

CMP: ₹ 1,365

Target: ₹ 1,665 (22%)

Target Period: 12 months

BUY

February 12, 2023

## Strong fundamentals at play, robust growth outlook...

**About the stock:** Mahindra & Mahindra (M&M) is a conglomerate with presence in auto, IT, financial services, logistics, hospitality, real estate among others. At standalone level it is India's largest tractor manufacturer (41.5% H1FY23 market share), second largest CV, fourth largest PV maker (27%, 8.7% H1FY23 market share)

- FY22 standalone revenue mix – ~62% automotive, ~34% tractors

**Q3FY23 Results:** The company posted steady Q3FY23 results.

- Standalone net sales rose 3.9% QoQ to ₹ 21,654 crore
- EBITDA margins at 13% were up 102 bps QoQ (gross margins up 50 bps)
- Standalone PAT for Q3FY23 came in at ₹ 1,528 crore, down 27% QoQ. PAT performance was dragged by impairment on certain long-term investments

**What should investors do?** M&M's stock price has grown at ~13% CAGR from ₹ 744 levels in February 2018, outperforming the wider Nifty Auto index.

- We retain **BUY** rating on the stock amid sturdy demand prospects across its product profile, robust order book and M&M walking the talk on capital efficiency (RoE) as well as margin improvement targets in auto domain

**Target Price and Valuation:** Introducing FY25E, we value M&M at SOTP-based target price of ₹ 1,665 (10x FY24E standalone EV/EBITDA; 30% holdco discount to investments, ₹ 226/share value accrued pursuant to equity raise for electric PV arm).

### Key triggers for future price performance:

- We build 18%, 24% total volume, sales CAGR, respectively, in FY22-25E on back of healthy order book, upcoming strong product launches in EV, ICE
- With operating leverage at play, improving product mix, benign commodity prices, BS-VI stage 2 cost past through, focus on cost efficiencies, we expect EBITDA margins to hover in the range of 12-12.5%
- Continued focus on prudent capital allocation (>18% RoCE), leadership position in E3-W space along with increasing market share in LCV space & revival of rural demand to act as structural positives
- Expanding capacities across models to fulfil current pending orderbook
- Persistent focus towards electrification with clear product timelines amid overall aim to have 20-30% of SUV portfolio as electric vehicles by 2027

**Alternate Stock Idea:** Apart from M&M, in our coverage we like Maruti Suzuki.

- Best placed to play upon the under-penetrated PV space domestically
- BUY with target price of ₹ 11,200

### Key Financial Summary

Particulars	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	3 year CAGR (FY22-5E)
Net Sales	53,614.0	45,487.8	44,629.9	57,446.0	5.5%	83,301.8	98,198.1	1,10,449.9	24.3%
EBITDA	6,639.6	5,798.0	6,957.5	7,042.3	9.3%	10,201.7	11,889.2	13,833.8	25.2%
EBITDA Margins (%)	12.4	12.7	15.6	12.3		12.2	12.1	12.5	
Net Profit	4,796.1	1,330.4	984.2	4,935.2	6.3%	6,549.7	7,905.6	8,983.9	22.1%
Adjusted Net Profit	4,818.6	2,190.4	2,303.2	5,100.4	9.6%	7,257.8	7,905.6	8,983.9	20.8%
EPS (₹)	40.2	11.2	8.2	41.4		54.9	66.3	75.3	
P/E	34.0	122.4	165.5	33.0		24.9	20.6	18.1	
RoNW (%)	14.1	6.4	6.6	13.1		16.6	15.9	15.9	
RoCE (%)	12.3	8.8	10.0	9.3		13.1	14.3	15.4	

Source: Company, ICICI Direct Research

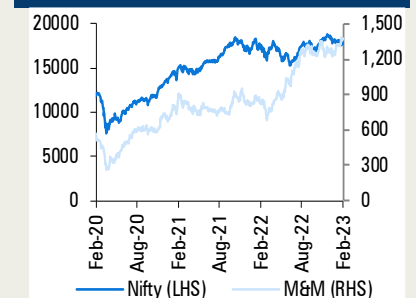
### Particulars

Particular	Amount
Market Capitalization (₹ crore)	1,69,697
Total Debt (FY22, ₹ crore)	6,490
Cash and Inv (FY22, ₹ crore)	11,552
EV (₹ crore)	1,64,634
52 week H/L (₹)	1,392/ 671
Equity capital (₹ crore) (FY22)	598.2
Face value (₹)	₹ 5

### Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	19.5	19.5	19.4	19.4
FII	37.3	37.9	38.3	39.2
DII	28.8	28.9	28.5	27.7
Other	14.4	13.7	13.8	13.7

