

## Non-auto segments to charge future growth, overseas subsidiaries seen turning around in near term...

**About the stock:** Bharat Forge (BFL) is India's leading auto component player with strong engineering, technological competencies in forging and metallurgy. With total capacity of 6.83 lakh MT per annum, its products find application in domestic, exports markets across PV, CV, oil & gas, construction & mining, power, defence, etc.

- FY23 standalone segment mix – ~34% CV, ~43% Industrial, ~12% PV
- FY23 standalone export mix - ~68% America, ~27% Europe, ~5% other

### Q4FY23 Results: BFL reported a muted performance in Q4FY23.

- Standalone sales were up 2.3% QoQ to ₹ 1,997 crore, tonnage up 3% QoQ
- EBITDA was at ₹ 488 crore, with margins down 300 bps QoQ to 24.4% amid a reversal of forex gains. PAT was down 15.4% QoQ to ₹ 244.5 crore
- BFL has secured orders worth ~₹ 4,000 crore across verticals in FY23. It also informed about worst performance for its foreign subsidiaries being behind it and is looking for positive contribution from the same in coming quarters

**What should investors do?** BFL's share price has grown at ~1.3% CAGR over the past five years (~₹ 733 levels in May 2018), underperforming the Nifty Auto index.

- We retain **BUY** amid steady growth prospects in base business (on a high base), robust order wins, defence segment on cusp of multi-fold revenue growth, turnaround visibility in foreign operations and EV proactiveness

**Target Price and Valuation:** Revising our estimates, we now value BFL at ₹ 980 i.e. 30x P/E on FY25E EPS of ₹ 32.6/share (earlier target price: ₹ 1,050).

### Key triggers for future price performance:

- On the back of diversified exposure across industries with healthy order wins in both domestic and export market, ramp up of overseas aluminium forging business and persistent focus towards EV space (power electronics, components, etc), we expect sales to grow at 15.4% CAGR in FY23-25E
- Strong double digit growth in non-auto business (industrial, defence, aerospace) amid robust order booking to aid margins, reach ~17.2% by FY25E. Hence, RoCE, RoE is seen reaching ~18%, 14%, respectively, by FY25E
- Ambitious Vision 2030 with financial contours as: (i) 12-15% revenue CAGR, (ii) EBITDA margin >20% at consolidated level, (iii) RoCE at 25% at consolidated level, (iv) capital allocation for organic/inorganic growth

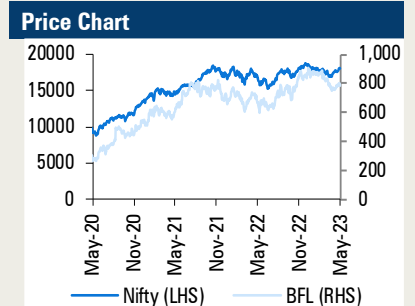
**Alternate Stock Idea:** Besides BFL, in our auto coverage we like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with a target price of ₹ 1,665



Particulars	
Particular	Amount
Market Capitalization	₹ 35383 crore
Total Debt (FY23P)	₹ 6852 crore
Cash and Inv. (FY23P)	₹ 2090 crore
EV	₹ 40146 crore
52 week H/L (₹)	920 / 597
Equity capital	₹ 93.1 Crore
Face value	₹ 2

Shareholding pattern				
	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	45.3	45.3	45.3	45.3
FII	18.8	19.3	17.9	16.2
DII	24.3	24.6	26.1	27.7
Other	11.6	10.9	10.8	10.9



### Recent event & key risks

- Posts muted Q4 performance. Guides for overseas operations turnaround in near term
- Key Risk:** (i) Slower than expected sales growth in new verticals incl. defence (ii) Slower than expected margin recovery

