

## Muted show, all eyes on captive EV launch in July...

**About the stock:** Hero MotoCorp (HMCL) is the world's largest 2-W manufacturer by volume, with domestic market share at 34.5% as of FY22. Its suite of popular models includes Splendor, Passion, Glamour, etc.

- Rural geographies form ~50% sales; 48.3% FY22 motorcycle market share
- Debt-free b/s with strong return ratios; healthy >50% dividend payout ratio
- On ground EV presence currently limited to ~35%+ stake in Ather Energy

**Q4FY22 Results:** The company reported a muted performance in Q4FY22.

- Revenues were down 5.9% QoQ to with volumes declining 8% QoQ
- EBITDA margins came in at 11.2% in Q4FY22, down 100 bps QoQ
- Consequent standalone PAT was at ₹ 627 crore, down 8.6% QoQ

**What should investors do?** HMCL's share price has lagged the Nifty Auto Index in the past five years, de-growing at ~6.6% CAGR from ~₹ 3,275 levels in May 2017.

- We retain **HOLD** amid faster than anticipated EV transition domestically and await firmer EV commitment by HMCL

**Target Price and Valuation:** We value HMCL at revised target price of ₹ 2,495 (12x P/E on FY24E EPS & 2x P/B to its long term strategic investments in FY24)

### Key triggers for future price performance:

- Post ~15% decline in FY22, expect volume to grow at a CAGR of 8.0% over FY22-24E, driven by need for personal mobility. Revenues are seen growing at an 12.9% CAGR over FY22-24E with EBITDA margins at ~12-13%
- Exports, scooters and Harley tie-up to aid diversification & product mix
- Own EV launch by July 2022, prominent presence in Ather along with partnership with Gogoro would complement presence in EV space
- Cash rich b/s, high dividend yield (~4%) to provide margin of safety

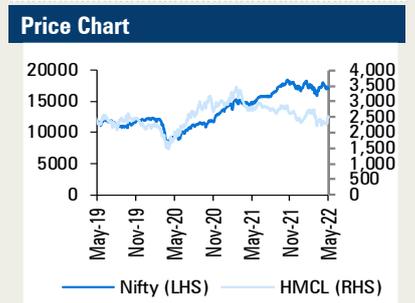
**Alternate Stock Idea:** Besides HMCL, in our auto OEM coverage, we like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with target price of ₹ 1,045



Particulars	
Particular	Amount
Market Capitalization	₹ 48167.6 Crore
Total Debt (FY22P)	₹ 0 Crore
Cash & Inv. (FY22P)	₹ 8013 Crore
EV	₹ 40155 Crore
52 week H/L (₹)	3090 / 2147
Equity capital (₹ crore)	40.0
Face value	₹ 2

Shareholding pattern				
	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	34.8	34.8	34.8	34.8
FII	35.0	32.3	29.6	29.2
DII	20.2	22.0	23.7	24.2
Other	10.0	11.0	12.0	11.8



### Recent event & key risks

- Posted muted Q4FY22 results
- **Key Risk:** (i) Competitive, superior technology driven entry into the EV race (ii) Slower than anticipated pickup in volumes

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### Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22P	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	33,650.5	28,836.1	30,800.7	29,245.5	0.5%	34,643.5	37,258.3	12.9%
EBITDA	4,929.8	3,958.0	4,019.2	3,368.7	-6.2%	4,315.1	4,861.9	20.1%
EBITDA Margins (%)	14.6	13.7	13.0	11.5		12.5	13.0	
Net Profit	3,384.6	3,633.3	2,964.1	2,472.9	-6.0%	3,118.3	3,520.8	19.3%
Normalised Net Profit	3,384.6	3,202.6	2,964.1	2,472.9	-6.0%	3,118.3	3,520.8	19.3%
EPS (₹)	169.5	181.9	148.4	123.8		156.1	176.3	
P/E	14.2	13.3	16.3	19.5		15.4	13.7	
RoNW (%)	26.3	22.7	19.5	15.7		18.7	19.9	
RoCE (%)	32.0	21.3	20.8	16.3		20.7	22.2	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q4FY22 Results:

- Blended ASP for the quarter were at ~ ₹ 62,426/unit (up 2.3% QoQ).
- EBITDA in Q4FY22 was at ₹ 828 crore, down 13.8% QoQ with corresponding EBITDA margins at 11.2% (down 100 bps QoQ). The company witnessed a 170 bps gross margins expansion on a QoQ basis. Benefits, however, were limited due to higher overhead costs
- PAT for the quarter came in at ₹ 627.1 crore, down 8.6% QoQ
- The company is on track to roll out its own EV product on July 1, 2022

