

CMP: ₹ 1,280

Target: ₹ 1,600 (25%)

Target Period: 12 months

May 28, 2023

BUY

With turnaround in place, capital efficiency to the core, focus shifts to scale up core business, investments

About the stock: Mahindra & Mahindra (M&M) is a conglomerate with a presence in auto, IT, financial services, logistics, hospitality and real estate among others. At standalone level it is India's largest tractor manufacturer (41.2% FY23 market share) & second largest CV, fourth largest PV maker (25.8%, 9.2% FY23 market share).

- FY23 standalone revenue mix – ~69% automotive, ~28% tractors

Q4FY23 Results: The company posted steady Q4FY23 results.

- Standalone net sales rose 4.2% QoQ to ₹ 22,571 crore
- EBITDA margins were at 12.4%, down 60 bps QoQ
- Standalone PAT for Q4FY23 came in at ₹ 1,549 crore, up 1.4% QoQ. PAT performance was dragged by impairment on certain long-term investments

What should investors do? M&M's stock price has grown at ~8% CAGR from ~₹ 857 levels in May 2018, outperforming the wider Nifty Auto index.

- We retain **BUY** tracking robust response to new launches in the SUV space with resultant order backlog of ~2.9+ lakh units and consequent increase in capacity in phased manner, focus on market share gains in tractor domain with series of new launches, amid persistent focus on capital efficiency

Target Price & Valuation: Revising our estimates, we value M&M at SOTP-based TP of ₹ 1,600 (8x FY25E standalone EV/EBITDA; 40% hold company discount to investments, ₹ 218/share value accrued pursuant to equity raise for electric PV arm).

Key triggers for future price performance:

- We build 11%, 17.2% total volume, sales CAGR, respectively, in FY23-25E amid healthy order book in PV space, capex and improving chip supplies
- With operating leverage at play, benign commodity prices, focus on cost control but offset by lower share of tractors in overall mix (high margin product); we expect EBITDA margins to stabilise at ~12.5% over FY24-25E
- Continued focus on prudent capital allocation, leadership position in E-3-W and LCV space and revival of rural demand to act as structural positives
- 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 Tata Motors.

- Upbeat operating show across segments (India CV, PV; JLR), healthy b/s outlook
- BUY with target price of ₹ 650

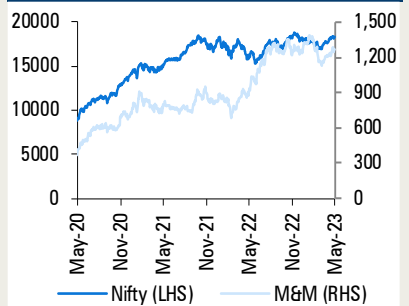
Particulars

Particular	₹ crore
Market Capitalization	1,59,130
Total Debt (FY23P)	4,644
Cash and Inv (FY23P)	14,030
Enterprise Value	1,49,744
52 week H/L (₹)	1,397/ 915
Equity capital (₹ crore)	599.1
Face value (₹)	₹ 5

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	19.5	19.4	19.4	19.4
FII	37.9	38.3	39.2	39.2
DII	28.9	28.5	27.7	27.7
Other	13.7	13.8	13.7	13.7

Price Chart



Recent event & key risks

- Posted steady Q4FY23 results
- Key Risk:** (i) delay in launch of its new BEV models tracking chip supply issues, (ii) automotive business to lead the growth charge vs. tractor segment limiting the overall margin profile

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Key Financial Summary

Particulars	FY19	FY20	FY21	FY22	FY23P	5 year CAGR (FY18-23P)	FY24E	FY25E	2 year CAGR (FY23P-25E)
Net Sales	53,614.0	45,487.8	44,629.9	57,446.0	84,960.3	11.8%	1,01,701.2	1,16,675.9	17.2%
EBITDA	6,639.6	5,798.0	6,957.5	7,042.3	10,442.4	10.9%	12,761.9	14,575.3	18.1%
EBITDA Margins (%)	12.4	12.7	15.6	12.3	12.3		12.5	12.5	
Net Profit	4,796.1	1,330.4	984.2	4,935.2	6,548.6	8.5%	8,698.3	10,082.1	24.1%
Adjusted Net Profit	4,818.6	2,190.4	2,303.2	5,100.4	7,700.0	13.7%	8,698.3	10,082.1	14.4%
EPS (₹)	40.2	11.2	8.2	41.4	54.9		72.9	84.5	
P/E	31.8	114.8	155.2	30.9	23.3		17.6	15.1	
RoNW (%)	14.1	6.4	6.6	13.1	17.8		17.6	17.8	
RoCE (%)	12.3	8.8	10.0	9.3	14.0		16.1	16.7	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results:

- M&M's automotive revenues were up 10.8% QoQ to ₹ 16,400 crore amid 7.5% QoQ growth in volumes at ~1.89 lakh units and 3.1% ASP growth to ₹ 8.67 lakh/unit. Tractor revenues de-grew 11% QoQ to ₹ 5,584 crore tracking 15.1% QoQ volume de-growth at 89,731 units and ASPs at ₹ 6.2 lakh/unit up 4.9% QoQ
- Standalone EBITDA was at ₹ 2,797 crore with attendant EBITDA margins at 12.4% (down 60 QoQ). Gross margin expanded 98 bps QoQ but was negated by higher other expense, which was up 170 bps QoQ
- For Q4FY23, auto segment posted 57 bps increase in EBIT margins QoQ to 7.3% while tractor segment EBIT margins grew ~13 bps QoQ to 16.7%
- PAT for the quarter came in at ₹ 1,549 crore, up 1.4% QoQ. PAT miss was due to exceptional item (~₹ 511.8 crore) relating to impairment provision for a certain long-term investment but supported by lower effective tax rate which was at ~9.5% of PBT vs. ~22% in Q3FY23

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
Overall ESG Score	61.8	64.8	66.5

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 company's market share in domestic tractor space during Q4FY23 was at 40.7% (up 230 bps YoY) and for FY23 was at 41.2% (up 120 bps YoY). Further, the management said Q4FY23 market share was highest in the recent past. They also informed about strengthening its market share in lower HP segment through unveiling of tractor in 25 & 29 Hp under Swaraj brand. It will be a new platform
- The management informed about achieving highest ever volumes & revenue during FY23 in FES space wherein revenues up 22% YoY. Further management expects tractor industry to grow in low single digits in FY24E
- The management informed about its FES segment (including farm machinery) PBIT increasing from 15.7% in Q4FY22 to 16.7% in Q4FY23. The same for purely tractors space was at 17.1% & 18.3% for Q4FY22 & Q4FY23, respectively
- It further informed about limited correlation between El Nino & tractor sales and average sales of tractors growing ~8% during El Nino period
- The management informed about pending order backlog at 2.9 lakh+ units vs. ~2.6 lakh units earlier. Further, they informed about cancellation rates being <8% per month with fresh booking run rate pegged at ~57,000 per month with billings pegged at ~33,000 per month. Further they said loss was ~10,000 units due to semiconductor issues in Q4FY23 (~3,000/month)
- The management informed about revenue from farm machinery space at ₹ 650 crore (up 38% YoY) and expects it to grow 40% in FY24E

The management informed about its market share in LCV space was at ~44.4% during Q4FY23 and the same for E-3W space was at 67% in Q4FY23

The management informed about upcoming capacity of 49,000 to be ready by January 2024 & does not include capacity for BEVs

The management informed about XUV 400 crossing ~20,000+ bookings. It is currently delivering ~1000/month. It expects this number to increase in H2FY24 with total volumes for FY24E pegged at ~18,000

The management informed about the company's SUV revenue market share in domestic auto space during Q4FY23 at 19.6% (up 170 bps YoY) and for FY23 was at 19.1% (up 370 bps YoY)

The company also guided for strong growth outlook for its growth gems (group investee companies; aim to take them to ~5x level) and a billion-dollar market cap ambition with aim at Tech Mahindra to increase margins by ~300 bps in the near term

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	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
M&M (MAHMAH)	1,280	1,600	Buy	1,59,130	11.1	12.3	13.6	12.3	12.5	12.5	14.0	16.1	16.7	23.3	17.6	15.1
Maruti Suzuki (MARUTI)	9,271	11,000	Buy	2,80,058	19.7	21.6	23.4	9.4	10.3	10.9	12.8	16.0	17.4	34.8	26.1	21.9
Tata Motors (TATMOT)	523	650	Buy	2,00,161	9.5	10.4	11.3	12.3	14.0	14.5	9.8	19.1	24.0	82.9	14.7	10.8
Escorts (ESCORT)	2,067	2,450	Buy	27,271	1.0	1.1	1.2	9.4	12.0	13.0	7.4	10.4	11.8	44.9	28.4	23.9

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

We capital efficiency to the core (18% RoE target achieved) and focus on scaling core (PV, FES) business as well as investments (growth gems) we assign BUY rating on M&M. Inexpensive valuations, healthy cash generation and net debt free b/s (standalone) also provide good margin of safety.

Exhibit 2: Strong order backlog of ~2,92,000 units in PV space

Open Bookings: ~292k



~57k fresh bookings p.m.

~33k billings p.m.

