# Ashok Leyland (ASHLEY)

ICICI direct Research

CMP: ₹ 52 | Target: ₹ 58 (11%) | Target Period: 12 months | HOLD

June 26, 2020

Result Update

## CV recovery pushed back further, green shoots awaited

Ashok Leyland (ALL) reported a better-than-expected QFY20 operational performance amid challenging volume scenario. Standalone revenues at ₹ 3,838 crore were down 56.6% YoY, with ASPs rising 1.3% YoY, 17% QoQ to ₹ 15.1 lakh/unit. Total CV sales volumes in Q4FY20 were at 25,490 units (down 57% YoY), with LCV to MHCV mix at 34:66 vs. 42:58 in the previous quarter. Reported EBITDA margins at 4.8% were down 84 bps QoQ despite 240 bps gross margin expansion amid 390 bps rise in employee costs on percentage of sales basis. ALL reported loss at PAT level to the tune of ₹ 57 crore, largely tracking impairment charges on equity investments.

### Demand picture muted, elongated trough in the offing

The domestic CV space, M&HCV segment in particular, stays a clear laggard vis-à-vis rest of the automotive industry (in FY20, CV volumes down 28.8% YoY, M&HCV volumes down 42.5% YoY, truck volumes down 47.4% YoY with industry volumes down 18% YoY). Demand side issues (poor freight movement amid weak economic activity), supply side factors (industry overcapacity due to revised axle load norms, high installed base) continue to plague segment, with Covid disruption expected to further elongate recovery while negatively impacting public transport (buses) in the short-term. We believe the CV space would be the last to recover pre Covid run rate, with recent Vahan registration readings (ALL June retails on average at ~10% of February levels vs. ~55% for overall auto industry) affirming our stance. We build ~22% volume decline in FY21E followed by 25% volume growth in FY22E, implying -1% CAGR in FY20- FY22E. Introduction of firm, incentive-based scrappage policy is an upside risk to our estimates.

### Derisking progress from India truck business key monitorable

As of FY20, the domestic truck segment formed 42.5% of ALL's overall volumes ***(Exhibit 10)***, with contribution of domestic buses at 14.5% (total domestic M&HCV at 57%). Domestic LCV, exports formed 36%, 7% of total volumes, respectively. Amid wide ranging issues facing the Indian truck industry at present, the company's progress on augmenting domestic bus operations, LCVs and exports in a meaningful manner assumes greater significance. ALL's upcoming Project Phoenix aims to strengthen LCV business. Left hand drive capability in newly introduced modular programme (AVTR,) Phoenix are important to increasingly leverage exports.

### Valuation & Outlook

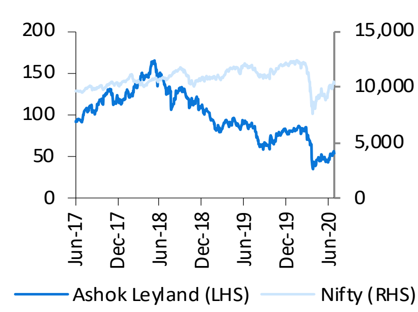
For ALL, muted volume outlook is also expected to weigh on margins in FY21E, with recovery on both fronts pushed back to FY22E at the earliest Consequently, return metrics are also expected to be subdued (<10%) till FY22E. We assign **HOLD** rating to ALL, valuing it at ₹ 58 (SOTP; 10x FY22E CV EV/EBITDA, 1.5x P/B for investments).

ASHOK LEYLAND
Aapki Jeet. Hamari Jeet.

**Particulars**

| Particular | Amount |
|---|---|
| Market Capitalization (₹ Crore) | 15,220.9 |
| Total Debt (FY20P) (₹ Crore) | 3,327.2 |
| Cash & Inv. (FY20P) (₹ Crore) | 1,322.5 |
| EV (₹ Crore) | 17,225.7 |
| 52 week H/L (₹) | 91 / 34 |
| Equity capital (₹ crore) | 293.6 |
| Face value (₹) | 1.0 |

**Price chart**




**Key Highlights**

- Q4FY20 revenues fell 56.6% YoY tracking similar decline in overall CV volumes. ASPs up 17% QoQ, however due to better product mix and lower discounting
- Margins at 4.8% were down 84 bps QoQ as steep rise in employee costs negated healthy gross margin expansion
- Demand overhangs to persist for FY21E, present retails far behind overall industry. Pace of progress on buses, LCV and exports to be keenly watched
- Downgrade from BUY to HOLD with revised target price of ₹ 58