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### Key Financial Summary

Key Financials	FY20	FY21	FY22	FY23P	5 year CAGR (FY18-23P)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	8,055.8	6,336.3	10,461.1	12,910.3	9.1%	15,214.0	17,184.5	15.4%
EBITDA	1,114.8	861.7	2,016.0	1,767.5	0.5%	2,463.9	2,960.9	29.4%
EBITDA Margins (%)	13.8	13.6	19.3	13.7		16.2	17.2	
Net Profit	349.2	(127.0)	1,077.2	508.4	-7.6%	1,168.3	1,519.7	72.9%
EPS (₹)	7.5	(2.7)	23.1	10.9		25.1	32.6	
P/E	101.3	(278.5)	32.8	69.6		30.3	23.3	
RoNW (%)	7.8	(125.9)	15.2	8.0		15.5	17.7	
RoCE (%)	5.6	2.2	9.6	6.8		11.0	13.4	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q4FY23 Results:

- Standalone revenues came in at ₹ 1,997 crore (up 2.3% QoQ) amid 3% tonnage growth to 64,648 MT. Growth was led by domestic operations wherein revenues grew 3.8% QoQ to ₹ 787.6 crore (CV up 13.3%, PV down 12.1%, industrial down 3%). International revenues were up 1.2% QoQ at ₹ 1,180 crore (CV up 3.7%, PV down 5.8%, industrials up 2.8% QoQ)
- Standalone EBITDA in Q4FY23 was at ₹ 488 crore, with consequent margins at 24.4% (down 300 bps QoQ). Gross margin expanded 60 bps QoQ but forex gains largely reversed on a QoQ basis with the company reporting a foreign exchange loss of ~₹ 35 crore in Q4FY23 vs. forex gains of ~₹ 42 crore in Q3FY23. Reported standalone PAT was at ₹ 244.5 crore, down 15.4% QoQ amid lower absolute EBDITA
- BFL has secured orders worth ~₹ 4,000 crore across verticals in FY23, thereby implying strong revenue visibility for next two to three years. It also informed about worst performance for its foreign subsidiaries being behind it and is looking for positive contribution from the same in coming quarters

BFL- ESG Disclosure Score*			
Score	FY19	FY20	FY21
Environmental	23.0	23.0	53.8
Social	20.8	29.8	37.2
Governance	78.6	78.6	78.6
<b>Overall ESG Score</b>	<b>40.9</b>	<b>43.9</b>	<b>56.5</b>

Source: Bloomberg, ICICI Direct Research, \*Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

### Q4FY23 Earnings Conference Call highlights

- The management informed about the aerospace business forming ~11% of industrial revenue and was nearly ~2x from FY22. It expects this business to grow 30-40%+ in coming years. Further, the management aims to generate ~₹ 500-600 crore from aerospace in coming years
- The management informed about ~₹ 60-65 crore interest cost per quarter, going forward, based on the current interest rate
- On the foreign business front, the management said EBITDA loss was ₹ 49 crore in Q4FY23 vs. ~₹ 63 crore of loss in Q3FY23. They informed about utilisation levels increasing in overseas subsidiaries with aluminium business facility overbook and ramp up to take place in coming quarters
- In overseas operations, the management expects Q1FY24 to be better than Q4FY23, with the Europe business to be back in the black from Q1FY24 and the US business to be back in the black from Q3FY24
- JSA achieved topline of ₹ 438 crore and has won orders worth ₹ 400 crore during FY23. It expects this to ramp up significantly based on new and existing orders. The management guided for JSA capacity being expanded from existing 40,000 to 1,20,000 tons with revenues to flow in the coming two to three years
- On the defence front, the management informed about export order book of ₹ 2,000 crore and also expects order for its flagship ATAG artillery gun with the army already expressing interest in ~300 ATAG guns, which is to be executable over a four-year period. Further, the company has order for protective vehicles, components, consumables, etc, within & outside India. On the defence front, it guided for over US\$100 million revenues for FY24E

The management expects the domestic CV business to remain reasonably strong in H1FY24 amid lower inventory levels. Further, the management expects the US truck business to be constant and does not foresee any production cuts

Utilisation in foreign operations were at ~50%

The management expects the oil & business to be steady with industrial business to be healthy amid boost to renewable sector and grow in double digits in the coming year

