

CMP: ₹ 420

Target: ₹ 530 (26%)

Target Period: 12 months

January 27, 2023

BUY

Healthy performance, profitable growth lies ahead...

About the stock: 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 Jaguar (models like I-pace, etc.) & Land Rover (models like Defender, Evoque, etc.)
- FY22 consolidated sales mix– JLR ~67%, India CV ~19%, India PV ~11%

Q3FY23 Results: TML reported robust Q3FY23 results.

- Consolidated total operating income was up 11.2% QoQ at ₹ 88,489 crore
- EBITDA margins were at 13.9%, up 290 bps QoQ
- Consolidated PAT was at ₹ 2,958 crore (includes forex gain)
- EBITDA margins in Q3FY23: JLR: 11.9%, Indian CV: 8.4% & India PV: 6.9%

What should investors do? TML's stock price has grown 1.7% over the past five years (~₹ 383 levels in January 2020), in line with the broader Nifty Auto index.

- We upgrade the stock from HOLD to **BUY** due to JLR's progressive volume recovery, healthy positive EBIT margin profile and FCF visibility for FY24E, with fundamental drivers for healthy growth in domestic operations.

Target Price and Valuation: Introducing FY25E but continuing to value it on FY24E we arrive at ₹ 530 as the target price for TML on an SOTP basis (10x, 2.5x FY24E EV/EBITDA on India, JLR; ₹ 158 value to Indian EV business; earlier TP ₹ 465).

Key triggers for future price performance:

- We expect healthy 18.2% revenue CAGR over FY22-25E driven by 13.8% total volume CAGR amid healthy order book at JLR (2.15 lakh units)
- Demonstrated capability in new technologies showcasing entire range of CVs, including fuel cells, BEVs & hydrogen-powered vehicles at Auto Expo
- Limiting discount in CV space amid aspiration for double-digit margins
- Dominant position in domestic electric-PV space with Nexon EV as its most popular product with Harrier EV and Sierra EV slated for launch in CY25, coupled with the debut of Altroz & Punch CNG (twin cylinder) in Auto Expo. JLR also set to embrace the EV trend with Jaguar going all-electric by 2025
- Intent to go net debt free (revised timeline awaited) though fresh equity raise in EV-PV space and partial sale of stake in Tata Technologies though IPO

Alternate Stock Idea: Apart from TML, in our OEM coverage we also like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with target price of ₹ 1,590



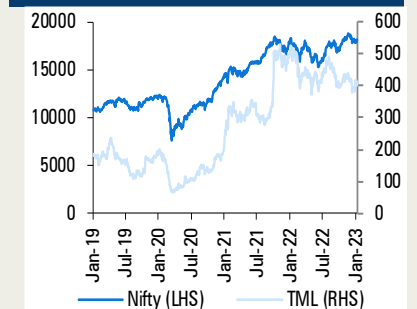
Particulars

Particular	₹ crore
Market Capitalization	1,60,818
Total Debt (FY22)	1,39,677
Cash and Invt (FY22)	63,378
EV	2,37,117
52 week H/L (₹)	529 / 366
Equity capital (₹ crore)	765.9
Face value (₹)	2.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	46.4	46.4	46.4	46.4
FII	14.5	13.7	14.1	13.9
DII	14.4	15.2	14.8	15.2
Other	24.8	24.7	24.7	24.5

Price Chart



Recent event & key risks

- Reports healthy performance in Q3FY23. JLR margins at 11.9%
- Key Risk:** (i) Slower than built volume ramp-up at JLR, (ii) Delay in EV launch at JLR, which is already behind peers in new product launches in EV space

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Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	3 year CAGR (FY22-25E)
Net Sales	3,01,938.4	2,61,068.0	2,49,794.8	2,78,453.6	0.6%	3,33,559.7	4,10,554.6	4,60,343.6	18.2%
EBITDA	29,794.8	23,914.1	35,782.0	34,022.7	0.6%	39,152.8	54,493.5	63,057.7	22.8%
EBITDA Margins (%)	9.9	9.2	14.3	12.2		11.7	13.3	13.7	
Net Profit	(28,724.2)	(11,975.4)	(13,451.3)	(11,441.5)	PL	(1,172.7)	9,285.8	13,716.5	LP
EPS (₹)	(79.8)	(33.3)	(35.1)	(29.9)		(3.1)	24.3	35.8	
P/E	(5.3)	(12.6)	(12.0)	(14.1)		(137.1)	17.3	11.7	
RoNW (%)	(47.3)	(18.7)	(23.8)	(23.5)		(2.5)	16.3	19.4	
RoCE (%)	3.7	1.3	6.3	4.8		7.9	15.1	18.6	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q3FY23 Results