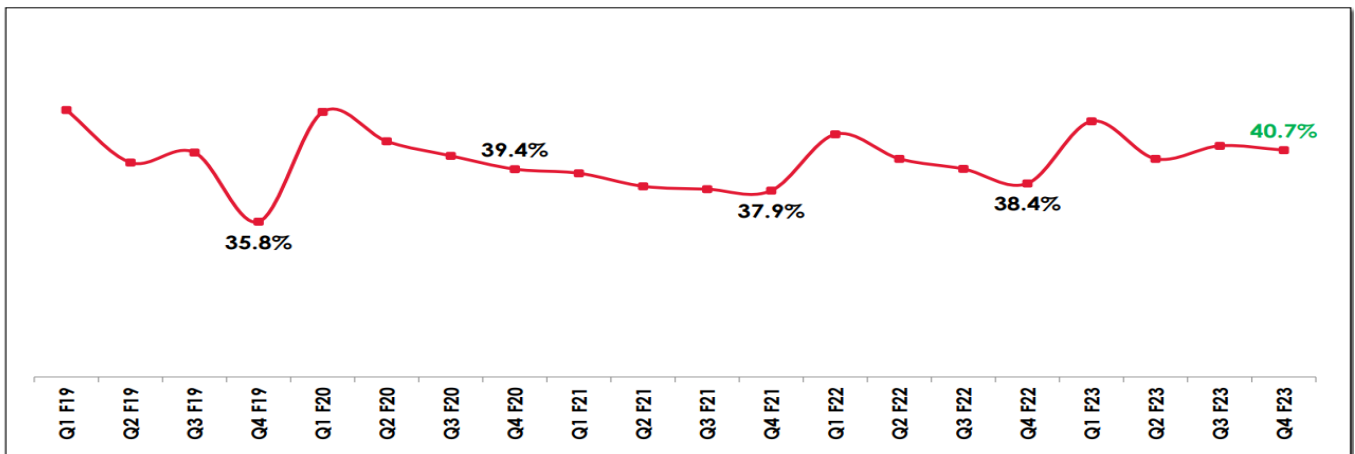
Cancellations < 8% p.m.

Source: Company, ICICI Direct Research

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

F23 MS at 41.2% (gain of 1.2% vs PY)

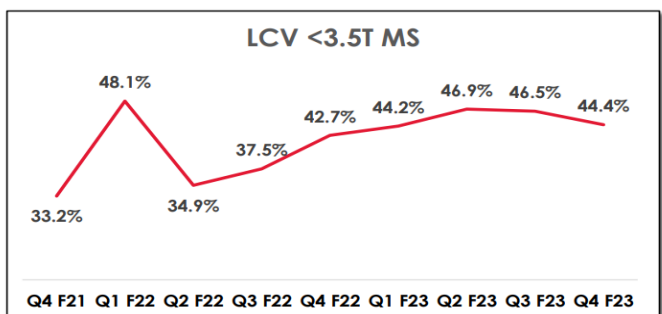
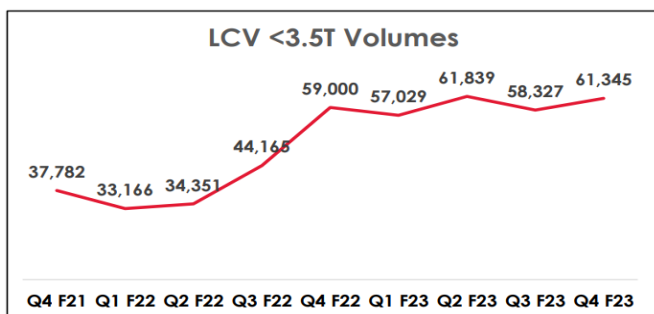
Q4 F23 MS at 40.7% (gain of 2.3% vs PY)