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**Key Financial Summary**

| Key Financials | FY18 | FY19 | FY20P | FY21E | FY22E | CAGR (FY20P-22E) |
|---|---|---|---|---|---|---|
| Net Sales | 26,356.4 | 29,055.0 | 17,467.5 | 14,041.6 | 18,267.5 | 2.3% |
| EBITDA | 2,963.5 | 3,135.7 | 1,173.6 | 847.0 | 1,642.7 | 18.3% |
| EBITDA Margins (%) | 11.2 | 10.8 | 6.7 | 6.0 | 9.0 | |
| Net Profit | 1,717.7 | 1,983.2 | 239.5 | 19.6 | 603.2 | 58.7% |
| EPS (₹) | 5.9 | 6.8 | 0.8 | 0.1 | 2.1 | |
| P/E | 8.9 | 7.7 | 63.7 | 777.9 | 25.3 | |
| RoNW (%) | 24.0 | 24.3 | 4.7 | 0.3 | 8.0 | |
| RoCE (%) | 27.8 | 26.9 | 5.6 | 2.2 | 8.6 | |

*Source: ICICI Direct Research, Company*

Exhibit 1: Variance Analysis

| | Q4FY20 | Q4FY20E | Q4FY19 | YoY (%) | Q3FY20 | QoQ (%) | Comments |
|---|---|---|---|---|---|---|---|
| Total Operating Income | 3,838.5 | 3,429.0 | 8,845.9 | -56.6 | 4,015.7 | -4.4 | Topline came in ahead of estimates tracking beat on ASP |
| Raw Material Expenses | 2,729.0 | 2,512.8 | 6,429.2 | -57.6 | 2,953.2 | -7.6 | RM costs came in lower by 240 bps QoQ at 71.1% of sales |
| Employee Expenses | 409.7 | 342.9 | 573.5 | -28.6 | 272.8 | 50.2 | Employee costs came in higher at 10.7% of sales |
| Other expenses | 516.8 | 480.1 | 857.8 | -39.7 | 564.5 | -8.4 | |
| EBITDA | 183.0 | 93.2 | 985.4 | -81.4 | 225.1 | -18.7 | |
| EBITDA Margin (%) | 4.8 | 2.7 | 11.1 | -637 bps | 5.6 | -84 bps | EBITDA margins came in higher than estimates tracking healthy gross margin expansion. The benefits, however, were limited due to higher employee costs |
| Other Income | 34.4 | 13.4 | 9.1 | 279.3 | 22.3 | 54.2 | |
| Depreciation | 187.7 | 157.5 | 159.8 | 17.5 | 157.5 | 19.2 | Depreciation came in higher at ₹ 188 crore |
| Interest | 33.1 | 39.7 | 16.6 | 99.3 | 33.7 | -1.7 | |
| Tax | -14.8 | -22.8 | 153.5 | -109.6 | 26.4 | -155.9 | |
| Reported PAT | -57.3 | -67.7 | 653.0 | -108.8 | 27.7 | -306.7 | The company reported loss at the PAT level despite healthy operational performance primarily tracking impairment hit on equity investments |
| EPS | -0.2 | -0.2 | 2.2 | -108.8 | 0.1 | -306.7 | |
| **Key Metrics** | | | | | | | |
| ASPs (₹ lakh/unit) | 15.1 | 13.4 | 14.9 | 1.3 | 12.9 | 17.0 | ASP for the quarter was at ₹ 15.1 lakh/unit vs. our estimate of ₹ 13.4 lakh/unit, partly attributed to better |

*Source: Company, ICICI Direct Research*

Exhibit 2: Change in estimates

| | FY21E | | | FY22E | | | |
|---|---|---|---|---|---|---|---|
| **(₹ Crore)** | **Old** | **New** | **% Change** | **Old** | **New** | **% Change** | **Comments** |
| Revenue | 19,666 | 14042 | -28.6 | 22588 | 18268 | -19.1 | Prolonged lockdown and muted economic activity lead to sharp downward revision in our estimates for FY21E-22E |
| EBITDA | 1,420 | 847 | -40.4 | 2027 | 1643 | -19.0 | |
| EBITDA Margin (%) | 7.2 | 6.0 | -119 bps | 9.0 | 9.0 | 2 bps | Negative operating leverage is expected to dampen margins in FY21E, which are, thereafter, expected to stage impressive recovery to 9% in FY22E |
| PAT | 498 | 20 | -96.1 | 943 | 603 | -36.0 | |
| EPS (₹) | 1.7 | 0.1 | -96.1 | 3.2 | 2.1 | -36.0 | Downward revision in sales and margin estimates leads to sharp downward revision in earnings estimates, going |