### Price Chart



### Recent event & key risks

- Posted steady Q3FY23 results
- Key Risk:** (i) Slower than expected sales volume growth, (ii) Limited margin gain amid rise in share of auto segment sales (6.7% EBIT margin) vs. tractor segment (16.6% EBIT margin)

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## Key takeaways of recent quarter & conference call highlights

### Q3FY23 Results:

- M&M's automotive revenues were flat QoQ to ₹ 14,797 crore amid 2% QoQ decline in volumes at ~1.76 lakh units and 2.5% ASP growth to ₹ 8.4 lakh/unit. Tractor revenues grew 13.4% QoQ to ₹ 6,277.7 crore tracking 13.1% QoQ volume growth at 1.06 lakh units and flat ASPs at ₹ 5.9 lakh/unit
- Standalone EBITDA was at ₹ 2,814 crore with attendant EBITDA margins at 13% (up 102 bps QoQ). Gross margin expanded 56 bps QoQ. For Q3FY23, automotive segment posted ~65 bps increase in EBIT margins QoQ to 6.7% while tractor segment EBIT margins grew ~15 bps QoQ to 16.6%
- PAT for the quarter came in at ₹ 1,528 crore, down 27% QoQ. PAT miss was due to exceptional item (~₹ 629 crore) relating to impairment provision for a certain long-term investment, impairment of certain assets of trucks and buses business. PAT for the quarter was, however, supported by higher than anticipated other income

### Q3FY23 Earnings Conference Call highlights

- During the quarter, the company witnessed highest ever quarterly revenue and highest ever PBIT with sequential improvement in farm equipment PBIT amid market share gain and healthy volumes
- The company continued to maintain its market share in the domestic tractor space at 41%, up 1.6% YoY. This was primarily due to successful launch of Yuvo Tech+, addition of new dealers (~120 dealers added), strong brand recognition in 30-50 HP segment
- Outperformance during the quarter was primarily led by farm segment, which witnessed robust demand amid positive farm sentiments. Further, the management expects industry to grow 10%+ vs earlier expectation of high single digit. Also, the management said four years of healthy monsoon, higher government spending in H2FY23, etc, leading to healthy demand with FY24E guidance to be given after IMD monsoon data
- M&M continues to count itself as market leader in SUV space with Q3FY23 revenue market share pegged at 20.6% vs. 19% in Q2FY23. Also, it continues to dominate electric 3-W space with 63.5% market share
- M&M informed about farm mechanisation revenue growing 40% YoY in YTD FY23 (at ~₹ 480 crore) with revenue target at 10x by 2027 and eventually report it as separate division once it reaches optimum profitability. Companies sees huge opportunity in this space wherein the intent is to capture market share in some segments like rotavator, etc, as well as expand the category like rice transplanters among others
- The company informed about pending order book at 2.66 lakh units with continued focus to reduce the same and report less orderbook in the next quarter amid production ramp up. The management said cancellation of the current order book in the range of ~5-7% was due to delay in deliveries

M&M- ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	60.8	64.8	70.6
Social	39.7	39.7	38.9
Governance	84.9	89.9	89.9
<b>Overall ESG Score</b>	<b>61.8</b>	<b>64.8</b>	<b>66.5</b>

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

Management expects CV industry to reach FY19 levels in FY24E & surpass the same in FY25E.

Management informed about setting up of ~130 cubes in urban areas with 800-1200 sq. ft area with great Rol in terms of dealers for supplying EV's and ~220 such cubes in urban areas. Management plans to expand it to 350 cubes by year end in urban areas.

BS-VI phase (RDE Norms) to increase cost by ₹10-15K per vehicle. It is well positioned to transition the same.

Company is in discussion with authorities for extending TREM V phase 2 deadlines for <50 HP tractors.

Management expects uptick in export market amid normalization in Bangladesh and Sri Lanka.

M&M continues to remain focused toward margin improvement targets in FES division & has improved the same by ~1% till date (over last 4 quarters).

## Peer comparison

Exhibit 1: ICICI Direct coverage universe (4-W OEMs, tractor OEM's)

Company	CMP	TP	Rating	Mcap	Total lakh volumes			EBITDA margin (%)			RoCE (%)			P/E		
	₹	₹		₹ crore	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
M&M (MAHMAH)	1,365	1,665	Buy	1,69,697	8.2	10.9	12.3	12.3	12.2	12.1	9.3	13.1	14.3	33.0	24.9	20.6
Maruti Suzuki (MARUTI)	8,835	11,200	Buy	2,66,888	16.5	19.6	22.1	6.5	9.1	10.0	5.1	12.9	16.9	70.9	33.7	23.9
Tata Motors (TATMOT)	446	530	Buy	1,70,773	7.3	9.6	10.5	12.2	11.7	13.3	4.8	7.9	15.1	(14.9)	(145.6)	18.4
Escorts (ESCORT)	2,058	2,165	Hold	27,153	0.9	1.0	1.2	13.3	8.8	9.5	10.4	6.9	8.4	35.5	45.7	33.9

Source: Company, ICICI Direct Research; Note - Total volumes above are for Tata Motors' Indian operations and Escorts' tractor division

We believe M&M's renewed pivot towards efficient capital allocation (vision for >18% RoCE at consolidated level) and aggressive EV launch pipeline are structural positives. Its standalone return ratios look optically muted vs. peers due to high quantum of investments in subsidiaries (listed and unlisted).

