1,030.2	
Add: Depreciation	115.7	128.7	148.0	168.3	
(Inc)/dec in Current Assets	269.3	-192.8	-282.7	-188.7	
Inc/(dec) in CL and Provisions	-55.7	-64.0	290.0	90.6	
<b>CF from operating activities</b>	<b>1202.7</b>	<b>582.5</b>	<b>1027.0</b>	<b>1100.4</b>	
(Inc)/dec in Investments	-1,013.3	-2,000.0	-500.0	-500.0	
(Inc)/dec in Fixed Assets	-103.5	-250.0	-250.0	-268.2	
Others	-119.2	1.9	-95.7	7.6	
<b>CF from investing activities</b>	<b>-1235.9</b>	<b>-2248.1</b>	<b>-845.7</b>	<b>-760.6</b>	
Issue/(Buy back) of Equity	12.2	-2.9	0.0	0.0	
Inc/(dec) in loan funds	-6.6	0.0	0.0	0.0	
Dividend paid & dividend tax	-91.9	-91.9	-122.6	-158.3	
Inc/(dec) in Sec. premium	1,029.8	1,863.4	0.0	0.0	
Others	88.1	0.0	0.0	0.0	
<b>CF from financing activities</b>	<b>1031.6</b>	<b>1768.6</b>	<b>-122.6</b>	<b>-158.3</b>	
Net Cash flow	998.3	103.0	58.8	181.5	
Opening Cash	318.3	1,316.6	1,419.6	1,478.3	
<b>Closing Cash</b>	<b>1316.6</b>	<b>1419.6</b>	<b>1478.3</b>	<b>1659.8</b>	

Source: Company, ICICI Direct Research

Exhibit 66: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	134.8	131.9	131.9	131.9	
Reserve and Surplus	5,256.8	7,738.7	8,487.9	9,359.7	
<b>Total Shareholders funds</b>	<b>5391.6</b>	<b>7870.7</b>	<b>8619.8</b>	<b>9491.7</b>	
<b>Total Debt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Other non-current Liabilities	106.7	109.2	111.7	114.1	
Long-term Provisions	49.0	67.8	86.6	105.5	
<b>Total Liabilities</b>	<b>5547.3</b>	<b>8047.6</b>	<b>8818.1</b>	<b>9711.3</b>	
<b>Assets</b>					
Gross Block	2,794.5	3,064.5	3,302.7	3,540.9	
Less: Acc Depreciation	1,109.6	1,219.0	1,343.7	1,482.7	
Net Block	1,684.9	1,845.4	1,959.0	2,058.2	
Capital WIP	41.2	16.2	16.2	16.2	
<b>Total Fixed Assets</b>	<b>1726.0</b>	<b>1861.6</b>	<b>1975.1</b>	<b>2074.4</b>	
Net Intangible Asset	51.5	37.1	25.6	26.3	
Investments	2,322.8	4,372.8	4,922.8	5,472.8	
Inventory	674.5	772.8	873.9	959.1	
Debtors	698.4	772.8	873.9	959.1	
Loans and Advances	32.8	38.9	42.2	46.8	
Other Current Assets	189.4	203.3	280.6	294.2	
<b>Cash</b>	<b>1316.6</b>	<b>1419.6</b>	<b>1478.3</b>	<b>1659.8</b>	
Total Current Assets	2,911.6	3,207.4	3,548.9	3,919.1	
Creditors	1,187.1	1,159.2	1,310.8	1,438.7	
Provisions & Other Curr.Liab	468.9	432.8	571.2	534.0	
Total Current Liabilities	1,656.0	1,592.0	1,882.1	1,972.7	
<b>Net Current Assets</b>	<b>1255.6</b>	<b>1615.4</b>	<b>1666.8</b>	<b>1946.4</b>	
Net Deferred Tax Asset	-23.0	-23.0	-23.0	-23.0	
Other non-current assets	154.5	123.8	190.8	154.5	
<b>Application of Funds</b>	<b>5547.3</b>	<b>8047.6</b>	<b>8818.1</b>	<b>9711.3</b>	