- Consolidated total operating income for the quarter came in at ₹ 88,489 crore, up 11.2% QoQ. Reported EBITDA for Q3FY23 was at ₹ 12,280 crore with corresponding EBITDA margins at 13.9%, up 290 bps QoQ
- JLR wholesales at 92,345 units were up 2.7% QoQ with revenues up 13.2% QoQ at ₹6 billion. Margins at 11.9%
- Net revenues for Indian operations (CV+PV) came in at ₹ 28,557 crore amid ~6.3% sequential decline in total volumes to ~2.3 lakh units
- CV business reported EBITDA margins of 8.4% (up 340 bps QoQ) while the same in PV business was at 6.9% (up 150 bps QoQ)

TML- ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	34.4	31.3	31.3
Social	20.7	13.5	15.1
Governance	89.9	89.9	89.9
Overall ESG Score	48.4	44.9	45.5

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

Q3FY23 Earnings Conference Call highlights

- The company's commentary on demand outlook stayed cautiously optimistic on demand situation despite global uncertainties with order book of 2.15 lakh units for JLR as of Q3FY23 end vs. 2.05 lakh units as of Q2FY23. TML received 95,000 new orders for Q3FY23 amid 85,000 deliveries
- The management said wholesales in China remained impacted due to lockdown during the quarter. It, however, retained its guidance for the full year with positive EBIT margin and free cash flow expected in Q4FY23 on wholesales of 80,000+ units (excl. China JV). Further strong performance in Q3FY23 was due to higher wholesales, stronger mix, pricing and forex gains. Going forward, management expects Q4 to be better than Q3FY23
- JLR had 67% electrified powertrain mix in Q3FY23 (BEV & PHEV 11%, 56% MHEV) vs. 65% in Q2FY23
- Refocus programme has achieved ₹850 mn cash and cost improvements for YTD FY23 and remains on track to achieve ₹1 bn+ for FY23
- JLR generated positive free cash flow of ₹490 mn in the quarter with breakeven volumes at 280,000 (annualised). Going forward, breakeven is expected at 300,000 units for FY23
- The management remains committed towards achieving >80,000 wholesales (excluding- China JV) for JLR & ~310,000 units for FY23 and deliver positive EBIT margin and breakeven free cash flow in FY23 despite muted H1FY23
- TML has agreements in place with critical suppliers across high risk chips, which provide greater visibility over near term supply
- In the India CV space, retail market share was at 42.1% in YTD FY23 vs. ~43.2% in H1FY23
- CNG penetration in I&LCV was at ~19% for YTD FY23 vs. ~40% in FY22. Muted CNG sales is attributable to unprecedented rise in CNG prices

TML informed about TML Smart mobility Solution crossing ~₹ 260 crore of revenue. Further the company signed a definitive agreement with Delhi Transport Corporation, Bengaluru Metropolitan Transport Corporation and Jammu Srinagar for deployment of 1500, 921, 200 e-buses, respectively

TML has grown spares business by 38% YoY

E-dukaan, online marketplace for spares grew 164% YTD December 2022 YoY

Powertrain mix for PV was 66% petrol, 17% diesel, 8% EV, 9% CNG. EV market share was at ~85% for YTD FY23 with total PV market share at 14.1% for YTD FY23

The company informed about Tranche 2 of US\$1 billion equity raise i.e. ₹ 3,750 crore to be received by January end from TPG

Net automotive debt was at ~₹ 57,500 crore in YTD FY23 vs. ~₹ 59,900 crore in H1FY23

TML expects M&HCV; ILCV; LCV to grow 45%; 15%; 20% YoY, respectively, in FY23E

TML informed about recent price cut taken in EV space (Nexon) after careful consideration and to provide better value proposition to customers. Also, it has started reducing discounts in CV space from September, 2022 that has contributed to margins