Source: Company, ICICI Direct Research

Exhibit 4: Market share movement in LCV segment

F23 MS 45.5%, gain of 5.2% YoY



Source: Company, ICICI Direct Research

Exhibit 5: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Total Operating Income	22,571.4	22,182.9	17,124.0	31.8	21,653.7	4.2	Topline came slightly ahead of estimates tracking higher ASP's on tractors as well as auto front
Raw Material Expenses	16,922.0	16,930.4	13,075.5	29.4	16,447.1	2.9	RM cost came in lower than expected at 75% of sales, down 100 bps QoQ vs expectations of 76.3%
Employee Expenses	949.0	942.8	746.1	27.2	934.2	2	
Other expenses	1,903.1	1,552.8	1,356.8	40.3	1,458.3	30.5	Other expense came in higher than expected at 8.4% of sales vs. expectations of 7%
EBITDA	2,797.4	2,757.0	1,945.5	43.8	2,814.2	-0.6	
EBITDA Margin (%)	12.4	12.4	11.4	103 bps	13.0	-60 bps	Margins came in line with our estimates with savings realised on the RM front being negated by higher other expenses
Other income	333.9	484.2	238.7	39.9	670.0	-50.2	
Depreciation	838.5	833.3	680.5	23.2	829.2	1.1	Depreciation came in on expected lines
Interest	69.8	67.3	55.8	25	68.6	2	
Tax	162.1	589.8	280.8	-42.3	429.6	-62.3	Tax rate for the quarter came in lower at 9% of PBT
PAT	1,549.0	1,750.8	1,291.9	19.9	1,528.1	1.4	
EPS	13.0	14.7	10.8	19.9	12.8	1.4	PAT came in lower than estimates tracking exceptional charge on account of impairment of certain long term investments
Key Metrics							
Auto revenues (₹ crore)	16,400.1	16,218.0	12,071.7	35.9	14,796.5	10.8	Auto segments revenues were up 10.8% QoQ amid 7.5% sequential growth in volumes at 1.89 lakh units
FES revenues (₹ crore)	5,584.3	5,352.6	4,327.3	29.0	6,277.7	-11.0	Farm Equipment segment revenues were down 11% QoQ amid 15.1% QoQ de-growth in volumes at 89,731 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)	FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	98,198	1,01,701	3.6	1,10,450	1,16,676	5.6	Marginally revised upward our revenue estimates. We expect topline to grow at a CAGR of 17.2% over FY23-25E
EBITDA	11,889	12,762	7.3	13,834	14,575	5.4	
EBITDA Margin (%)	12.1	12.5	44 bps	12.5	12.5	-3 bps	Broadly retained margin estimates for FY25E with FY24E estimates witnessing a uptick amidst stable RM prices
PAT	7,906	8,698	10.0	8,984	10,082	12.2	
EPS (₹)	66.3	72.9	10.0	75.3	84.5	12.2	With normalisation of margin profile, we expect PAT at M&M to grow at a CAGR of 24.1% over FY23-25E

Source: ICICI Direct Research

Exhibit 7: Assumptions

Units	Current							Earlier		Comments
	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E	FY24E	FY25E	
Automotive volumes	6,08,597	4,76,043	3,52,281	4,65,597	6,98,466	8,05,726	9,04,594	8,10,467	9,05,477	Marginally upgraded our volume estimates tracking robust orderbook in the PV space (at ~3 lakh units) and single digit growth guidance for the tractor industry for FY24E (albeit on a high base). We expect total volumes at M&M to grow at a CAGR of 11% over FY23-25E with growth led by automotive segment (volume CAGR pencilled in 13.8%)
Automotive ASPs (₹)	5,80,892	5,96,766	7,10,075	7,64,323	8,37,710	8,93,178	9,29,256	8,70,088	8,87,578	
FES Volumes	3,30,436	3,01,915	3,54,498	3,54,678	4,07,545	4,27,922	4,57,877	4,18,798	4,48,114	
FES ASPs (₹)	5,10,679	5,10,158	5,19,983	5,57,318	5,91,070	6,31,579	6,44,273	6,02,292	6,14,398	
Total Volumes	9,39,033	7,77,958	7,06,779	8,20,275	11,06,011	12,33,649	13,62,470	12,29,266	13,53,591	

Source: ICICI Direct Research

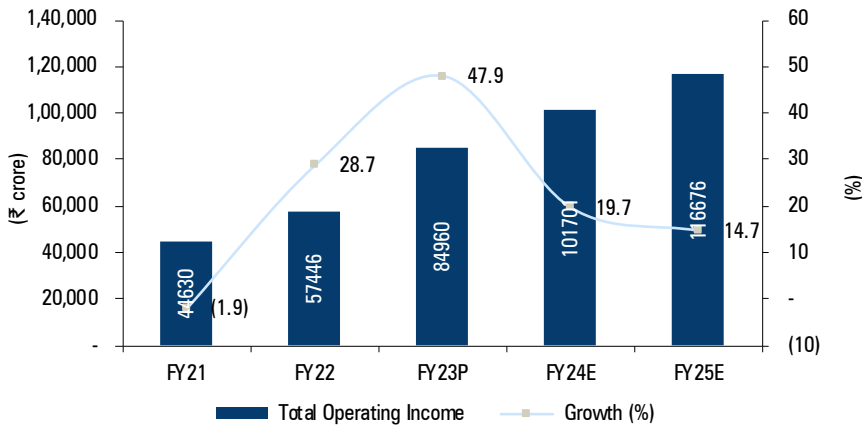
Exhibit 8: Segment wise, model wise FY23 sales at M&M (Automotive Segment)