Source: Company, ICICI Direct Research

Exhibit 67: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	66.2	53.8	66.1	78.1
Cash EPS	80.7	63.6	77.3	90.8
BV	439.8	596.5	653.3	719.4
DPS	7.5	7.0	9.3	12.0
Cash Per Share	242.1	384.3	426.7	478.4
<b>Operating Ratios</b>				
EBITDA Margin (%)	16.3	13.0	12.6	13.4
PAT Margin (%)	12.6	10.1	10.9	11.8
Inventory days	35.5	40.0	40.0	40.0
Debtor days	36.8	40.0	40.0	40.0
Creditor days	62.5	60.0	60.0	60.0
<b>Return Ratios (%)</b>				
RoE	16.2	9.0	10.1	10.9
RoCE	18.7	10.0	10.0	10.6
RoIC	42.1	28.2	28.7	31.7
<b>Valuation Ratios (x)</b>				
P/E	25.5	33.8	27.5	23.3
EV / EBITDA	18.6	20.6	18.2	15.0
EV / Net Sales	3.0	2.7	2.3	2.0
Market Cap / Sales	3.5	3.4	3.0	2.7
Price to Book Value	4.1	3.1	2.8	2.5
<b>Solvency Ratios</b>				
Debt/ EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.2	1.4	1.5	1.4
<b>Quick Ratio</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>

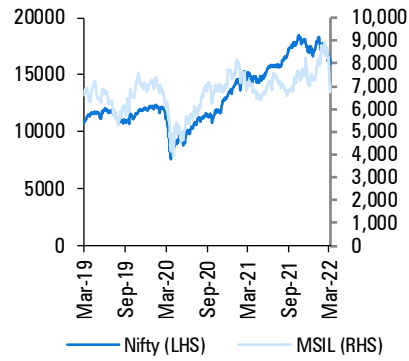
Source: Company, ICICI Direct Research

## Exhibit 68: ICICI Direct coverage universe (Auto OEMs)

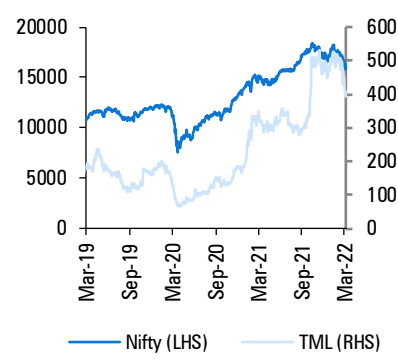
Sector / Company	CMP	TP	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)			FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Ashok Leyland (ASHLEY)	105	140	Buy	30,735	-0.8	1.3	3.7	-126.8	81.8	28.6	55.3	22.3	13.6	-1.1	6.5	14.4	-4.2	5.6	15.2
Bajaj Auto (BAAUTO)	3,425	3,370	Hold	99,109	159.2	172.8	189.5	21.5	19.8	18.1	15.4	14.1	12.6	18.2	19.5	21.4	18.0	19.1	20.6
Eicher Motors (EICMOT)	2,290	2,535	Hold	62,586	57.9	83.5	100.5	39.5	27.4	22.8	26.1	18.4	15.1	12.6	16.3	17.2	12.7	16.3	17.3
Escorts (ESCORT)	1,820	2,050	Hold	24,013	53.8	66.1	78.1	33.8	27.5	23.3	20.6	18.2	15.0	10.0	10.0	10.6	9.0	10.1	10.9
Hero Moto (HERHON)	2,330	2,515	Hold	46,530	121.3	157.0	177.5	19.2	14.8	13.1	11.5	8.8	7.7	15.8	19.4	19.9	14.8	17.5	18.0
M&M (MAHMAH)	735	1,045	Buy	91,375	40.5	46.7	56.5	18.1	15.8	13.0	12.6	10.3	8.6	9.8	11.5	13.1	13.4	13.2	14.3
Maruti Suzuki (MARUTI)	7,105	7,750	Hold	2,14,628	105.1	180.4	258.4	67.6	39.4	27.5	34.4	21.3	15.0	4.0	8.4	12.0	5.9	9.5	12.5
Tata Motors (TATMOT)	420	550	Buy	1,60,818	-31.0	7.3	26.8	-13.5	57.3	15.7	8.4	5.7	4.3	3.1	9.5	15.1	-26.4	5.9	18.0