Exhibit 2: Strong order backlog of ~2,66,000 units

Open Bookings: ~266k

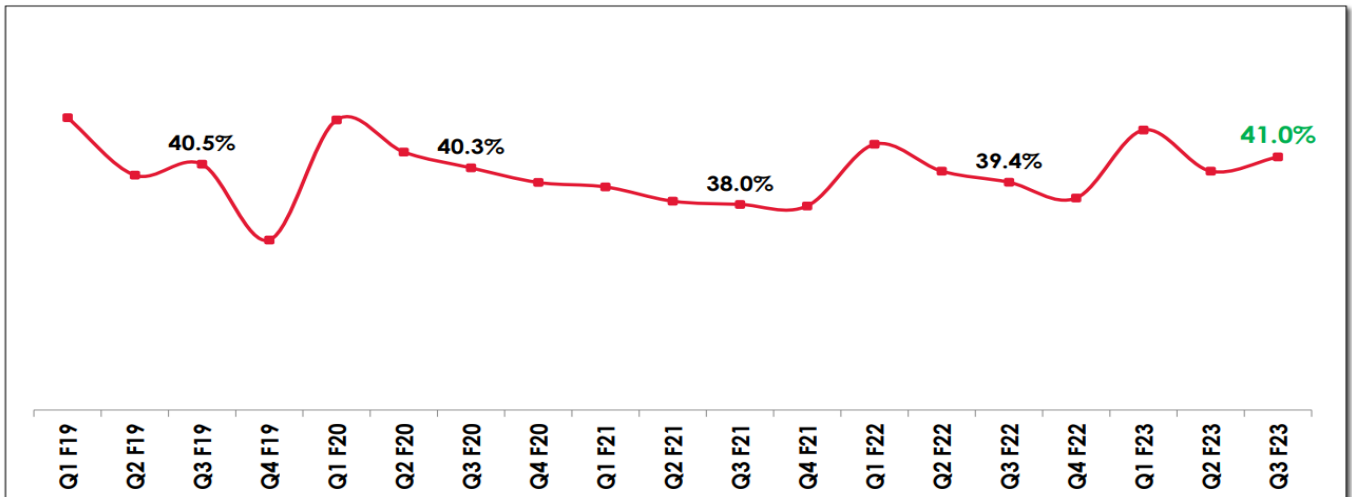


Source: Company, ICICI Direct Research

Exhibit 3: Market share movement over the period (tractor segment)

YTD F23 MS at 41.4% (gain of 0.9% vs PY)

Q3 F23 MS at 41.0% (gain of 1.6% vs PY)

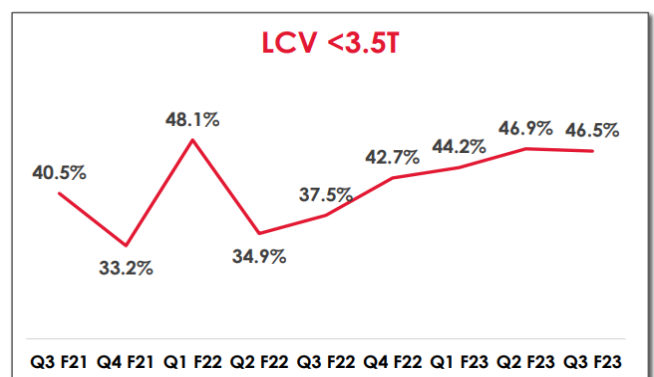
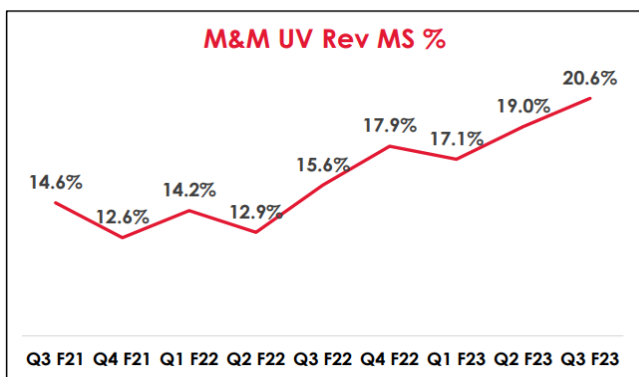