On the e-mobility front, the management informed about >2,50,000 km being covered by Tork Motors, with zero recall and zero regulatory issues. The management intends to expand capacity to 1,500 bikes per month and soon to 2,000 per month

The management informed about FY24 being a pivotal point for the company with strong growth in revenue, profitability & return ratios

The management said new there were order wins in standalone business of ~₹ 1,500 crores across component & industrial vertical in Q4FY23

## Peer comparison

Exhibit 1: Peer Comparison (forging)

Company	CMP	TP	Rating	Mcap	EBITDA margin (%)			RoE (%)			RoCE (%)			P/E (x)		
	₹	₹		₹ crore	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Bharat Forge (BHAFOR)	760	980	Buy	35,383	19.3	13.7	16.2	15.2	8.0	15.5	9.6	6.8	11.0	32.8	69.6	30.3
Ramkrishna Forging (RAMFOR)	340	400	Buy	5,437	22.3	21.7	22.7	18.4	18.8	19.9	12.5	17.5	18.1	27.5	21.9	16.6
MM Forging (MMFORG)	890	1,250	Buy	2,149	18.4	19.0	20.0	19.4	22.8	23.6	11.1	14.6	16.7	19.2	13.1	9.9

Source: Company, ICICI Direct Research

We like BFL for its ingeniously developed capabilities in the defence (on the cusp of multi-fold growth prospects), EV's (Tork motors, components), etc, amid steady growth prospects (albeit on a high base) in traditional segments exposed to CV, PV and oil & gas segments.

**Exhibit 2: Variance Analysis**

	Q4FY23	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Total Operating Income	1,997	2,153	1,674	19.3	1,952	2.3	Topline came in lower than our estimates tracking lower than anticipated pick up in both domestic & export sales
Raw Material Expenses	868	949	725	19.7	860	0.9	RM costs came in lower at 43.5% of sales, down 60 bps QoQ vs. our estimates of 44.1% of sales
Employee Expenses	136	138	128	5.8	136	-0.6	
Other Expenses	506	463	390	29.8	420	20.3	Other expenses came in higher at 25.3% of sales primarily tracking forex loss vs. gain in Q3FY23
EBITDA	488	604	431	13.2	535	-8.8	
EBITDA Margin (%)	24.4	28.0	25.8	-133 bps	27.4	-298 bps	EBITDA margin came in lower amid higher other expenses wherein forex gains largely reversed on QoQ basis with it reporting an foreign exchange loss of ₹35 crore in Q4FY23 vs. gains of ₹42 crore in Q3FY23.
Depreciation	105.1	111.9	104.2	0.9	107.9	-2.6	
Interest	65.8	56.2	40.7	61.4	84.9	-22.5	
Other Income	39	42	66	-40.9	38	3.6	Other income was broadly on expected lines
PBT	315.4	477.3	349.9	-9.9	384.3	-17.9	
Tax	70.8	120.3	87.9	-19.5	95.2	-25.6	
Reported PAT	244.5	357.0	262.0	-6.7	289.1	-15.4	Reported PAT came in much lower due to lower absolute EBITDA as well as tad high interest costs
<b>Key Metrics</b>							
Domestic revenues	788	859	716	10.0	759	3.8	Domestic revenues were up just 3.8% QoQ to ₹788 crore vs. our estimate of ₹859 crore
Export revenues	1,180	1,264	939	25.7	1,166	1.2	Export revenues were broadly flat QoQ at ₹1,180 crore

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

(₹ Crore)	FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	14,750	15,214	3.1	16,975	17,185	1.2	Broadly maintained topline estimates. We expect sales at the company to grow at a CAGR of 15.4% over FY23-25E aided by growth in new verticals
EBITDA	2,462	2,464	0.1	3,037	2,961	-2.5	
EBITDA Margin (%)	16.7	16.2	-49 bps	17.9	17.2	-66 bps	Pruned margin estimates amid slower pace of margin recovery at its overseas subsidiaries
PAT	1,174	1,168	-0.5	1,604	1,520	-5.2	
EPS (₹)	25	25	-0.5	34	33	-5.2	PAT estimates witness a marginal decline amid downward revision in margin estimates