*Source: Company, ICICI Direct Research*

Exhibit 3: Assumptions

| | | | Current | | Earlier | | Comments |
|---|---|---|---|---|---|---|---|
| | FY19 | FY20P | FY21E | FY22E | FY21E | FY22E | |
| M&HCV Passenger volumes | 19,871 | 23,397 | 20,533 | 25,666 | 25,563 | 28,092 | We expect CV industry to be a laggard in recovery amid domestic automobile space post Covid led disruption. We build in ~22% volume decline for Ashok Leyland for FY21E to ~98,000 units.Thereafter, 25% volume growth in FY22E to ~1.22 lakh units |
| M&HCV Goods volumes | 122,987 | 55,197 | 39,869 | 49,847 | 57,729 | 63,512 | |
| LCV volumes | 54,508 | 46,560 | 37,625 | 47,031 | 50,373 | 55,411 | |
| Total Sales Volume | 197366 | 125154 | 98027 | 122544 | 133,665 | 147,014 | |
| *YoY Growth (%)* | | *-37%* | *-22%* | *25%* | | | |
| ASPs (₹ lakh/unit) | 14.4 | 12.8 | 14.3 | 14.9 | 14.7 | 15.4 | ASPs set to improve on account of BS-VI |

*Source: ICICI Direct Research*

## Conference Call Highlights

### Demand and management guidance/outlook

- **On the demand front, tippers segment is showing some improvement at present. The company expects incremental QoQ betterment overall on the M&HCV side, going forward, with relative strength seen returning post Q2FY21E. Customisation benefits and TCO advantage (particularly in fluid consumption) of recently launched modular programme (AVTR) is expected to stand the company in good stead. It also expects the bus market to revive after initial worries over public transport dissipate**
- **Phoenix project would be rolled out in Q2FY21E**
- **The company's M&HCV market share as of FY20 was at 31.8%, down 200 bps YoY**

### Longer term strategy

- The company outlined that focus on exports would be a key part of achieving longer term vision of emerging as a global CV player. To this end, left hand drive option provided by modular programme and Project Phoenix would help. ALL has also strengthened dealerships in the Middle East, Africa and Saarc regions
- ALL said that in defence, it is witnessing possible opportunities open up in retrofitting and spares

### Sales, costs and margins

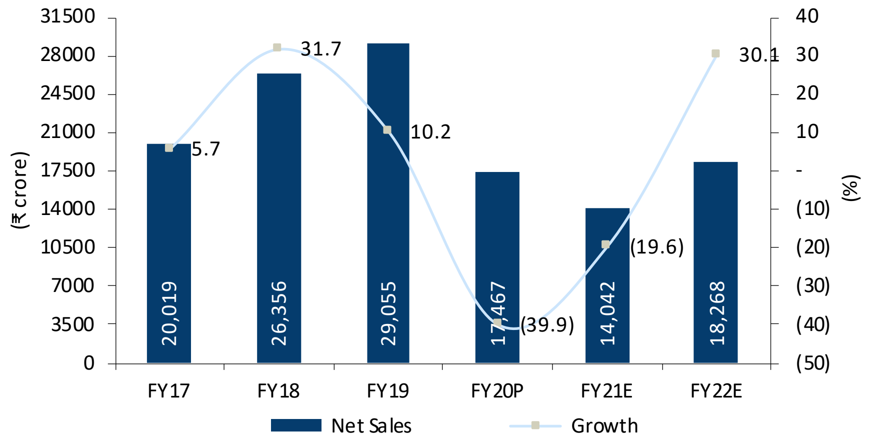
- ASP increase QoQ was on account of improved product mix, while better vendor pricing helped gross margins. ASPs were also supported by full transition to BS-VI at factory gate as well as dealer level, resulting in lack of aggressive discounting
- ALL did not participate in the overall industry's discounting trend and would continue to stay away from trying to buy market share
- **Impairment charges were on account of overseas EV business i.e. Optare PLC**

### Others

- Capex for FY20 was at ₹ 1,227 crore. Majority of the capex is on ALL
- **Net debt as of FY20 was at ₹ 2,005 crore (with gross debt at ~₹ 3,100 crore and gearing at ~0.3x). The company had ~₹ 1,100 crore in cash apart from ~₹ 500 crore in intercorporate deposits. The company explained that these deposits in group companies provide higher earnings potential than money market/bank instruments**
- **Gross debt currently is at ~₹ 5,200 crore with net debt at ~₹ 4,100 crore**
- Hinduja Leyland Finance is witnessing no liquidity related issues, with moratorium rate also not troublesome