Source: Company, ICICI Direct Research

Exhibit 4: Market share movement in SUV space (revenue market share) as well as LCV's (<3.5T)

#1 in Revenue MS for 4 consecutive quarters

MS Gain of 9% YoY in LCV <3.5T



Source: Company, ICICI Direct Research

Exhibit 5: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Total Operating Income	21,653.7	21,494.9	15,238.8	42.1	20,839.3	3.9	Topline came in broadly on expected lines
Raw Material Expenses	16,447.1	16,121.7	11,393.1	44.4	15,949.0	3.1	RM costs came in higher than anticipated at 76% of sales (down 50 bps QoQ) vs. our estimate of 75%
Employee Expenses	934.2	913.5	879.0	6.3	912.9	2	
Other expenses	1,458.3	1,558.4	1,160.9	25.6	1,481.1	-1.5	Other expenses were contained at 6.7% of sales and was down 40 bps on QoQ basis
EBITDA	2,814.2	2,901.3	1,805.8	55.8	2,496.4	12.7	
EBITDA Margin (%)	13.0	13.5	11.9	115 bps	12.0	102 bps	EBITDA margins came in lower than anticipated due to lower savings realised in RM costs
Other income	670.0	306.9	523.3	28.0	1,325.9	-49.5	
Depreciation	829.2	750.8	631.2	31.4	775.6	6.9	Depreciation came in a tad higher than estimates
Interest	68.6	61.1	53.3	29	63.7	8	
Tax	429.6	603.8	291.6	47.3	645.2	-33.4	
PAT	1,528.1	1,792.4	1,353.1	12.9	2,089.9	-26.9	PAT came in lower than expected on account of one time exceptional loss booked on certain long term investments however was supported by higher than expected other income
EPS	12.8	15.0	11.3	12.9	17.5	-26.9	

Key Metrics

Auto revenues (₹ crore)	14,796.5	14,647.3	9,547.6	55.0	14,725.0	0.5	Auto segments revenues were up 0.5% QoQ amid 2% sequential decline in volumes at 1.76 lakh units
FES revenues (₹ crore)	6,277.7	6,293.2	5,217.8	20.3	5,538.1	13.4	Farm Equipment segment revenues were up 13.4% QoQ amid 13.1% QoQ growth in volumes at 1.1 lakh units (seasonality at play)

Source: Company, ICICI Direct Research; PI Note: QoQ and YoY performance is not strictly comparable as company keeps on merging its subsidiaries time and again

Exhibit 6: Change in estimates

(₹ Crore)	FY23E			FY24E			FY25E		Comments
	Old	New	% Change	Old	New	% Change	Introduced		
Revenue	81,451	83,302	2.3	95,776	98,198	2.5	110,450	Broadly retain revenue estimates for FY23-24E. Introduced FY25E. We expect topline at the company to grow at a CAGR of 24.3% over FY22-25E	
EBITDA	9,946	10,202	2.6	12,957	11,889	-8.2	13,834		
EBITDA Margin (%)	12.2	12.2	4 bps	13.5	12.1	-142 bps	12.5	Lower margin estimates for FY24E tracking increase in share of automobile segment in total sales mix which in indeed realises lower margins than farm equipment space. Introduced FY25E margins at 12.5%	
PAT	6,529	6,550	0.3	8,591	7,906	-8.0	8,984		
EPS (₹)	54.7	54.9	0.3	72.0	66.3	-8.0	75.3	Introduced FY25E. With normalisation of margin profile, we expect bottom-line at the company to grow at a CAGR of 22% over FY22-25E	