Source: ICICI Direct Research

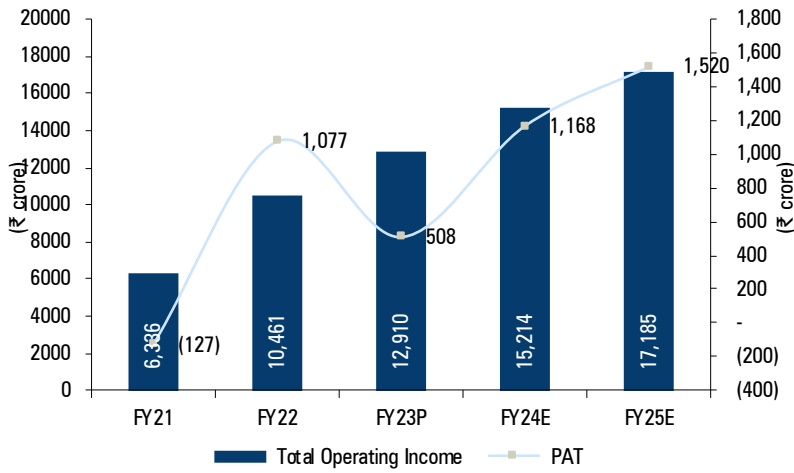
**Exhibit 4: Assumptions**

(₹ crore)	Current						Earlier		Comments		
	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E		FY24E	FY25E
<b>Domestic Revenues</b>	2,227	2,627	1,782	1,639	<b>2,500</b>	<b>3,008</b>	<b>4,070</b>	<b>4,883</b>	3,778	4,723	Going forward we expect growth to be led by domestic business (primarily new verticals like defence, EV's, aerospace) which is expected to grow at a CAGR of 27.4% over FY23-25E while exports to witness steady growth prospects of ~6.4% CAGR in the same period amid stable demand overseas and high base of exports. Overall sales is seen growing at 15.4% CAGR over FY23-25E
<b>Export revenues</b>	2,971	3,726	2,650	1,964	<b>3,670</b>	<b>4,461</b>	<b>4,782</b>	<b>5,050</b>	4,879	5,294	
Americas (\$ mn)	296	369	265	165	<b>336</b>	<b>377</b>	<b>396</b>	<b>404</b>	406	427	
Europe (Euro mn)	102	125	87	78	<b>122</b>	<b>142</b>	<b>142</b>	<b>145</b>	151	159	
Asia Pac (\$ mn)	21	18	14	12	<b>13</b>	<b>28</b>	<b>35</b>	<b>42</b>	36	44	
USD/INR	68.0	70.4	70.6	73.3	<b>74.7</b>	<b>80.8</b>	<b>82.0</b>	<b>84.0</b>	82.0	84.0	
EUR/US\$	1.2	1.1	1.1	1.2	<b>1.2</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	1.0	1.0	