Particular	Domestic			Exports			Total			% of sales mix		Domestic MS %
	FY23	FY22	YoY %	FY23	FY22	YoY %	FY23	FY22	YoY %	FY23	FY22	
I. Passenger cars	214	59	262.7	-	2	(100.0)	214	61	250.8	0.0	0.0	-
Super compact	214	59	262.7	-	2	(100.0)	214	61	250.8	0.0	0.0	
Verito	214	59	262.7	-	2	(100.0)	214	61	250.8	0.0	0.0	
II. Utility Vehicles	3,56,961	2,23,682	59.6	10,513	9,718	8.2	3,67,474	2,33,400	57.4	52.6	50.1	17.8
< 4m	2,08,656	1,53,640	35.8	6,443	7,388	(12.8)	2,15,099	1,61,028	33.6	30.8	34.6	
Bolero	1,00,577	65,473	53.6	171	327	(47.7)	1,00,748	65,800	53.1	14.4	14.1	
KUV100	3	63	(95.2)	3,032	6,163	(50.8)	3,035	6,226	(51.3)	0.4	1.3	
Thar	47,108	37,844	24.5	-	1	(100.0)	47,108	37,845	24.5	6.7	8.1	
XUV300	60,968	50,260	21.3	3,240	897	261.2	64,208	51,157	25.5	9.2	11.0	
4-4.4m	2,202	-	NA	-	-	NA	2,202	-	NA	0.3	-	
XUV400	2,202	-	NA	-	-	NA	2,202	-	NA	0.3	-	
4.4-4.7m	1,45,657	69,650	109.1	4,070	2,330	74.7	1,49,727	71,980	108.0	21.4	15.5	
Marazzo	2,249	1,692	32.9	-	-	NA	2,249	1,692	32.9	0.3	0.4	
Scorpio	76,935	38,696	98.8	2,241	1,789	25.3	79,176	40,485	95.6	11.3	8.7	
Xuv500	-	3,001	(100.0)	244	541	(54.9)	244	3,542	(93.1)	0.0	0.8	
XUV700	66,473	26,261	153.1	1,585	-	NA	68,058	26,261	159.2	9.7	5.6	
₹20-30 lakh	446	392	13.8	-	-	NA	446	392	13.8	0.1	0.1	
Alturas G4	446	392	13.8	-	-	NA	446	392	13.8	0.1	0.1	
III. Vans	2,078	2,154	(3.5)	109	689	(84.2)	2,187	2,843	(23.1)	0.3	0.6	1.5
Hard tops	1,926	2,057	(6.4)	109	689	(84.2)	2,035	2,746	(25.9)	0.3	0.6	
Maxximo	-	-	NA	109	689	(84.2)	109	689	(84.2)	0.0	0.1	
Supro	1,926	2,057	(6.4)	-	-	NA	1,926	2,057	(6.4)	0.3	0.4	
Soft tops	152	97	56.7	-	-	NA	152	97	56.7	0.0	0.0	
Supro	152	97	56.7	-	-	NA	152	97	56.7	0.0	0.0	
A. Total PV (I + II + III)	3,59,253	2,25,895	59.0	10,622	10,409	2.0	3,69,875	2,36,304	56.5	53.0	50.8	9.2
B. Total 3-W (IV + V)	58,520	30,079	94.6	562	436	28.9	59,082	30,515	93.6	8.5	6.6	12.0
VI. M&HCV	6,399	4,544	40.8	104	308	(66.2)	6,503	4,852	34.0	0.9	1.0	
Goods	6,399	4,544	40.8	104	308	(66.2)	6,503	4,852	34.0	0.9	1.0	2.0
VII. LCV	2,42,177	1,72,573	40.3	20,819	21,357	(2.5)	2,62,996	1,93,930	35.6	37.7	41.7	
Passenger	1,678	141	1,090.1	-	-	NA	1,678	141	1,090	0.2	0.0	3.8
Goods	2,40,499	1,72,432	39.5	20,819	21,357	(2.5)	2,61,318	1,93,789	34.8	37.4	41.6	43.0
C. Total CV (VI + VII)	2,48,576	1,77,117	40.3	20,923	21,665	(3.4)	2,69,499	1,98,782	35.6	38.6	42.7	25.8
D. Total automotive (A + B + C)	6,66,349	4,33,091	53.9	32,107	32,510	(1.2)	6,98,456	4,65,601	50.0	100.0	100.0	