Source: ICICI Direct Research

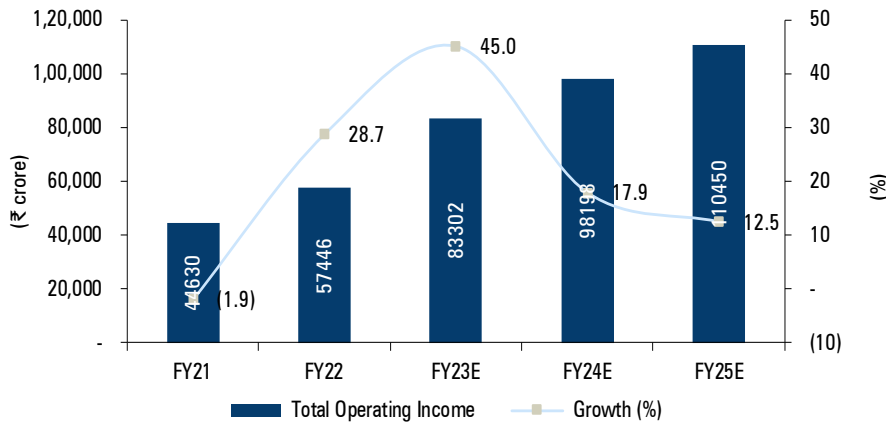
Exhibit 7: Assumptions

Units	Current							Earlier		Comments
	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY23E	FY24E	
Automotive volumes	608,597	476,043	352,281	465,597	695,056	810,467	905,477	694,722	805,546	Upward revise our volume estimates for FY23-24E tracking robust order book in SUV space as well as upbeat farm sentiments in tractor domain. We expect total volumes at the company to grow at a CAGR of 18.2% over FY22-25E with growth led by automotive segment (volume CAGR pencilled in 24.8%)
Automotive ASPs (₹)	580,892	596,766	710,075	764,323	828,674	870,088	887,578	822,049	857,072	
FES Volumes	330,436	301,915	354,498	354,678	398,856	418,798	448,114	379,883	406,474	
FES ASPs (₹)	510,679	510,158	519,983	557,318	584,539	602,292	614,398	580,815	600,504	
Total Volumes	939,033	777,958	706,779	820,275	1,093,912	1,229,266	1,353,591	1,074,604	1,212,021	

Source: ICICI Direct Research

## Financial story in charts

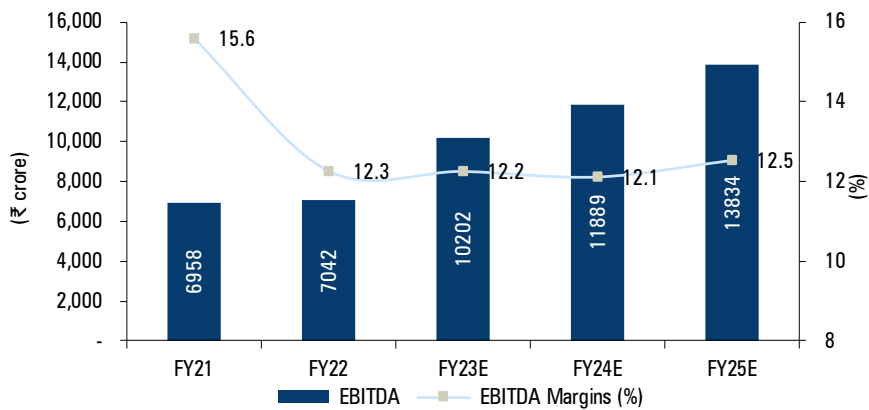
Exhibit 8: Topline trend



We expect sales to grow at 24.3% CAGR in FY22-25E amid 18.2% blended volume CAGR

Source: Company, ICICI Direct Research

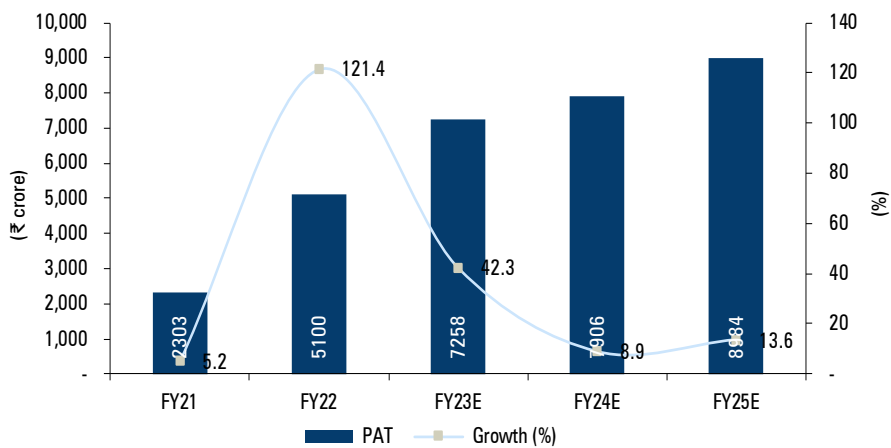
Exhibit 9: EBITDA and EBITDA margin trend