Peer comparison

Exhibit 1: ICICI Direct coverage universe (4-W/CV OEMs)

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
Tata Motors (TATMOT)	420	530	Buy	1,60,818	10.8	13.2	14.7	12.2	11.7	13.3	4.8	7.9	15.1	(14.1)	(137.1)	17.3
Maruti Suzuki (MARUTI)	8,700	11,200	Buy	2,62,810	16.5	19.6	22.1	6.4	9.1	10.0	5.1	12.9	16.9	69.8	33.2	23.6
Ashok Leyland (ASHLEY)	148	185	Buy	43,321	1.3	1.7	2.0	4.6	6.6	8.5	2.1	11.5	20.9	80.2	55.3	25.6

Source: Company, ICICI Direct Research

(Note – We have compared TML with Maruti Suzuki and Ashok Leyland as proxies for the India PV and India CV businesses, respectively. JLR does not have a comparable player in the Indian listed space).

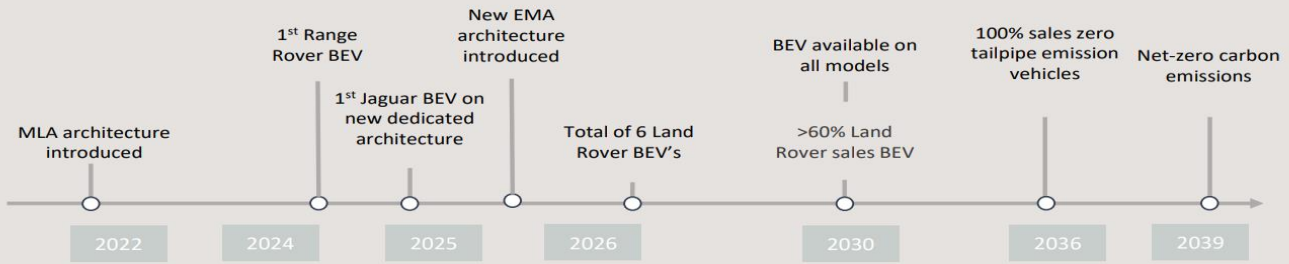
Key takeaways from presentation...

Exhibit 2: JLR Electrification Journey

Remain committed to Reimagine electrification strategy

JAGUAR LAND ROVER

Extensive electrification across core models over the next 3 years and new architecture roll out



Source: Company, ICICI Direct Research

Exhibit 3: CV product display at Auto Expo 2023

Comprehensive range showcased at Auto Expo 2023

TATA MOTORS

Greener and zero emission mobility solutions across cargo and passenger segments, powered by natural gas, electric and hydrogen

A. Unique Hydrogen propulsion concepts:

1. PRIMA H.555- India's first Hydrogen ICE powered concept truck
2. PRIMA E.555- India's first Hydrogen fuel cell powered Tractor concept
3. Starbus Fuel cell EV- India's first Hydrogen fuel cell bus for commercial application

B. Unveil: EV Concepts and vehicles

1. Ace EV- Zero emission last mile distribution SCV
2. Starbus EV- State-of-the-art, Zero emission, Urban public transport solution
3. Ultra E.9- Zero emission, battery electric smart logistics city truck
4. Magic EV- Electrified version of India's favourite last-mile passenger transport
5. Prima E.28K- Zero emission versatile tipper concept for mining and closed loop applications

C. Two Fuel agnostic Architecture

1. Azura (7 to 19T range), underpinned by the new generation architecture for I&LCVs
2. Signa (28 to 55T range), underpinned by the new generation, all-energy architecture

D. Reveals:

1. Yodha CNG & Intra V20 Bi-Fuel (long range)- new CNG powered pick-ups
2. Prima G.35K- India's first LNG Tipper for heavy duty applications
3. Winger: Premium version of popular Winger

E. Value Added Services exhibits: Beyond products, the exhibits included

1. Fleet Edge- the next generation digital platform
2. Sampoorna Seva- Bouquet of value added services
3. E-Dukaan- Online marketplace for spares and consumables