Source: Company, ICICI Direct Research

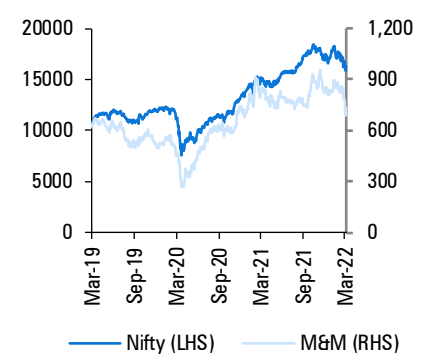
**Maruti Suzuki price chart**



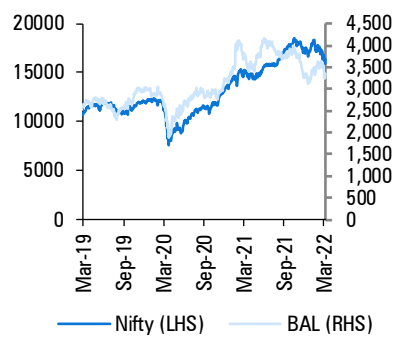
**Tata Motors price chart**



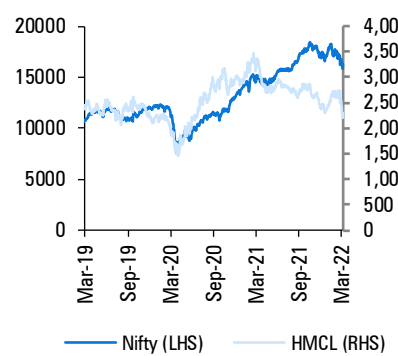
**Mahindra & Mahindra price chart**



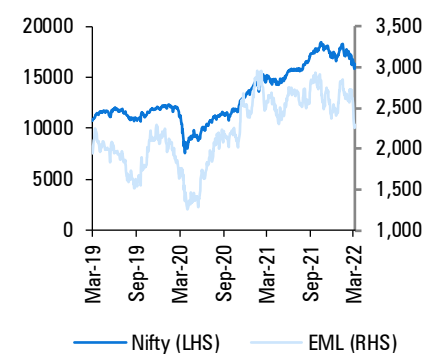
**Bajaj Auto price chart**



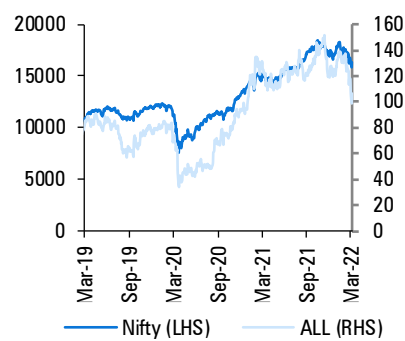
**Hero MotoCorp price chart**



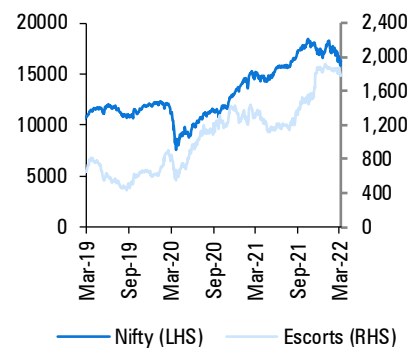
**Eicher Motors price chart**



**Ashok Leyland price chart**



**Escorts price chart**



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Buy: >15%;

Hold: -5% to 15%;

Reduce: -5% to -15%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)



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