We build in 12.1% & 12.5% as EBITDA margins in FY24E and FY25E, respectively

Source: Company, ICICI Direct Research

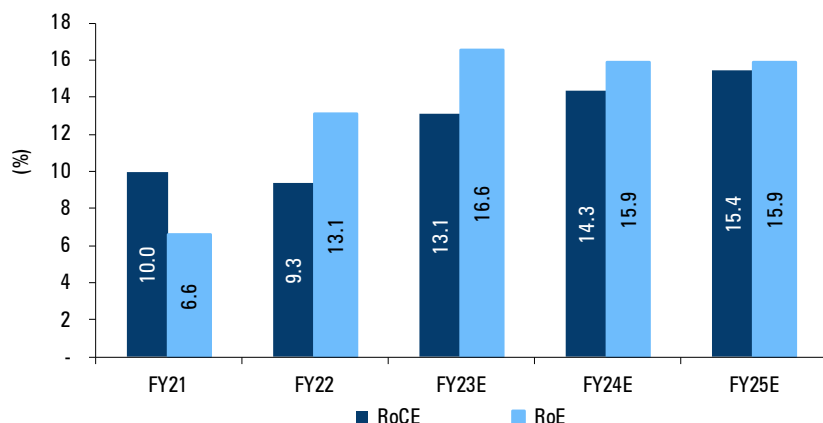
Exhibit 10: Profitability (adjusted PAT) trend



Adjusted PAT is expected to grow to ₹8,984 crore by FY25E

Source: Company, ICICI Direct Research

Exhibit 11: Return ratios trend



RoE profile at M&M is seen improving to ~16% levels (on standalone basis) gradually by FY25E

Source: Company, ICICI Direct Research

Exhibit 12: Valuation matrix (SOTP Valuation)

Valuation Matrix (SOTP)					
Automotive Business (UV+PV+CV+Tractors)	₹crore	₹/share	Remark		
<b>Standalone business</b>					
FY24E EBITDA	11,889				
Assigning EV/EBITDA Multiple of 8.5x	10.00				
Enterprise Value	1,18,892	997			
Net Debt (FY24E)	(7,392)	-62			
<b>Value of Standalone Business</b>	<b>1,26,283</b>	<b>1058</b>			
<b>Valuation Pegging of electric PV business at lower valuation band (@₹1,925 crore for 4.76% stake) &amp; 30% holding company discount</b>	<b>26,961</b>	<b>226</b>			
<b>Total value of automobile business including electric PV company (A)</b>		<b>1285</b>			
Value of Investments (listed companies)	M&M stake (%)	Co's Market Capitalisation ₹ crore	Contribution to M&M ₹crore	₹/share	Remark
Tech Mahindra	26	98,263	25,548	214	Current market cap
M&M Financial Services	52	32,743	17,079	143	Current market cap
Mahindra Life space	52	6,186	3,186	27	Current market cap
Mahindra CIE	9	15,091	1,396	12	Current market cap
Mahindra Holidays & Resorts	67	5,490	3,695	31	Current market cap
Mahindra Logistics	58	2,932	1,709	14	
Other subsidiaries & investments			11,787	99	
<b>Total Value of subsidiaries &amp; associates (B)</b>			<b>64,400</b>	<b>540</b>	
<b>Value of investments post 30% holding company discount (C = 0.7*B)</b>				<b>380</b>	
<b>M&amp;M Target Price (value of equity per share , A+C)</b>				<b>1,665</b>	

Source: ICICI Direct Research

Exhibit 13: Valuation Summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	53,614	10.1	40.2	14.7	33.8	24.9	14.1	12.3
FY20	45,488	(15.2)	11.2	(72.3)	74.3	28.7	6.4	8.8
FY21	44,630	(1.9)	8.2	(26.0)	70.7	23.9	6.6	10.0
FY22	57,446	28.7	41.4	NM	31.9	23.4	13.1	9.3
FY23E	83,302	45.0	54.9	32.7	22.4	16.0	16.6	13.1
FY24E	98,198	17.9	66.3	20.7	20.6	13.7	15.9	14.3
FY25E	1,10,450	12.5	75.3	13.6	18.1	11.5	15.9	15.4

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Total operating Income</b>	<b>57,446.0</b>	<b>83,301.8</b>	<b>98,198.1</b>	<b>1,10,449.9</b>
Growth (%)	28.7	45.0	17.9	12.5
Raw Material Expenses	42,341.6	63,628.5	75,531.6	84,742.8
Employee Expenses	3,306.0	3,637.1	4,001.7	4,418.0
Other Expenses	4,756.2	5,834.5	6,775.7	7,455.4
Total Operating Expenditure	50,403.7	73,100.1	86,308.9	96,616.1
<b>EBITDA</b>	<b>7,042.3</b>	<b>10,201.7</b>	<b>11,889.2</b>	<b>13,833.8</b>
Growth (%)	1.2	44.9	16.5	16.4
Depreciation	2,451.1	3,123.8	3,436.9	3,865.7
Interest	223.0	269.3	209.6	139.6
Other Income	2,075.9	2,597.5	2,326.3	2,182.2
<b>PBT</b>	<b>6,444.1</b>	<b>9,406.1</b>	<b>10,569.0</b>	<b>12,010.6</b>
Others (incl exceptional item)	208.7	41.0	247.9	628.9
Total Tax	1,300.2	1,938.7	2,663.4	3,026.7
<b>PAT</b>	<b>4,935.2</b>	<b>6,549.7</b>	<b>7,905.6</b>	<b>8,983.9</b>
<b>Adjusted PAT</b>	<b>5,100.4</b>	<b>7,257.8</b>	<b>7,905.6</b>	<b>8,983.9</b>
Growth (%)	401.5	32.7	20.7	13.6
<b>EPS (₹)</b>	<b>41.3</b>	<b>54.9</b>	<b>66.3</b>	<b>75.3</b>