Source: Company, ICICI Direct Research

Exhibit 4: PV product display at Auto Expo 2023

Exciting new offerings at Auto expo

TATA MOTORS

EV portfolio



ICE Portfolio



Source: Company, ICICI Direct Research

Exhibit 5: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Total Operating Income	88,489	80,862	72,229	22.5	79,611	11.2	Topline came in much ahead of estimates tracking higher than anticipated wholesales and ASPs at company's overseas subsidiary JLR
Raw Material Expenses	57,459	52,912	46,049	24.8	52,595	9.2	Substantial savings were realised on the RM front with costs down 113 bps to 64.9% of sales
Employee Expenses	8,593	7,865	7,651	12.3	7,898	8.8	
Other expenses	14,980	15,197	12,935	15.8	14,542	3.0	Other expenses were contained at 16.9% of sales and was down 134 bps QoQ, a real positive surprise for the quarter
Operating Profit (EBITDA)	12,280	8,931	9,057	35.6	8,718	40.9	
EBITDA Margin (%)	13.9	11.0	12.5	134 bps	11.0	293 bps	EBITDA margins were a handsome beat to our estimates and stood at 13.9%, up 290 bps QoQ
Depreciation	6,072	6,244	6,078	-0.1	5,897	3.0	
Interest	2,676	2,435	2,401	11.5	2,487	7.6	Interest costs was marginally ahead of estimates
Product develop. Exp.	2,637	2,231	2,293	15.0	2,522	4.6	
Tax	263	(252)	726	-63.8	(457)	-157.5	
PAT	2,958	(981)	(1,516)	-295.1	(945)	413.1	PAT came in much higher tracking beat on margins & forex gains realised during the quarter (~₹1200 crore, debt reinstatement at JLR -currency led)
EPS	7.7	(2.6)	(4.0)	-295.1	(2.5)	NA	
Key Metrics							
JLR sales (mn GBP)	6,041	5,359	4,716	28.1	5,260	14.8	JLR topline came in much higher tracking higher than anticipated wholesales as well as higher ASP
JLR margins (%)	11.9	11.5	12.0	-10 bps	10.3	160 bps	
JLR PAT (mn GBP)	261.0	29.4	(67.0)	(489.6)	(98.0)	366.3	PAT came in higher at JLR courtesy margin beat and forex gains

Source: Company, ICICI Direct Research

Exhibit 6: Change in estimates

(₹ Crore)	FY23E			FY24E			FY25E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	3,19,554	3,33,560	4.4	3,72,384	4,10,555	10.3	4,60,344	Upgraded topline estimates for FY23-24E tracking 9MFY23 performance. Introduced FY25E numbers. We expect topline to grow at 18.2% CAGR over FY22-25E
EBITDA	32,790	39,153	19.4	47,325	54,494	15.1	63,058	
EBITDA Margin (%)	10.3	11.7	148 bps	12.7	13.3	56 bps	13.7	Upgraded margin estimates tracking robust performance in Q3FY23. Introduced FY25E numbers
PAT	-8,554	-1,173	86.3	3,137	9,286	196.0	13,716	
EPS (₹)	-22.3	(3.1)	86.3	8.2	24.3	196.0	35.8	PAT gets a big boost on margin upgrade with company all set to clock ~₹9,300 crore PAT in FY24E