## Financial story in charts

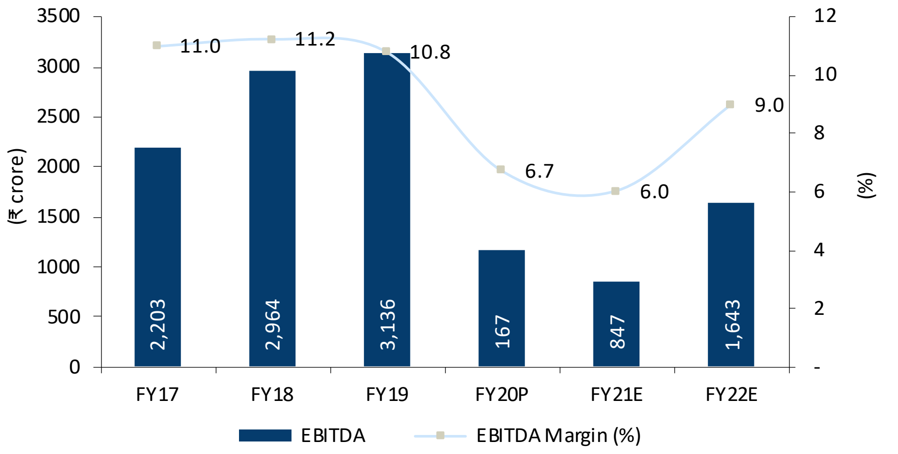
### Exhibit 4: Topline trend




*Source: Company, ICICI Direct Research*

*We expect sales to grow at 2.3% CAGR over FY20P-22E to ₹ 18,268 crore amid -1% volume CAGR*

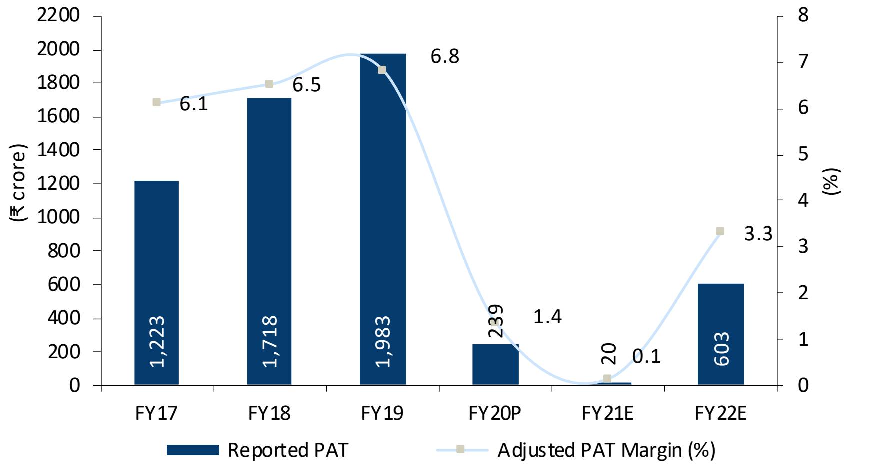
### Exhibit 5: EBITDA and EBITDA margin trend




*Source: Company, ICICI Direct Research*

*Margins seen growing to 9% by FY22E, aided by expected volume support in that year. For FY21E, however, margins are expected to slide further to 6%*

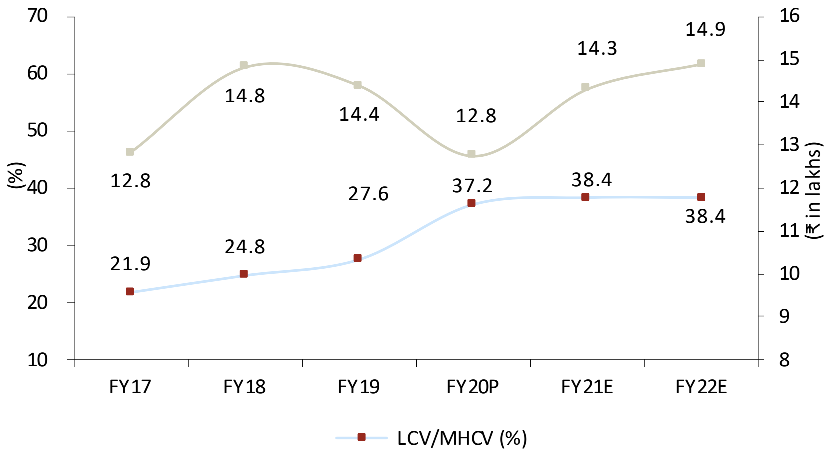
### Exhibit 6: Profitability trend




*Source: Company, ICICI Direct Research*

*PAT expected to grow to ₹ 603 crore by FY22E*

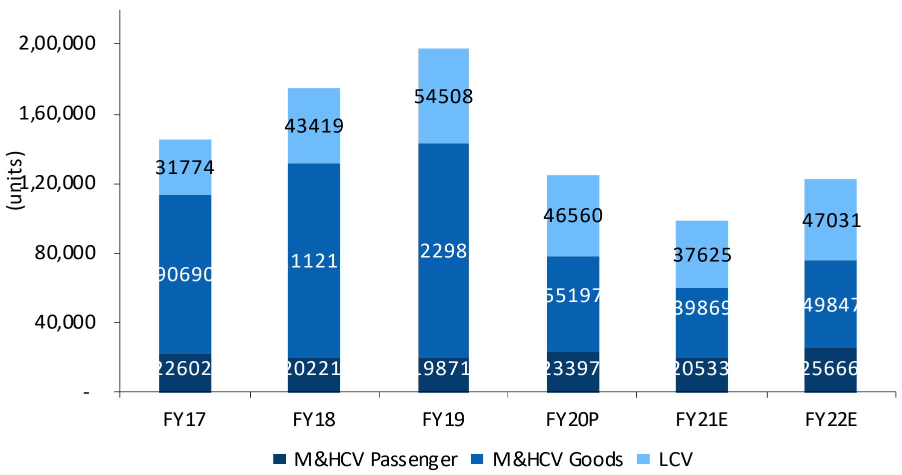
Exhibit 7: Product mix and realisation trend