Source: SIAM, ICICI Direct Research

Financial story in charts

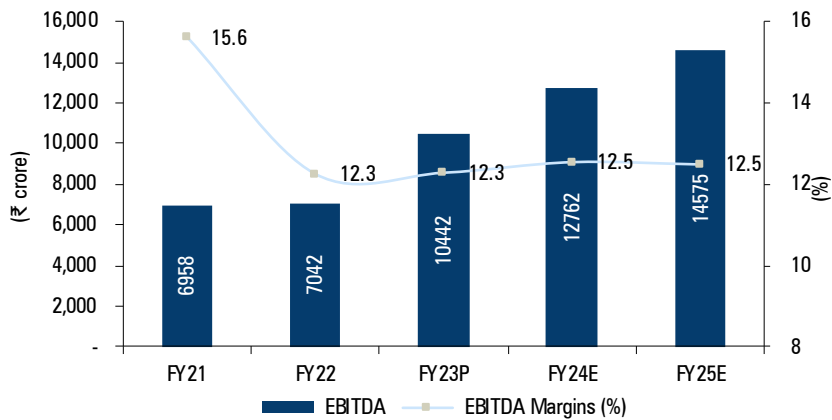
Exhibit 9: Topline trend



We expect sales to grow at 17.2% CAGR in FY23-25E amid 11% blended volume CAGR

Source: Company, ICICI Direct Research

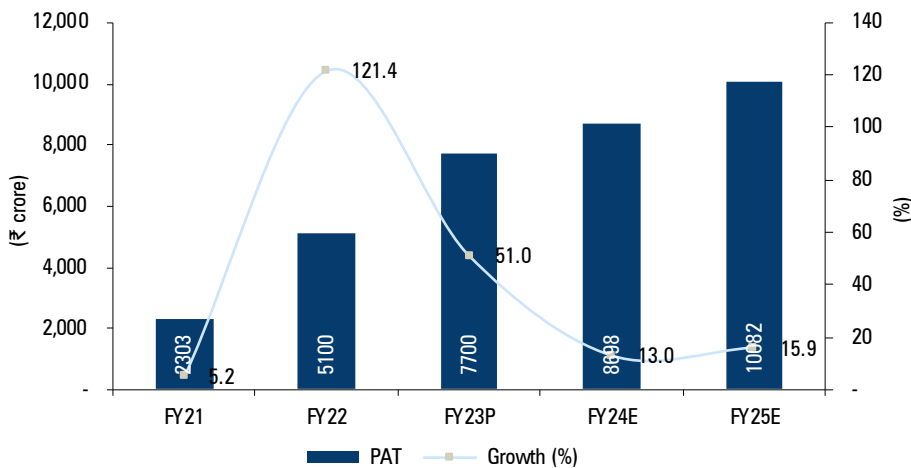
Exhibit 10: EBITDA and EBITDA margin trend



We build in 12.5% as EBITDA margins in FY24E and FY25E

Source: Company, ICICI Direct Research

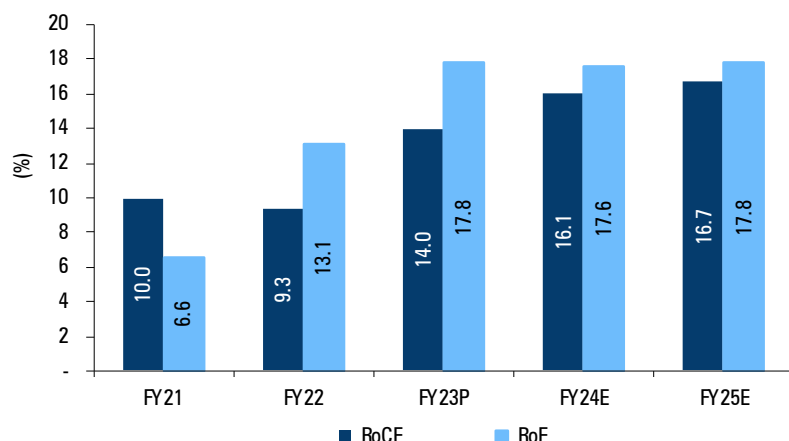
Exhibit 11: Profitability (adjusted PAT) trend



Adjusted PAT is expected to grow to ₹ 10,082 crore by FY25E

Source: Company, ICICI Direct Research

Exhibit 12: Return ratios trend



RoE profile at M&M is seen improving to ~18% levels (on standalone basis)

Source: Company, ICICI Direct Research

Exhibit 13: Valuation matrix (SOTP Valuation)

Valuation Matrix (SOTP)					
Automotive Business (UV+PV+CV+Tractors)	₹crore	₹/share	Remark		
Standalone business					
FY25E EBITDA	14,575				
Assigning EV/EBITDA Multiple of 8x	8.00				
Enterprise Value	1,16,603	938			
Net Debt (FY25E)	(16,023)	-129			
Value of Standalone Business	1,32,625	1067			
Valuation Pegging of electric PV business at lower valuation band (@₹1,925 crore for 4.76% stake) & 30% holding company discount	26,961	218			
Total value of automobile business including electric PV company (A)		1285			
Value of Investments (listed companies)	M&M stake (%)	Co's Market Capitalisation ₹ crore	Contribution to M&M ₹crore	₹/share	Remark
Tech Mahindra	26	1,06,282	27,633	222	Current market cap
M&M Financial Services	52	34,597	18,046	145	Current market cap
Mahindra Life space	52	6,140	3,162	25	Current market cap
Mahindra Holidays & Resorts	67	5,640	3,796	31	Current market cap
Mahindra Logistics	58	2,630	1,533	12	
Other subsidiaries & investments			11,154	90	
Total Value of subsidiaries & associates (B)			65,324	525	
Value of investments post 40% holding company discount (C = 0.6*B)				315	
M&M Target Price (value of equity per share , A+C)				1,600	