Source: ICICI Direct Research

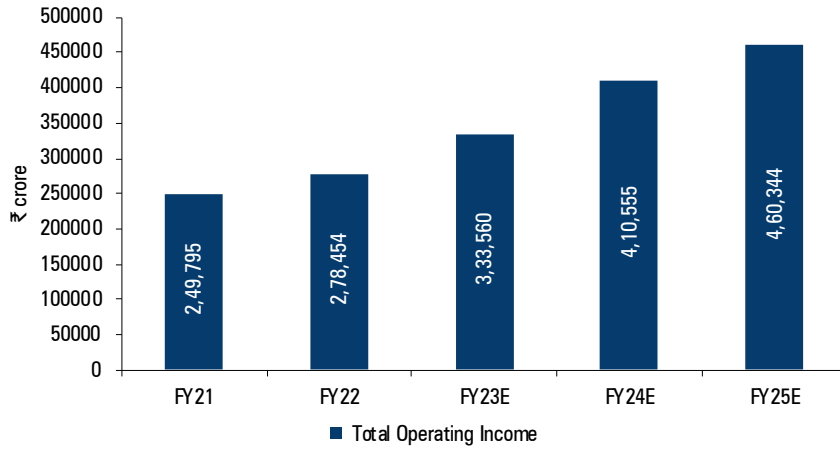
Exhibit 7: Assumptions

Units	Current					Earlier		Comments
	FY21	FY22	FY23E	FY24E	FY25E	FY23E	FY24E	
JLR								
Jaguar Sales Volume	90,440	68,405	65,115	69,158	70,031	65,346	69,389	Marginally lowered FY23-24E estimates at JLR tracking management commentary of gradual improvement in chip supplies limiting volume ramp-up. Introduced FY25E volumes at 4.5 lakh units. Volume CAGR over FY22-25E is pegged at 9%, led by outperformance by Land Rover
Land Rover Sales Volume	3,22,471	2,79,245	2,95,256	3,51,038	3,80,366	2,99,912	3,51,877	
Total JLR Sales Volume	4,12,911	3,47,650	3,60,371	4,20,196	4,50,397	3,65,258	4,21,266	
Growth (YoY, %)	-21%	-16%	4%	17%	7%			
India								
M&HCV	90,152	1,34,797	1,86,255	2,08,932	2,26,523	1,82,741	2,19,289	Marginally lowered FY23-24E estimates at Indian operations on account of base effect. Total volumes domestically are seen growing at a CAGR of ~16% over FY22-25E led by ~19% volume CAGR in M&HCV segment and ~20% volume CAGR in PV space
LCV	1,72,618	2,22,174	2,27,517	2,43,552	2,58,401	2,42,808	2,62,233	
PV	2,22,591	3,72,174	5,41,731	5,97,205	6,50,995	5,34,689	5,88,815	
Total India Sales Volume	4,85,361	7,29,145	9,55,503	10,49,689	11,35,919	9,60,238	10,70,337	
Growth (YoY, %)	3%	50%	31%	10%	8%			

Source: ICICI Direct Research

Financial story in charts

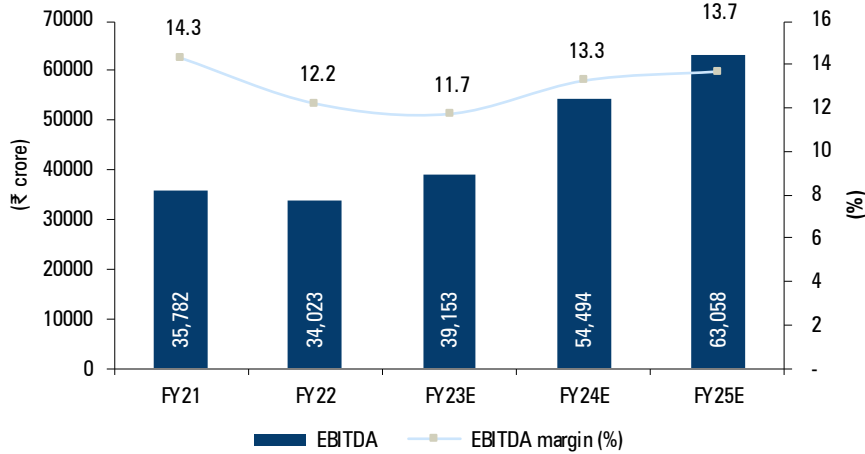
Exhibit 8: Trend in topline



We expect net sales to grow at ~18.2% CAGR over FY22-25E on the back of ~13.8% total volume CAGR