Source: Company, ICICI Direct Research

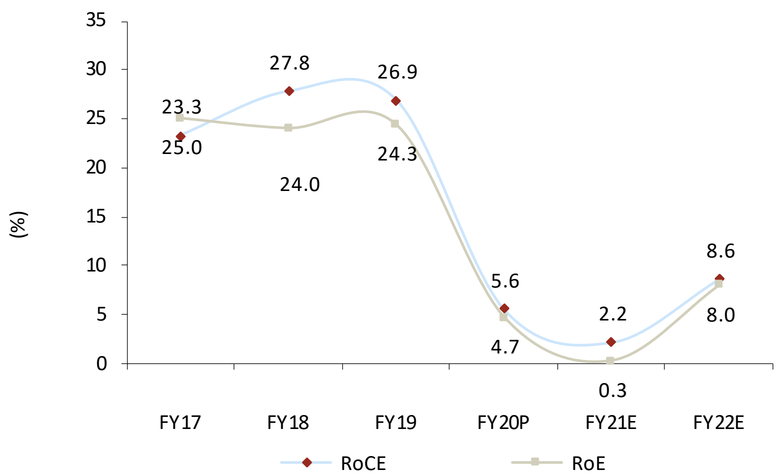
*LCV share of overall CV volumes is seen growing to the 38% mark in coming years given increased strategic focus on the segment and efforts to reduce dependence on M&HCV business*

Exhibit 8: Segment wise volume break-up




Source: Company, ICICI Direct Research

Exhibit 9: Return ratio profile




Source: Company, ICICI Direct Research

*Despite gradual improvement in return ratios over FY20E-22E, they are still seen to be far away from historical highs*

Exhibit 10: Segment-wise FY20 volumes at ALL

| | Domestic | | | Exports | | | Total | | | Domestic market share (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY19 | FY20 | YoY (%) | FY19 | FY20 | YoY (%) | FY19 | FY20 | YoY (%) | |
| ***I. M&HCV*** | ***1,31,936*** | ***71,408*** | ***-45.9%*** | ***10,922*** | ***7,186*** | ***-34.2%*** | ***1,42,858*** | ***78,594*** | ***-45.0%*** | ***31.8*** |
| Passenger i.e. Bus | 16,323 | 18,141 | 11.1% | 3,548 | 4,952 | 39.6% | 19,871 | 23,093 | 16.2% | ***45.1*** |
| Goods i.e. Trucks | 1,15,613 | 53,267 | -53.9% | 7,374 | 2,234 | -69.7% | 1,22,987 | 55,501 | -54.9% | ***28.9*** |
| | | | | | | | | | | |
| ***II. LCV*** | ***53,129*** | ***44,912*** | ***-15.5%*** | ***1,379*** | ***1,734*** | ***25.7%*** | ***54,508*** | ***46,646*** | ***-14.4%*** | ***9.1*** |
| Passenger | 1,489 | 1,197 | -19.6% | 163 | 164 | 0.6% | 1,652 | 1,361 | -17.6% | ***2.6*** |
| Goods | 51,640 | 43,715 | -15.3% | 1,216 | 1,570 | 29.1% | 52,856 | 45,285 | -14.3% | ***9.8*** |
| | | | | | | | | | | |
| ***CV (A +B)*** | ***1,85,065*** | ***1,16,320*** | ***-37.1%*** | ***12,301*** | ***8,920*** | **-27.5%** | **1,97,366** | **1,25,240** | **-36.5%** | ***16.2*** |
| | | | | | | | | | | |
| ***Total domestic*** | ***1,85,065*** | ***1,16,320*** | ***-37.1%*** | | | | | | | |
| | | | | | | | | | | |
| ***Total exports*** | ***12,301*** | ***8,920*** | ***-27.5%*** | | | | | | | |
| | | | | | | | | | | |
| ***Grand total*** | ***1,97,366*** | ***1,25,240*** | ***-36.5%*** | | | | | | | ***16.2*** |