Source: ICICI Direct Research

## Financial story in charts

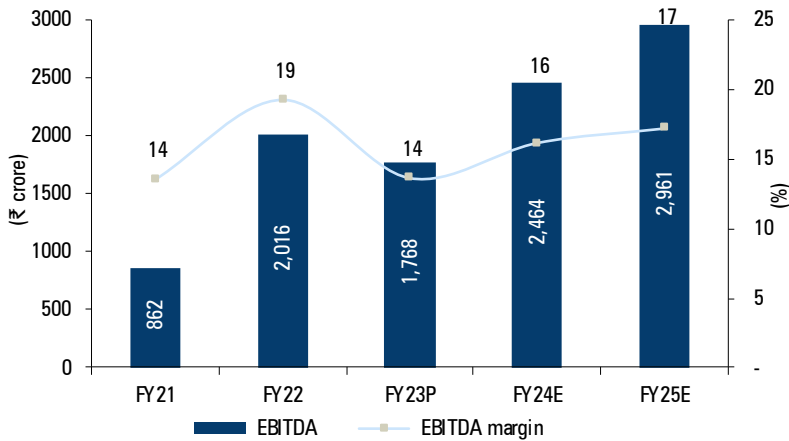
Exhibit 5: Topline trend



We expect sales to grow at a CAGR of 15.4% over FY23-25E

Source: Company, ICICI Direct Research

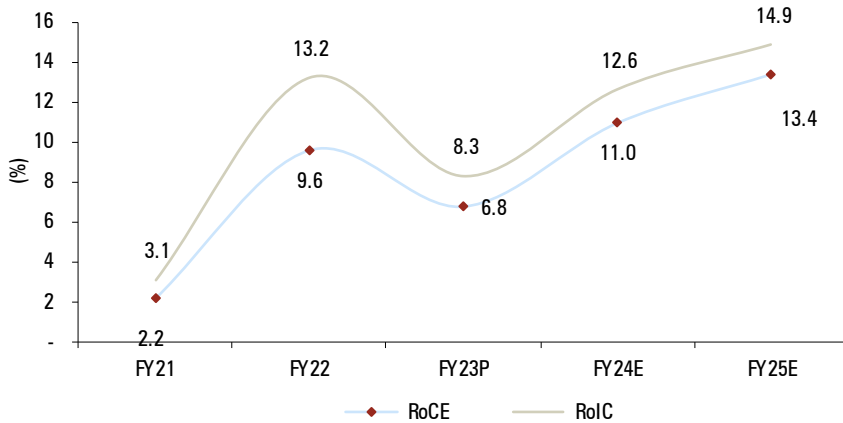
Exhibit 6: Trend in margins



Consolidated margins are seen growing to 17.2% by FY25E on operating leverage gains, cost controls & improved product mix

Source: Company, ICICI Direct Research

Exhibit 7: Trend in return ratios



RoCE is seen rising to ~14% by FY25E

Source: Company, ICICI Direct Research

Exhibit 8: Revenue segmentation (QFY23 and full year FY23)

Particulars	% Share	India Revenues (Segmental Bifurcation)						FY23 % Share	FY23 ₹ crore	FY22 ₹ crore	YoY %
		Q4FY23 ₹ crore	Q4FY22 ₹ crore	YoY %	Q3FY23 ₹ crore	QoQ %					
Commercial Vehicles	36.2	285.4	253.2	12.7	252.0	13.3	33.7	1,014.0	741.8	36.7	
Industrial	41.6	327.8	307.8	6.5	337.9	(3.0)	43.1	1,297.8	1,166.6	11.2	
Passenger Vehicles	10.4	81.7	79.2	3.2	92.9	(12.1)	11.7	351.3	293.6	19.7	
Others	11.8	92.7	75.9	22.1	77.1	20.2	11.5	345.2	297.7	16.0	
<b>Total</b>	<b>100.0</b>	<b>787.6</b>	<b>716.1</b>	<b>10.0</b>	<b>758.8</b>	<b>3.8</b>	<b>100.0</b>	<b>3,008.3</b>	<b>2,499.7</b>	<b>20.3</b>	

Particulars	% Share	International Revenues (Segmental Bifurcation)						FY23 % Share	FY23 ₹ crore	FY22 ₹ crore	YoY %
		Q4FY23 ₹ crore	Q4FY22 ₹ crore	YoY %	Q3FY23 ₹ crore	QoQ %					
Commercial Vehicles	42.8	504.6	401.3	25.7	486.8	3.7	42.9	1,912.1	1,716.1	11.4	
Industrial	35.9	424.1	367.2	15.5	412.4	2.8	35.7	1,593.2	1,396.0	14.1	
Passenger Vehicles	21.3	251.6	170.7	47.4	267.1	(5.8)	21.4	955.3	558.1	71.2	
<b>Total</b>	<b>100.0</b>	<b>1,180.3</b>	<b>939.2</b>	<b>25.7</b>	<b>1,166.3</b>	<b>1.2</b>	<b>100.0</b>	<b>4,460.6</b>	<b>3,670.2</b>	<b>21.5</b>	