Source: Company, ICICI Direct Research

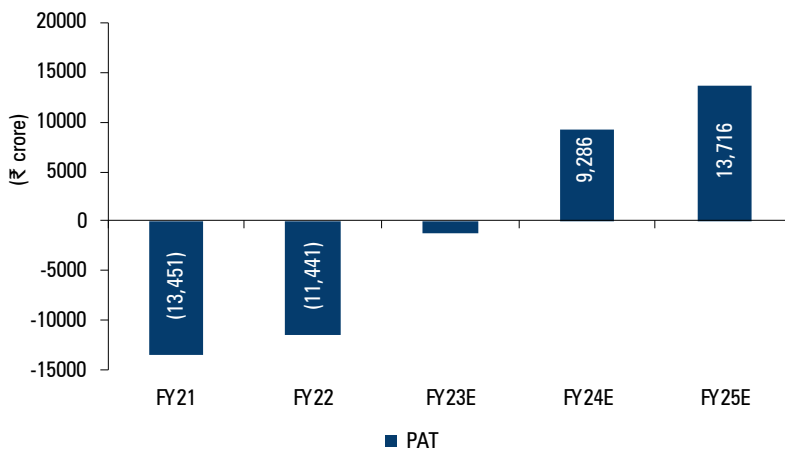
Exhibit 9: Trend in margins



Margins are expected to rise marginally to 13.7% by FY25E on the back of cost controls, lowered breakeven levels and higher operating leverage

Source: Company, ICICI Direct Research

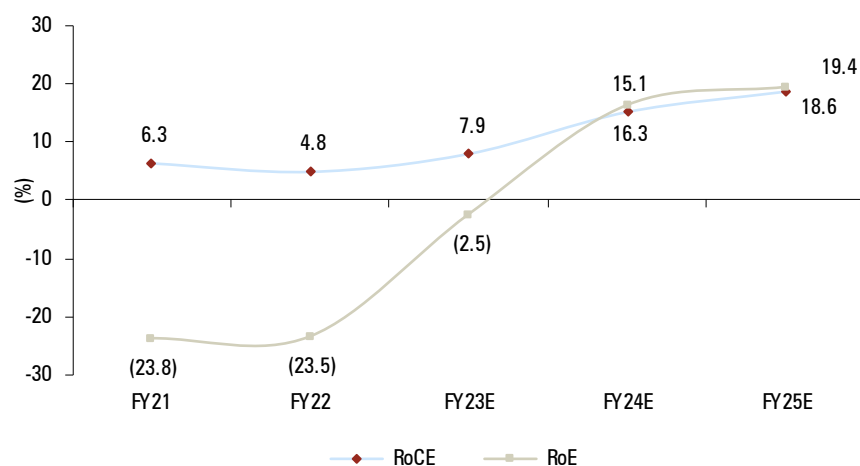
Exhibit 10: Trend in profitability



We expect consolidated PAT of ₹ 13,716 crore in FY25E

Source: Company, ICICI Direct Research

Exhibit 11: Trend in return ratios



Return ratios (RoCE) are seen climbing to ~20% by FY25E

Source: Company, ICICI Direct Research

Exhibit 12: Valuation summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	3,01,938	2.5	(79.8)	NA	NM	7.5	-47.3	3.7
FY20	2,61,068	-13.5	(33.3)	NA	NM	9.8	-18.7	1.3
FY21	2,49,795	-4.3	(35.1)	NA	NM	6.5	-23.8	6.3
FY22	2,78,454	11.5	(29.9)	NA	NM	7.0	-23.5	4.8
FY23E	3,33,560	19.8	(3.1)	NA	NM	6.2	-2.5	7.9
FY24E	4,10,555	23.1	24.3	NA	17.3	4.2	16.3	15.1
FY25E	4,60,344	12.1	35.8	47.7	11.7	3.3	19.4	18.6

Source: Company, ICICI Direct Research

Exhibit 13: SOTP valuation

Particulars	Parameters	FY24E EBITDA (₹ crore)	EV/EBITDA Multiple (x)	Resultant EV (₹ crore)
Tata Motors India business (CV, PV, Ex-Electric-PV)	FY24E EV/EBITDA	10,704	10.0	1,07,041
JLR	FY24E Adj EV/EBITDA	37,533	2.5	93,832
India EV business (PV)	~11% stake sale @₹7,500	NA	NA	60,682
Other Investments	2x P/B on FY22	3,470	2.0	6,941
Total Enterprise Value (EV)				2,68,496
Net Debt	FY24E			65,710
Resultant Equity Value (target market cap)				2,02,786
Target Price per share (₹/share)				530