*Source: SIAM, ICICI Direct Research*

Exhibit 11: SOTP based target price calculation

| SOTP | |
|---|---|
| **Target EV/EBITDA (x)** | **10.0** |
| EBITDA (FY22E) | 1,642.7 |
| Net Debt | 2,126.9 |
| Enterprise Value (₹ Crore) | 16,426.9 |
| Target Market cap Core business (₹crore) | 14,300.0 |
| **Value/Share (A)** | **49** |
| Strategic Investments FY22E (₹ crore) | 3,069.6 |
| P/BV (x) | 1.5 |
| **Total Value/Share post applying 40% Holdco. Discount (B)** | **9** |
| **Price target (₹, A+B)** | **58** |

*Source: ICICI Direct Research*

Exhibit 12: Key valuation metrics

| | Sales (₹ cr) | Growth (%) | EPS (₹) | Growth (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|---|---|---|---|---|---|---|---|---|
| FY18 | 26,356 | 31.7 | 5.9 | 36.6 | 8.9 | 4.1 | 24.0 | 27.8 |
| FY19 | 29,055 | 10.2 | 6.8 | 15.1 | 7.7 | 4.6 | 24.3 | 26.9 |
| FY20P | 17,467 | (39.9) | 0.8 | (87.9) | 63.7 | 14.7 | 4.7 | 5.6 |
| FY21E | 14,042 | (19.6) | 0.1 | (91.8) | NM | 21.0 | 0.3 | 2.2 |
| FY22E | 18,268 | 30.1 | 2.1 | NM | 25.3 | 10.6 | 8.0 | 8.6 |

*Source: Bloomberg, ICICI Direct Research*

Exhibit 13: Shareholding pattern

| (in %) | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|---|---|---|---|---|---|
| Promoter | 51.1 | 51.1 | 51.1 | 51.1 | 51.5 |
| FII | 19.1 | 18.8 | 17.1 | 19.2 | 16.9 |
| DII | 10.0 | 10.9 | 13.0 | 12.3 | 15.0 |
| Others | 19.8 | 19.2 | 18.9 | 17.3 | 16.5 |

*Source: Company, ICICI Direct Research*

## Financial Summary

| Exhibit 14: Profit and loss statement | | | | ₹ crore |
|---|---|---|---|---|
| **(Year-end March)** | **FY19** | **FY20P** | **FY21E** | **FY22E** |
| Total operating Income | 29,055.0 | 17,467.5 | 14,041.6 | 18,267.5 |
| Growth (%) | 10.2 | -39.9 | -19.6 | 30.1 |
| Raw Material Expenses | 20,679.6 | 12,369.2 | 10,124.4 | 13,075.7 |
| Employee Expenses | 2,098.8 | 1,615.1 | 1,509.2 | 1,612.3 |
| Other Expenses | 3,140.9 | 2,309.6 | 1,561.0 | 1,936.9 |
| Total Operating Expenditure | 25,919.3 | 16,293.8 | 13,194.6 | 16,624.9 |
| **EBITDA** | **3135.7** | **1173.6** | **847.0** | **1642.7** |
| Growth (%) | 5.8 | -62.6 | -27.8 | 94.0 |
| Depreciation | 621.0 | 669.8 | 688.0 | 712.4 |
| Interest | 70.4 | 109.5 | 232.6 | 214.6 |
| Other Income | 109.9 | 123.3 | 99.9 | 90.8 |
| **PBT** | **2554.2** | **517.7** | **26.2** | **806.4** |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Tax | 513.6 | 122.4 | 6.6 | 203.2 |
| **PAT** | **1983.2** | **239.5** | **19.6** | **603.2** |
| Growth (%) | 15.5 | -87.9 | -91.8 | 2,973.9 |
| **EPS (₹)** | **6.8** | **0.8** | **0.1** | **2.1** |

*Source: Company, ICICI Direct Research*

| Exhibit 15: Cash flow statement | | | | ₹ crore |
|---|---|---|---|---|
| **(Year-end March)** | **FY19** | **FY20P** | **FY21E** | **FY22E** |
| Profit after Tax | 1,983.2 | 239.5 | 19.6 | 603.2 |
| Add: Depreciation | 621.0 | 669.8 | 688.0 | 712.4 |
| (Inc)/dec in Current Assets | -2,988.0 | 2,683.8 | 453.4 | -1,118.7 |
| Inc/(dec) in CL and Provisions | 354.1 | -3,351.9 | -992.7 | 1,237.1 |
| **CF from operating activities** | **40.7** | **350.6** | **400.9** | **1648.6** |
| (Inc)/dec in Investments | 2,970.2 | -83.1 | -250.0 | -100.0 |
| (Inc)/dec in Fixed Assets | -850.6 | -1,243.4 | -300.0 | -500.0 |
| Others | -152.5 | -318.0 | -118.6 | -132.8 |
| **CF from investing activities** | **1967.0** | **-1644.5** | **-668.6** | **-732.8** |
| Issue/(Buy back) of Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | -560.7 | 2,660.2 | 550.0 | -300.0 |
| Dividend paid & dividend tax | -1,095.6 | -176.7 | -29.4 | -293.6 |
| Others | -20.0 | -1,240.8 | -232.6 | -214.6 |
| **CF from financing activities** | **-1676.4** | **1242.8** | **288.0** | **-808.2** |
| **Net Cash flow** | **331.4** | **-51.1** | **20.3** | **107.6** |
| Opening Cash | 1,042.2 | 1,373.6 | 1,322.5 | 1,342.8 |
| **Closing Cash** | **1373.6** | **1322.5** | **1342.8** | **1450.4** |