Particulars	% Share	International Revenues (Geographical Bifurcation)						FY23 % Share	FY23 ₹ crore	FY22 ₹ crore	YoY %
		Q4FY23 ₹ crore	Q4FY22 ₹ crore	YoY %	Q3FY23 ₹ crore	QoQ %					
Americas	68.7	810.8	629.0	28.9	813.5	(0.3)	68.3	3,045.9	2,510.5	21.3	
Europe	26.0	307.2	266.3	15.4	283.2	8.5	26.6	1,187.1	1,039.7	14.2	
Rest of World	5.3	62.3	43.9	41.9	69.6	(10.5)	5.1	227.5	120.1	89.4	
<b>Total</b>	<b>100.0</b>	<b>1,180.3</b>	<b>939.2</b>	<b>25.7</b>	<b>1,166.3</b>	<b>1.2</b>	<b>100.0</b>	<b>4,460.6</b>	<b>3,670.2</b>	<b>21.5</b>	

Source: Company, ICICI Direct Research

Exhibit 9: Valuation Summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	8,358	30.7	16.2	8.1	46.9	22.0	17.3	14.9
FY19	10,146	21.4	22.2	37.0	34.3	18.7	19.1	15.5
FY20	8,056	-20.6	7.5	-66.2	101.3	34.2	7.8	5.6
FY21	6,336	-21.3	-2.7	NM	NA	43.9	-125.9	2.2
FY22	10,461	65.1	21.6	NM	35.2	19.1	15.2	9.6
FY23P	12,910	23.4	11.5	-46.5	65.9	22.7	8.0	6.8
FY24E	15,214	17.8	25.1	117.4	30.3	16.3	15.5	11.0
FY25E	17,185	13.0	32.6	30.1	23.3	13.4	17.7	13.4

Source: Company, ICICI Direct Research

## Financial Summary (Consolidated)

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
<b>Total operating income</b>	<b>10461.1</b>	<b>12910.3</b>	<b>15214.0</b>	<b>17184.5</b>
Growth (%)	65.1	23.4	17.8	13.0
Raw Material Expenses	4,215.9	5,961.4	7,226.6	8,162.7
Employee Expenses	1,464.7	1,563.1	1,673.5	1,804.4
Other expenses	2,764.5	3,618.3	3,849.9	4,256.6
Total Operating Expenditure	8,445.1	11,142.8	12,750.1	14,223.6
<b>EBITDA</b>	<b>2,016.0</b>	<b>1,767.5</b>	<b>2,463.9</b>	<b>2,960.9</b>
Growth (%)	134.0	-12.3	39.4	20.2
Depreciation	730.3	735.6	760.7	816.3
Interest	160.4	298.6	285.9	230.1
Other Income	195.9	172.9	133.4	100.4
<b>PBT</b>	<b>1,321.2</b>	<b>906.2</b>	<b>1,550.8</b>	<b>2,015.0</b>
Others	-33	-33	8	13
Total Tax	303.5	318.6	390.8	507.8
<b>PAT</b>	<b>1,077.2</b>	<b>508.4</b>	<b>1,168.3</b>	<b>1,519.7</b>
Growth (%)	LP	-52.8	129.8	30.1
<b>EPS (₹)</b>	<b>23.1</b>	<b>10.9</b>	<b>25.1</b>	<b>32.6</b>