Source: ICICI Direct Research

Exhibit 14: Valuation Summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	53,614	10.1	40.2	14.7	31.7	23.3	14.1	12.3
FY20	45,488	(15.2)	11.2	(72.3)	69.7	26.9	6.4	8.8
FY21	44,630	(1.9)	8.2	(26.0)	66.3	22.4	6.6	10.0
FY22	57,446	28.7	41.4	NM	29.9	21.9	13.1	9.3
FY23P	84,960	47.9	54.9	32.7	19.8	14.3	17.8	14.0
FY24E	1,01,701	19.7	72.9	32.8	17.6	11.6	17.6	16.1
FY25E	1,16,676	14.7	84.5	15.9	15.1	9.8	17.8	16.7

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 15: Profit and loss statement					₹ crore
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Total operating Income	57,446.0	84,960.3	1,01,701.2	1,16,675.9	
Growth (%)	28.7	47.9	19.7	14.7	
Raw Material Expenses	42,341.6	64,558.2	77,320.7	88,974.5	
Employee Expenses	3,306.0	3,649.9	3,991.0	4,375.3	
Other Expenses	4,756.2	6,309.8	7,627.6	8,750.7	
Total Operating Expenditure	50,403.7	74,517.9	88,939.3	1,02,100.6	
EBITDA	7,042.3	10,442.4	12,761.9	14,575.3	
Growth (%)	1.2	48.3	22.2	14.2	
Depreciation	2,451.1	3,154.5	3,559.5	4,083.7	
Interest	223.0	272.8	202.5	102.9	
Other Income	2,075.9	2,545.2	2,628.9	3,090.0	
PBT	6,444.1	9,560.2	11,628.7	13,478.7	
Others (incl exceptional iter	208.7	41.0	247.9	628.9	
Total Tax	1,300.2	1,582.1	2,930.4	3,396.6	
PAT	4,935.2	6,548.6	8,698.3	10,082.1	
Adjusted PAT	5,100.4	7,700.0	8,698.3	10,082.1	
Growth (%)	401.5	32.7	32.8	15.9	
EPS (₹)	41.3	54.9	72.9	84.5	

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement					₹ crore
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Profit after Tax (adj)	4,935.2	6,548.6	8,698.3	10,082.1	
Add: Depreciation	2,451.1	3,154.5	3,559.5	4,083.7	
(Inc)/dec in Current Assets	-4,437.6	-6,248.8	-3,520.3	-3,257.0	
Inc/(dec) in CL and Provisions	2,492.3	5,719.5	4,614.7	3,841.6	
CF from operating activities	5,441.0	9,173.8	13,352.3	14,750.3	
(Inc)/dec in Investments	-3,327.2	-1,977.3	-3,050.0	-3,000.0	
(Inc)/dec in Fixed Assets	-3,881.1	-3,348.5	-6,000.0	-6,000.0	
Others	1,120.5	982.3	228.3	204.3	
CF from investing activities	(6,087.9)	(4,343.5)	(8,821.7)	(8,795.7)	
Issue/(Buy back) of Equity	0.8	0.8	0.0	0.0	
Inc/(dec) in loan funds	-1,172.4	-1,846.2	-1,500.0	-2,000.0	
Dividend paid & dividend tax	-1,378.0	-1,938.7	-2,505.4	-2,893.1	
Others	451.8	-214.9	0.0	0.0	
CF from financing activities	(2,097.7)	(3,999.0)	(4,005.4)	(4,893.1)	
Net Cash flow	-2,744.6	831.4	525.2	1,061.4	
Opening Cash	6,395.0	3,650.4	4,481.7	5,006.9	
Closing Cash	3,650.4	4,481.7	5,006.9	6,068.4	

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet					₹ crore
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Liabilities					
Equity Capital	598.2	599.1	599.1	599.1	
Reserve and Surplus	38,362.7	42,757.7	48,950.6	56,139.5	
Total Shareholders funds	38,960.9	43,356.7	49,549.6	56,738.6	
Total Debt	6,490.0	4,643.7	3,143.7	1,143.7	
Deferred Tax Liability	1,700.8	1,470.3	1,470.3	1,470.3	
Others	1,970.2	2,581.2	3,089.9	3,544.8	
Total Liabilities	49,121.8	52,052.0	57,253.5	62,897.4	
Assets					
Gross Block	33,485.1	39,067.1	45,351.8	51,851.8	
Less: Acc Depreciation	18,936.5	22,091.0	25,650.5	29,734.2	
Net Block	14,548.6	16,976.2	19,701.2	22,117.6	
Capital WIP	5,018.2	2,784.6	2,500.0	2,000.0	
Total Fixed Assets	19,566.8	19,760.8	22,201.2	24,117.6	
Other investments	17,207.8	17,539.1	20,539.1	22,039.1	
Liquid Investments	7,902.1	9,548.0	9,598.0	11,098.0	
Inventory	5,882.9	8,881.4	9,752.2	11,188.1	
Debtors	3,035.1	4,041.7	5,572.7	6,393.2	
Loans and Advances	1,845.5	2,177.0	2,605.9	2,989.6	
Other current assets	2,462.7	3,499.7	4,189.3	4,806.1	
Cash	3,650.4	4,481.7	5,006.9	6,068.4	
Total Current Assets	18,015.5	25,095.6	29,141.1	33,459.6	
Creditors	12,893.5	17,145.6	20,897.5	23,974.5	
Provisions	453.6	606.8	739.6	848.5	
Total Current Liabilities	13,347.2	17,752.5	21,637.1	24,823.0	
Net Current Assets	4,668.3	7,343.1	7,504.0	8,636.5	
Application of Funds	49,121.8	52,052.0	57,253.5	62,897.4	