Source: ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement					₹ crore
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Total operating Income	2,78,454	3,33,560	4,10,555	4,60,344	
Growth (%)	11.5	19.8	23.1	12.1	
Raw Material Expenses	1,80,886	2,19,354	2,68,833	3,02,272	
Employee Expenses	30,809	33,010	34,843	37,227	
Marketing Expenses	47,134	59,463	72,913	80,804	
Capitalised Expenses	-14,397	-17,419	-20,528	-23,017	
Total Operating Expenditure	2,44,431	2,94,407	3,56,061	3,97,286	
EBITDA	34,023	39,153	54,494	63,058	
Growth (%)	-4.9	15.1	39.2	15.7	
Product development Exp	9210	10247	10904	11839	
Depreciation	24836	24183	26686	29922	
Interest	9312	9777	9252	8027	
Other Income	3054	3977	4216	4332	
PBT	2,836	8,955	22,771	29,440	
Minority Interest	133	274	383	422	
Total Tax	4231	1773	2670	3960	
Reported PAT	(11,441)	(1,173)	9,286	13,716	
Growth (%)	LP	-89.8	-891.9	47.7	
EPS (₹)	(29.9)	(3.1)	24.3	35.8	

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement					₹ crore
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Profit after Tax	(11,441.5)	(1,172.7)	9,285.8	13,716.5	
Add: Depreciation	24,836	24,183	26,686	29,922	
(Inc)/dec in Current Assets	-2,733	-3,162	-15,729	-10,330	
Inc/(dec) in CL and Provisions	-6,188	8,480	24,619	15,920	
Others	9,312	5,801	5,036	3,695	
CF from operating activities	13,785	34,130	49,898	52,924	
(Inc)/dec in Investments	-4,759	1,250	2,250	2,250	
(Inc)/dec in Fixed Assets	-14,267	-28,000	-25,000	-25,000	
Others	1,026	-246	336	102	
CF from investing activities	(18,000)	(26,996)	(22,414)	(22,648)	
Issue/(Buy back) of Equity	0	0	0	0	
Inc/(dec) in loan funds	3,772	0	-15,000	-20,000	
Dividend paid & dividend tax	0	0	0	0	
Inc/(dec) in Sec. premium	0	0	0	0	
Others (incl finance costs)	-5,680	-9,777	-9,252	-8,027	
CF from financing activities	(1,908)	(9,777)	(24,252)	(28,027)	
Net Cash flow	-6,123	-2,643	3,232	2,248	
Opening Cash	46,792	40,669	38,026	41,258	
Closing Cash	40,669	38,026	41,258	43,507	

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet					₹ crore
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Liabilities					
Equity Capital	766	766	766	766	
Reserve and Surplus	43,739	42,566	51,852	65,569	
Others	4,271	4,271	4,271	4,271	
Total Shareholders funds	48,776	47,603	56,889	70,606	
Total Debt	1,39,677	1,39,677	1,24,677	1,04,677	
Deferred Tax Liability	1,558	1,867	2,298	2,576	
Long term provisions	12,956	12,184	12,944	12,212	
Minority Interest / Others	19,641	20,192	20,748	20,962	
Total Liabilities	2,22,608	2,21,524	2,17,555	2,11,033	
Assets					
Gross Block	3,71,683	4,02,183	4,29,683	4,57,183	
Less: Acc Depreciation	2,33,635	2,57,818	2,84,504	3,14,426	
Net Block	1,38,048	1,44,365	1,45,179	1,42,757	
Capital WIP	10,251	7,751	5,251	2,751	
Total Fixed Assets	1,48,299	1,52,116	1,50,430	1,45,508	
Investments	29,380	28,130	25,880	0	
Inventory	35,240	36,554	44,992	50,449	
Debtors	12,442	13,708	16,872	18,918	
Loans and Advances	1,672	2,003	2,465	2,764	
Cash	40,669	38,026	41,258	43,507	
Total Current Assets	1,24,212	1,24,730	1,43,691	1,56,270	
Creditors	59,970	63,970	78,736	88,285	
Provisions	10,766	11,484	14,135	15,850	
Total Current Liabilities	1,07,955	1,16,436	1,41,055	1,56,975	
Net Current Assets	16,257	8,294	2,636	(705)	
Deferred Tax Asset	3,871	4,637	5,707	6,399	
Application of Funds	2,22,608	2,21,524	2,17,555	2,11,033	