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
<b>Profit after Tax</b>	<b>1077.2</b>	<b>508.4</b>	<b>1168.3</b>	<b>1519.7</b>
Add: Depreciation & Interest	890.7	1034.2	1046.6	1046.4
(Inc)/dec in Current Assets	-1755.5	-1492.5	-1205.3	-1051.4
Inc/(dec) in CL and Provisions	507.5	928.8	531.0	480.1
<b>CF from operating activities</b>	<b>719.9</b>	<b>978.9</b>	<b>1540.5</b>	<b>1994.7</b>
(Inc)/dec in Investments	169.2	858.0	100.0	250.0
(Inc)/dec in Fixed Assets	-1056.6	-1358.1	-650.0	-650.0
Others	-303.7	-547.9	-252.0	-280.0
<b>CF from investing activities</b>	<b>-1191.1</b>	<b>-1048.0</b>	<b>-802.0</b>	<b>-680.0</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	659.1	1197.8	-500.0	-600.0
Dividend paid & dividend tax	-325.9	-325.9	-372.5	-465.6
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	268.2	-366.3	-285.9	-230.1
<b>CF from financing activities</b>	<b>601.4</b>	<b>505.6</b>	<b>-1158.3</b>	<b>-1295.7</b>
Net Cash flow	130.2	436.6	-419.8	19.0
Opening Cash	472.8	603.0	1039.6	619.8
<b>Closing Cash</b>	<b>603.0</b>	<b>1039.6</b>	<b>619.8</b>	<b>638.8</b>

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
<b>Liabilities</b>				
Equity Capital	93.1	93.1	93.1	93.1
Reserve and Surplus	6,533.6	6,648.5	7,444.4	8,498.5
<b>Total Shareholders funds</b>	<b>6,626.7</b>	<b>6,741.6</b>	<b>7,537.5</b>	<b>8,591.6</b>
Total Debt	5,654.5	6,852.3	6,352.3	5,752.3
Deferred Tax Liability	288.9	215.3	215.3	215.3
Minority Interest / Others	791.7	1,399.1	1,399.1	1,399.1
<b>Total Liabilities</b>	<b>13,361.9</b>	<b>15,208.4</b>	<b>15,504.3</b>	<b>15,958.4</b>
<b>Assets</b>				
Gross Block	11,756.6	13,543.1	14,443.1	15,343.1
Less: Acc Depreciation	6,937.5	7,673.1	8,433.8	9,250.1
Net Block	4,819.1	5,869.9	6,009.2	6,093.0
Capital WIP	1,124.8	696.4	446.4	196.4
<b>Total Fixed Assets</b>	<b>5,943.8</b>	<b>6,566.3</b>	<b>6,455.6</b>	<b>6,289.3</b>
Investments	2,654.7	2,864.6	2,864.6	2,764.6
Inventory	2,710.5	3,126.3	3,751.4	4,237.3
Debtors	2,162.3	3,087.5	3,543.0	4,001.9
Loans and Advances	16.7	12.7	15.0	16.9
Other Current Assets	530.5	686.0	808.4	913.2
<b>Cash</b>	<b>603.0</b>	<b>1,039.6</b>	<b>619.8</b>	<b>638.8</b>
Total Current Assets	6,022.9	7,952.0	8,737.5	9,808.0
Creditors	1,631.4	2,151.3	2,500.9	2,824.9
Provisions	91.6	90.1	104.8	118.3
Other Current Liabilities	524.0	934.3	1,101.0	1,243.7
Total Current Liabilities	2,247.0	3,175.8	3,706.7	4,186.9
<b>Net Current Assets</b>	<b>3,775.9</b>	<b>4,776.2</b>	<b>5,030.8</b>	<b>5,621.2</b>
Other non-current assets	987.5	1,001.3	1,153.3	1,283.3
<b>Application of Funds</b>	<b>13,361.9</b>	<b>15,208.4</b>	<b>15,504.3</b>	<b>15,958.4</b>