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Profit after Tax (adj)</b>	<b>4,935.2</b>	<b>6,549.7</b>	<b>7,905.6</b>	<b>8,983.9</b>
Add: Depreciation	2,451.1	3,123.8	3,436.9	3,865.7
(Inc)/dec in Current Assets	-4,437.6	-5,573.4	-3,361.8	-2,765.0
Inc/(dec) in CL and Provisions	2,492.3	5,706.6	3,948.2	3,251.7
<b>CF from operating activities</b>	<b>5,441.0</b>	<b>9,806.7</b>	<b>11,928.9</b>	<b>13,336.4</b>
(Inc)/dec in Investments	-3,327.2	-500.0	-1,100.0	-3,000.0
(Inc)/dec in Fixed Assets	-3,881.1	-6,000.0	-7,000.0	-6,000.0
Others	1,120.5	-131.9	-76.0	-62.5
<b>CF from investing activities</b>	<b>(6,087.9)</b>	<b>(6,631.9)</b>	<b>(8,176.0)</b>	<b>(9,062.5)</b>
Issue/(Buy back) of Equity	0.8	0.0	0.0	0.0
Inc/(dec) in loan funds	-1,172.4	-750.0	-1,500.0	-1,500.0
Dividend paid & dividend tax	-1,378.0	-1,670.3	-2,028.2	-2,266.8
Others	451.8	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>(2,097.7)</b>	<b>(2,420.3)</b>	<b>(3,528.2)</b>	<b>(3,766.8)</b>
Net Cash flow	-2,744.6	754.5	224.7	507.1
Opening Cash	6,395.0	3,650.4	4,404.9	4,629.6
<b>Closing Cash</b>	<b>3,650.4</b>	<b>4,404.9</b>	<b>4,629.6</b>	<b>5,136.7</b>

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Liabilities</b>				
Equity Capital	598.2	598.2	598.2	598.2
Reserve and Surplus	38,362.7	43,242.1	49,119.5	55,836.7
<b>Total Shareholders funds</b>	<b>38,960.9</b>	<b>43,840.3</b>	<b>49,717.7</b>	<b>56,434.9</b>
Total Debt	6,490.0	5,740.0	4,240.0	2,740.0
Deferred Tax Liability	1,700.8	1,700.8	1,700.8	1,700.8
Others	1,970.2	2,857.0	3,367.9	3,788.1
<b>Total Liabilities</b>	<b>49,121.8</b>	<b>54,138.0</b>	<b>59,026.3</b>	<b>64,663.7</b>
<b>Assets</b>				
Gross Block	33,485.1	40,503.3	48,503.3	55,503.3
Less: Acc Depreciation	18,936.5	22,060.3	25,497.2	29,363.0
<b>Net Block</b>	<b>14,548.6</b>	<b>18,443.0</b>	<b>23,006.0</b>	<b>26,140.3</b>
Capital WIP	5,018.2	4,000.0	3,000.0	2,000.0
Total Fixed Assets	19,566.8	22,443.0	26,006.0	28,140.3
Other investments	17,207.8	18,207.8	19,707.8	21,207.8
Liquid Investments	7,902.1	7,402.1	7,002.1	8,502.1
Inventory	5,882.9	7,987.8	9,416.3	10,591.1
Debtors	3,035.1	4,564.5	5,380.7	6,052.1
Loans and Advances	1,845.5	2,676.2	3,154.7	3,548.3
Other current assets	2,462.7	3,571.1	4,209.7	4,734.9
<b>Cash</b>	<b>3,650.4</b>	<b>4,404.9</b>	<b>4,629.6</b>	<b>5,136.7</b>
Total Current Assets	18,015.5	24,343.4	27,929.9	31,202.0
Creditors	12,893.5	17,116.8	20,177.7	22,695.2
Provisions	453.6	602.2	709.9	798.4
Total Current Liabilities	13,347.2	17,719.0	20,887.6	23,493.6
<b>Net Current Assets</b>	<b>4,668.3</b>	<b>6,624.4</b>	<b>7,042.3</b>	<b>7,708.4</b>
<b>Application of Funds</b>	<b>49,121.8</b>	<b>54,138.0</b>	<b>59,026.3</b>	<b>64,663.7</b>