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
EPS	-29.9	-3.1	24.3	35.8
Cash EPS	35.0	60.1	93.9	114.0
BV	127.4	124.3	148.6	184.4
DPS	0.0	0.0	0.0	0.0
Cash Per Share	165.5	152.1	154.0	153.3
Operating Ratios				
EBITDA Margin (%)	12.2	11.7	13.3	13.7
PBT / Net sales (%)	3.3	4.5	6.8	7.2
PAT Margin (%)	-4.1	-7.0	-1.2	3.3
Inventory days	46.2	40.0	40.0	40.0
Debtor days	16.3	15.0	15.0	15.0
Creditor days	78.6	70.0	70.0	70.0
Return Ratios (%)				
RoE	-23.5	-2.5	16.3	19.4
RoCE	4.8	7.9	15.1	18.6
RoIC	7.9	12.2	23.2	28.5
Valuation Ratios (x)				
P/E (adjusted)	NM	8.3	9.1	7.0
EV / EBITDA	7.0	6.2	4.2	3.3
EV / Net Sales	0.9	0.7	0.6	0.4
Market Cap / Sales	0.6	0.5	0.4	0.3
Price to Book Value	3.3	3.4	2.8	2.3
Solvency Ratios				
Debt/EBITDA	4.1	3.6	2.3	1.7
Debt / Equity	2.9	2.9	2.2	1.5
Current Ratio	0.6	0.6	0.6	0.6
Quick Ratio	0.3	0.3	0.3	0.3

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)	321	350	Buy	20,385	10.1	16.2	26.1	31.9	19.9	12.3	9.7	7.5	5.5	6.3	9.6	13.9	5.4	8.2	12.2
Ashok Leyland (ASHLEY)	148	185	Buy	43,321	1.8	2.7	5.8	80.2	55.3	25.6	44.7	21.4	13.4	2.1	11.5	20.9	0.2	10.0	20.0
Bajaj Auto (BAAUTO)	3,740	3,910	Hold	1,08,224	173.4	200.2	232.2	21.6	18.7	16.1	16.5	13.7	11.6	18.4	24.7	28.0	17.6	22.6	25.4
Balkrishna Ind. (BALIND)	2,250	2,200	Buy	43,496	73.0	72.4	100.1	30.8	31.1	22.5	22.9	24.2	15.8	15.9	12.5	19.9	20.4	17.6	20.7
Bharat Forge (BHAFOR)	868	1,050	Buy	40,411	23.1	17.5	28.2	37.5	49.5	30.7	21.6	23.0	16.7	9.6	8.4	12.6	15.2	11.4	16.4
Eicher Motors (EICMOT)	3,214	4,310	Buy	87,839	61.3	101.4	124.6	52.4	31.7	25.8	36.6	22.0	17.7	13.3	20.5	21.6	13.3	19.2	20.4
Escorts Kubota (ESCORT)	2,075	2,365	Buy	27,380	58.0	47.8	73.7	35.8	43.4	28.2	23.7	27.2	19.2	10.4	7.8	10.4	9.7	8.4	10.5
Hero Moto (HERHON)	2,767	2,910	Hold	55,257	123.8	138.0	178.2	22.3	20.1	15.5	13.9	11.8	9.3	16.3	19.4	23.9	15.7	16.8	20.6
M&M (MAHMAH)	1,324	1,590	Buy	1,64,544	41.4	54.7	72.0	32.0	24.2	18.4	22.6	16.0	12.1	9.3	13.0	16.2	13.1	15.4	17.1
Maruti Suzuki (MARUTI)	8,700	11,200	Buy	2,62,810	124.7	261.9	369.0	69.8	33.2	23.6	38.8	20.2	14.5	5.1	12.9	16.9	7.0	13.3	16.7
Uno Minda (MININD)	500	650	Buy	28,588	6.2	10.4	14.4	80.3	48.2	34.7	32.9	25.1	19.5	10.2	13.5	16.9	10.3	14.9	17.4
Tata Motors (TATMOT)	420	530	Buy	1,60,818	-29.9	-3.1	24.3	-14.1	-137.1	17.3	7.0	6.2	4.2	4.8	7.9	15.1	-23.5	-2.5	16.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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