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios				
(Year-end March)	FY22	FY23P	FY24E	FY25E
Per share data (₹)				
EPS	41.4	54.9	72.9	84.5
Cash EPS	61.9	81.3	102.7	118.7
BV	326.6	363.4	415.3	475.6
DPS	11.6	16.3	21.0	24.3
Cash Per Share	96.8	117.6	122.4	143.9
Operating Ratios (%)				
EBITDA Margin	12.3	12.3	12.5	12.5
PBT / Net sales	8.0	8.6	9.0	9.0
PAT Margin	8.6	7.7	8.6	8.6
Inventory days	37.4	38.2	35.0	35.0
Debtor days	19.3	17.4	20.0	20.0
Creditor days	81.9	73.7	75.0	75.0
Net Working Capital days	-25.3	-18.1	-20.0	-20.0
Return Ratios (%)				
RoE	13.1	17.8	17.6	17.8
RoCE	9.3	14.0	16.1	16.7
RoIC	14.1	20.7	22.9	24.0
Valuation Ratios (x)				
P/E	30.9	23.3	17.6	15.1
EV / EBITDA	21.9	14.3	11.6	9.8
EV / Net Sales	2.7	1.8	1.5	1.2
Market Cap / Sales	2.8	1.9	1.6	1.4
Price to Book Value	3.9	3.5	3.1	2.7
Solvency Ratios				
Debt/Equity	0.2	0.1	0.1	0.0
Current Ratio	0.8	0.9	0.9	0.9
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

Exhibit 19: 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)	384	420	Hold	24,386	17.4	28.5	33.1	22.1	13.5	11.6	8.7	6.2	5.5	9.8	14.8	15.6	8.6	12.7	13.3
Ashok Leyland (ASHLEY)	150	200	Buy	43,907	4.7	8.9	10.6	31.9	16.9	14.1	15.0	9.9	8.3	17.0	25.9	30.5	15.7	27.3	28.6
Bajaj Auto (BAAUTO)	4,518	4,530	Hold	1,30,737	198.9	246.2	280.9	22.7	18.4	16.1	17.3	13.7	11.7	24.3	29.4	32.3	22.1	26.1	28.1
Balkrishna Ind. (BALIND)	2,377	2,170	Hold	45,951	52.1	77.5	95.9	45.6	30.7	24.8	32.7	20.6	16.8	8.6	15.8	19.2	13.2	17.3	18.7
Bharat Forge (BHAFOR)	759	980	Buy	35,337	10.9	25.1	32.6	69.5	30.2	23.3	22.7	16.3	13.4	6.8	11.0	13.4	8.0	15.5	17.7
Eicher Motors (EICMOT)	3,611	4,165	Buy	98,689	106.5	124.1	138.3	33.9	29.1	26.1	25.5	22.5	19.7	18.8	18.5	25.4	19.4	19.8	19.3
Escorts Kubota (ESCORT)	2,067	2,450	Buy	27,271	46.0	72.8	86.6	44.9	28.4	23.9	32.0	21.9	17.3	7.4	10.4	11.8	8.3	10.4	11.3
Hero Moto (HERHON)	2,718	2,840	Hold	54,285	145.7	182.6	199.7	18.7	14.9	13.6	11.6	9.3	8.4	18.9	22.7	23.6	17.4	20.4	20.9
M&M (MAHMAH)	1,280	1,600	Buy	1,59,130	54.9	72.9	84.5	23.3	17.6	15.1	14.3	11.6	9.8	14.0	16.1	16.7	17.8	17.6	17.8
Maruti Suzuki (MARUTI)	9,271	11,000	Buy	2,80,058	266.5	354.9	422.5	34.8	26.1	21.9	21.5	16.3	13.5	12.8	16.0	17.4	13.3	15.9	16.7
Uno Minda (MININD)	535	625	Buy	30,656	11.4	14.2	18.4	46.9	37.7	29.1	25.5	20.7	16.5	13.7	15.8	18.7	15.7	16.7	18.1
Tata Motors (TATMOT)	523	650	Buy	2,00,161	6.3	35.7	48.2	82.9	14.7	10.8	6.4	4.1	3.3	9.8	19.1	24.0	4.6	21.0	22.5

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

•Sell: <-15%



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