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Per share data (₹)</b>				
EPS	41.4	54.9	66.3	75.3
Cash EPS	61.9	81.1	95.1	107.7
BV	326.6	367.5	416.7	473.0
DPS	11.6	14.0	17.0	19.0
Cash Per Share	96.8	99.0	97.5	114.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	12.3	12.2	12.1	12.5
PBT / Net sales	8.0	8.5	8.6	9.0
PAT Margin	8.6	7.9	8.1	8.1
Inventory days	37.4	35.0	35.0	35.0
Debtor days	19.3	20.0	20.0	20.0
Creditor days	81.9	75.0	75.0	75.0
Net Working Capital days	-25.3	-20.0	-20.0	-20.0
<b>Return Ratios (%)</b>				
RoE	13.1	16.6	15.9	15.9
RoCE	9.3	13.1	14.3	15.4
RoIC	14.1	18.5	19.0	20.3
<b>Valuation Ratios (x)</b>				
P/E	33.0	24.9	20.6	18.1
EV / EBITDA	23.4	16.0	13.7	11.5
EV / Net Sales	2.9	2.0	1.7	1.4
Market Cap / Sales	3.0	2.0	1.7	1.5
Price to Book Value	4.2	3.7	3.3	2.9
<b>Solvency Ratios</b>				
Debt/Equity	0.2	0.1	0.1	0.0
Current Ratio	0.8	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

Exhibit 18: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Apollo Tyre (APOTYR)	330	390	Buy	20,956	10.1	15.9	25.2	32.8	20.7	13.1	9.9	7.6	5.9	6.3	10.0	13.8	5.4	8.1	11.8
Ashok Leyland (ASHLEY)	149	185	Buy	43,614	1.8	3.9	6.8	80.7	38.4	22.0	45.0	17.0	12.0	2.1	15.9	23.3	0.2	14.1	22.0
Bajaj Auto (BAAUTO)	3,876	4,100	Hold	1,12,160	173.4	197.5	240.9	22.3	19.6	16.1	17.3	14.5	11.6	18.4	24.2	29.0	17.6	22.3	26.1
Balkrishna Ind. (BALIND)	2,308	2,200	Buy	44,618	73.0	72.4	100.1	31.6	31.9	23.1	23.5	24.8	16.2	15.9	12.5	19.9	20.4	17.6	20.7
Bharat Forge (BHAFOR)	883	1,050	Buy	41,110	23.1	17.5	28.2	38.2	50.4	31.3	22.0	23.3	16.9	9.6	8.4	12.6	15.2	11.4	16.4
Eicher Motors (EICMOT)	3,236	4,310	Buy	88,440	61.3	101.4	124.6	52.8	31.9	26.0	36.8	22.2	17.9	13.3	20.5	21.6	13.3	19.2	20.4
Escorts Kubota (ESCORT)	2,058	2,165	Hold	27,153	58.0	45.1	60.7	35.5	45.7	33.9	23.5	30.0	23.8	10.4	6.9	8.4	9.7	8.0	9.0
Hero Moto (HERHON)	2,600	2,770	Hold	51,922	123.8	137.2	169.7	21.0	18.9	15.3	12.9	11.5	9.2	16.3	18.4	22.2	15.7	16.6	19.5
<b>M&amp;M (MAHMAH)</b>	<b>1,365</b>	<b>1,665</b>	<b>Buy</b>	<b>1,69,697</b>	<b>41.4</b>	<b>54.9</b>	<b>66.3</b>	<b>33.0</b>	<b>24.9</b>	<b>20.6</b>	<b>23.4</b>	<b>16.0</b>	<b>13.7</b>	<b>9.3</b>	<b>13.1</b>	<b>14.3</b>	<b>13.1</b>	<b>16.6</b>	<b>15.9</b>
Maruti Suzuki (MARUTI)	8,835	11,200	Buy	2,66,888	124.7	261.9	369.0	70.9	33.7	23.9	39.5	20.6	14.7	5.1	12.9	16.9	7.0	13.3	16.7
Uno Minda (MININD)	533	630	Buy	30,474	6.2	11.5	15.6	85.7	46.4	34.1	35.1	24.2	19.2	10.2	15.2	18.0	10.3	16.3	18.4
Tata Motors (TATMOT)	446	530	Buy	1,70,773	-29.9	-3.1	24.3	-14.9	-145.6	18.4	7.3	6.4	4.3	4.8	7.9	15.1	-23.5	-2.5	16.3

Source: Company, ICICI Direct Research



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Reduce: -15% to -5%;

•Sell: <-15%



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