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY22	FY23P	FY24E	FY25E
<b>Per share data (₹)</b>				
EPS	23.1	10.9	25.1	32.6
Cash EPS	38.8	26.7	41.4	50.2
BV	142.3	144.8	161.9	184.5
DPS	7.0	7.0	8.0	10.0
Cash Per Share	53.9	44.9	33.7	28.8
<b>Operating Ratios</b>				
EBITDA Margin (%)	19.3	13.7	16.2	17.2
PBT / Net sales (%)	12.3	8.0	11.2	12.5
PAT Margin (%)	10.3	3.9	7.7	8.8
Inventory days	94.6	88.4	90.0	90.0
Debtor days	75.4	87.3	85.0	85.0
Creditor days	56.9	60.8	60.0	60.0
<b>Return Ratios (%)</b>				
RoCE	9.6	6.8	11.0	13.4
RoE	15.2	8.0	15.5	17.7
RoIC	13.2	8.3	12.6	14.9
<b>Valuation Ratios (x)</b>				
P/E	35.2	65.9	30.3	23.3
EV / EBITDA	19.1	22.7	16.3	13.4
EV / Net Sales	3.7	3.1	2.6	2.3
Market Cap / Sales	3.4	2.7	2.3	2.1
Price to Book Value	5.3	5.2	4.7	4.1
<b>Solvency Ratios</b>				
Debt/EBITDA	2.8	3.9	2.6	1.9
Debt / Equity	0.9	1.0	0.8	0.7
Current Ratio	2.4	2.2	2.2	2.2
<b>Quick Ratio</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Apollo Tyre (APOTYR)	370	390	Buy	23,497	15.9	25.2	30.0	23.2	14.7	12.3	8.4	6.5	5.7	10.0	13.8	14.9	8.1	11.8	12.9
Ashok Leyland (ASHLEY)	140	185	Buy	40,979	3.9	6.8	8.3	36.1	20.7	16.8	16.0	11.3	9.4	15.9	23.3	27.8	14.1	22.0	23.5
Bajaj Auto (BAAUTO)	4,470	4,530	Hold	1,29,348	198.9	246.2	280.9	22.5	18.2	15.9	17.1	13.5	11.6	24.3	29.4	32.3	22.1	26.1	28.1
Balkrishna Ind. (BALIND)	2,140	2,170	Hold	41,370	52.1	77.5	95.9	41.0	27.6	22.3	29.6	18.6	15.2	8.6	15.8	19.2	13.2	17.3	18.7
<b>Bharat Forge (BHAFOR)</b>	<b>760</b>	<b>980</b>	<b>Buy</b>	<b>35,383</b>	<b>10.9</b>	<b>25.1</b>	<b>32.6</b>	<b>69.6</b>	<b>30.3</b>	<b>23.3</b>	<b>22.7</b>	<b>16.3</b>	<b>13.4</b>	<b>6.8</b>	<b>11.0</b>	<b>13.4</b>	<b>8.0</b>	<b>15.5</b>	<b>17.7</b>
Eicher Motors (EICMOT)	3,350	4,065	Buy	91,556	101.5	123.4	141.8	33.0	27.1	23.6	23.8	19.8	16.6	19.8	20.2	27.3	19.2	20.3	20.2
Escorts Kubota (ESCORT)	2,060	2,165	Hold	27,180	45.1	60.7	72.4	45.7	34.0	28.5	30.0	23.8	18.6	6.9	8.4	9.9	8.0	9.0	9.9
Hero Moto (HERHON)	2,540	2,840	Hold	50,724	145.7	182.6	199.7	17.4	13.9	12.7	10.7	8.6	7.7	18.9	22.7	23.6	17.4	20.4	20.9
M&M (MAHMAH)	1,215	1,665	Buy	1,51,049	54.9	66.3	75.3	22.1	18.3	16.1	14.2	12.1	10.1	13.1	14.3	15.4	16.6	15.9	15.9
Maruti Suzuki (MARUTI)	8,930	11,000	Buy	2,69,757	266.5	354.9	422.5	33.5	25.2	21.1	20.5	15.6	12.9	12.8	16.0	17.4	13.3	15.9	16.7
Uno Minda (MININD)	505	630	Buy	28,873	11.5	15.6	18.6	44.0	32.3	27.2	22.9	18.2	15.5	15.2	18.0	19.2	16.3	18.4	18.2
Tata Motors (TATMOT)	475	530	Buy	1,81,878	-3.1	24.3	35.8	-155.1	19.6	13.3	6.7	4.5	3.6	7.9	15.1	18.6	-2.5	16.3	19.4

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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