*Source: Company, ICICI Direct Research*

| Exhibit 16: Balance Sheet | | | | ₹ crore |
|---|---|---|---|---|
| **(Year-end March)** | **FY19** | **FY20P** | **FY21E** | **FY22E** |
| Liabilities | | | | |
| Equity Capital | 293.6 | 293.6 | 293.6 | 293.6 |
| Reserve and Surplus | 8,039.0 | 6,970.4 | 6,960.7 | 7,270.3 |
| **Total Shareholders funds** | **8332.5** | **7264.0** | **7254.3** | **7563.9** |
| Total Debt | 667.0 | 3,327.2 | 3,877.2 | 3,577.2 |
| Deferred Tax Liability | 249.7 | 264.8 | 264.8 | 264.8 |
| Other non-current liabilities | 270.7 | 249.9 | 249.9 | 249.9 |
| **Total Liabilities** | **9769.5** | **11286.6** | **11826.8** | **11836.5** |
| Assets | | | | |
| Gross Block | 6,496.0 | 7,802.9 | 8,447.0 | 9,047.0 |
| Less: Acc Depreciation | 1,690.0 | 2,359.8 | 3,047.8 | 3,760.3 |
| **Net Block** | **4806.0** | **5443.1** | **5399.2** | **5286.8** |
| Capital WIP | 657.6 | 594.1 | 250.0 | 150.0 |
| Total Fixed Assets | 5,463.6 | 6,037.2 | 5,649.2 | 5,436.8 |
| Investments | 2,636.5 | 2,719.6 | 2,969.6 | 3,069.6 |
| Inventory | 2,684.7 | 1,238.0 | 1,154.1 | 1,501.4 |
| Debtors | 2,505.5 | 1,179.8 | 1,154.1 | 1,501.4 |
| Loans and Advances | 22.5 | 23.0 | 18.5 | 24.1 |
| Other current assets | 0.0 | 0.0 | 0.0 | 0.0 |
| **Cash** | **1373.6** | **1322.5** | **1342.8** | **1450.4** |
| Total Current Assets | 6,586.3 | 3,763.3 | 3,669.5 | 4,477.3 |
| Creditors | 5,018.9 | 2,623.9 | 2,115.9 | 2,752.6 |
| Provisions | 802.8 | 624.9 | 503.9 | 655.5 |
| Other current Liabilties | 1,266.9 | 685.5 | 551.0 | 716.9 |
| Total Current Liabilities | 5,821.7 | 3,248.8 | 2,619.7 | 3,408.2 |
| Net Current Assets | 764.6 | 514.5 | 1,049.7 | 1,069.1 |
| **Application of Funds** | **9769.5** | **11286.6** | **11826.8** | **11836.5** |

*Source: Company, ICICI Direct Research*

| Exhibit 17: Key ratios | | | | |
|---|---|---|---|---|
| **(Year-end March)** | **FY19** | **FY20P** | **FY21E** | **FY22E** |
| Per share data (₹) | | | | |
| EPS | 6.8 | 0.8 | 0.1 | 2.1 |
| Cash EPS | 8.9 | 3.1 | 2.4 | 4.5 |
| BV | 28.4 | 24.7 | 24.7 | 25.8 |
| DPS | 3.1 | 0.5 | 0.1 | 1.0 |
| Cash Per Share | 4.7 | 4.5 | 4.6 | 4.9 |
| **Operating Ratios (%)** | | | | |
| EBITDA Margin | 10.8 | 6.7 | 6.0 | 9.0 |
| PBT / Net sales | 8.8 | 3.0 | 0.2 | 4.4 |
| PAT Margin | 6.8 | 1.4 | 0.1 | 3.3 |
| Inventory days | 33.7 | 25.9 | 30.0 | 30.0 |
| Debtor days | 31.5 | 24.7 | 30.0 | 30.0 |
| Creditor days | 63.0 | 54.8 | 55.0 | 55.0 |
| **Return Ratios (%)** | | | | |
| RoE | 24.3 | 4.7 | 0.3 | 8.0 |
| RoCE | 26.9 | 5.6 | 2.2 | 8.6 |
| RoIC | 34.9 | 6.0 | 1.8 | 10.3 |
| **Valuation Ratios (x)** | | | | |
| P/E | 7.5 | 44.6 | NM | 25.3 |
| EV / EBITDA | 4.6 | 14.7 | 21.0 | 10.6 |
| EV / Net Sales | 0.5 | 1.0 | 1.3 | 0.9 |
| Market Cap / Sales | 0.5 | 0.9 | 1.1 | 0.8 |
| Price to Book Value | 1.8 | 2.1 | 2.1 | 2.0 |
| **Solvency Ratios** | | | | |
| Debt/Equity | 0.1 | 0.5 | 0.5 | 0.5 |
| Current Ratio | 1.0 | 1.1 | 1.2 | 1.2 |
| **Quick Ratio** | **0.6** | **0.7** | **0.8** | **0.8** |

*Source: Company, ICICI Direct Research*

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

| Sector / Company | CMP | TP | | M Cap | EPS (₹) | | | P/E (x) | | | EV/EBITDA (x) | | | RoCE (%) | | | RoE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (₹) | (₹) | Rating | (₹ Cr) | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E |
| Apollo Tyre (APOTYR) | 111 | 100 | Hold | 6,350 | 8.3 | 2.4 | 7.6 | 13.3 | 46.7 | 14.5 | 6.4 | 6.0 | 4.7 | 4.8 | 3.5 | 6.1 | 4.8 | 1.2 | 4.3 |
| **Ashok Leyland (ASHLEY)** | **52** | **58** | **Hold** | **15,221** | **0.8** | **0.1** | **2.1** | **63.7** | **777.9** | **25.3** | **14.7** | **21.0** | **10.6** | **5.6** | **2.2** | **8.6** | **4.7** | **0.3** | **8.0** |
| Bajaj Auto (BAAUTO) | 2,860 | 2,840 | Hold | 82,760 | 176.3 | 134.9 | 162.1 | 16.2 | 21.2 | 17.6 | 13.2 | 16.3 | 12.6 | 23.8 | 23.2 | 25.1 | 25.6 | 17.7 | 19.1 |
| Bharat Forge (BHAFOR) | 350 | 320 | Hold | 16,295 | 10.8 | 7.0 | 12.7 | 32.3 | 49.8 | 27.6 | 16.3 | 18.9 | 14.0 | 8.4 | 6.3 | 9.4 | 9.4 | 5.7 | 9.8 |
| Eicher Motors (EICMOT) | 18,300 | 18,070 | Hold | 49,886 | 670.4 | 495.4 | 690.9 | 27.3 | 36.9 | 26.5 | 21.1 | 26.4 | 18.6 | 22.5 | 15.9 | 19.1 | 18.3 | 12.2 | 14.9 |
| Escorts (ESCORT) | 1,010 | 1,020 | Buy | 12,381 | 39.6 | 40.8 | 50.3 | 25.5 | 24.8 | 20.1 | 16.9 | 16.4 | 13.1 | 18.9 | 13.3 | 14.2 | 14.2 | 10.1 | 11.1 |
| Exide Industries (EXIIND) | 150 | 170 | Hold | 12,750 | 9.7 | 8.1 | 9.7 | 15.4 | 18.5 | 15.5 | 9.2 | 9.7 | 8.2 | 16.7 | 13.8 | 15.2 | 13.4 | 10.3 | 11.4 |
| Hero Moto (HERHON) | 2,550 | 2,500 | Hold | 50,924 | 181.9 | 109.8 | 147.6 | 14.0 | 23.2 | 17.3 | 11.4 | 15.0 | 10.9 | 26.5 | 18.7 | 23.2 | 22.7 | 14.5 | 17.9 |
| **M&M (MAHMAH)** | **502** | **600** | **Buy** | **62,409** | **10.7** | **28.4** | **39.7** | **46.9** | **17.7** | **12.6** | **10.2** | **10.8** | **7.9** | **13.0** | **11.1** | **14.2** | **6.4** | **9.5** | **12.0** |
| Maruti Suzuki (MARUTI) | 5,700 | 4,650 | Reduce | 1,72,186 | 187.1 | 138.4 | 194.4 | 30.5 | 41.2 | 29.3 | 18.8 | 22.2 | 15.9 | 7.4 | 4.8 | 7.9 | 11.7 | 8.2 | 10.6 |
| Minda Industries (MININD) | 287 | 300 | Buy | 7,525 | 7.0 | 7.6 | 11.8 | 40.9 | 37.6 | 24.3 | 13.1 | 11.7 | 9.4 | 11.3 | 11.8 | 15.0 | 11.5 | 11.6 | 15.4 |
| Tata Motors (TATMOT) | 102 | 90 | Hold | 37,281 | -32.8 | -27.4 | 2.4 | NM | NM | 42.4 | 4.5 | 6.9 | 3.8 | 3.0 | -0.1 | 7.2 | -4.3 | -12.3 | 8.5 |

*Source: Bloomberg, ICICI Direct Research*

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%


| | | |
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