### Q4FY22 Earnings Conference Call highlights

- HMCL remains optimistic about domestic demand. Further recovery seen in entry level segment with improvement in market share
- HMCL EV's unveil to continue as planned and will not be impacted due to chip shortage and would focus on quality & safety features. Further, launch of EV would not be impacted by ongoing government study related to EV fires
- Gross margin expansion was due to commodity cost flattening in Q4FY22 along with price hikes. Going forward, the management intends to increase margin through cost savings occurring due to operating leverage benefits as well as premiumisation of vehicles
- The management foresees demand to be healthy in FY23 riding on the back of strong marriage season and a pick-up in rural demand
- Inventory remained low at six to seven weeks as of April, 2022 vs. ~seven to eight weeks as of March 2022 led by healthy retails due to Gudi Padwa & success of mileage campaign launch in March 2022 due to which models like Splendour witnessed good traction in demand
- Average price hike taken was ~₹1,000 ex-showroom in April 2022. Price hike are taken cautiously to maintain demand as well as to maintain margins.
- On EV front company plans to launch 2 products one under its own brand and one along with partnership with Gogoro, in FY23.
- Investment in Ather was ~₹150 crores in Q4FY22 with total investment planned at ₹420 crores with balance ₹270 crores to be invested in Q1FY23.
- Spares revenue stood at ₹1,151 crores for Q4FY22 vs ₹1,186 crore in Q3FY22 with annual run-rate at ~13.5% of revenue.
- First time buyers account for ~65-70% of portfolio with replacement and additional buyers forming the rest (equally divided). Retail financing penetration was at ~54% during Q4FY22 with annual penetration at >50% vs. ~49% in FY21. Hero FinCorp share in financing was at ~34%

*Management guided about various exciting product launch in scooter as well as motorcycle segment to recapture lost market share.*

*Management intends to grow double digit in volumes in FY23E and gain market share vs. peers*

## Peer comparison

Exhibit 1: Peer Comparison (2-W)

Company	CMP	TP	Rating	Mcap	2-W Lakh volumes			EBITDA margin (%)			RoCE (%)			P/E		
	₹	₹			₹ crore	FY22	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E
Bajaj Auto (BAAUTO)	3,514	3,950	Hold	1,01,682	43.1	47.1	50.7	15.9	15.5	16.0	18.4	19.9	21.6	20.3	19.2	17.2
<b>Hero Moto (HERHON)</b>	<b>2,412</b>	<b>2,495</b>	<b>Hold</b>	<b>48,168</b>	<b>49.4</b>	<b>54.4</b>	<b>57.7</b>	<b>11.5</b>	<b>12.5</b>	<b>13.0</b>	<b>16.3</b>	<b>20.7</b>	<b>22.2</b>	<b>19.5</b>	<b>15.4</b>	<b>13.7</b>
Eicher Motors (EICMOT)	2,290	2,535	Hold	62,586	6.0	7.5	8.1	20.2	21.7	22.7	12.6	16.3	17.2	39.5	27.4	22.8

Source: Company, ICICI Direct Research; Note – Bajaj Auto sales volumes above are for its 2-W division only

We are currently ascribing HOLD rating to all incumbent 2-W auto OEMs in our coverage and await more meaningful action form them on the EV front before tuning decisively positive.

**Exhibit 2: Variance Analysis**

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Total Operating Income	7,422	7,326	8,686	-14.6	7,883	-5.9	Topline came in higher tracking beat on ASP's
Raw Material Expenses	5,142	5,224	6,117	-15.9	5,594	-8.1	RM costs came in lower tracking savings realised out of accelerated lea program with gross margins expanding ~170 bps QoQ
Employee Expenses	476	513	488	-2.5	518	-8.1	
Other expenses	975	769	869	12.2	811	20.3	Other expenses came in much higher at 13.1% of sales tracking bunching up of expenses such as CSR
Operating Profit (EBITDA)	828	819	1,211	-31.7	960	-13.8	
EBITDA Margins (%)	11.2	11.2	13.9	-280 bps	12.2	-100 bps	EBITDA margins were broadly in line with estimates tracking gross margin expansion and higher than anticipated other expenses
Other Income	140	101	87	59.9	122	14.9	
Interest	6.7	6.6	6.3	5.7	6.5	2.3	
Depreciation	158.5	179.2	163.1	-2.9	164.4	-3.6	Depreciation stood a tad lower than estimates
PBT after Exceptional Items	802.2	734.9	1,129.1	-28.9	910.7	-11.9	
Total Tax	175.2	185.2	264.2	-33.7	224.6	-22.0	
PAT	627.1	549.7	864.9	-27.5	686.1	-8.6	PAT for the quarter was down 8.6% QoQ and was above our estimates at ₹ 627 crore
EPS (Adjusted)	31.4	27.5	43.3	-27.5	34.4	-8.6	
<b>Key Metrics</b>							
Total 2-W Sales (lakh units)	11.9	11.9	15.7	-24.2	12.9	-8.0	Total volumes were down 8% QoQ at 11.9 lakh units
Net Blended ASP (₹/unit)	62,426	61,620	55,384	12.7	61,010	2.3	ASP's were up 2.3% QoQ at ₹ 62,426/unit

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	33,506	34,644	3.4	36,231	37,258	2.8	Broadly maintained our topline estimates. We expect total operating income at HMCL to grow at a CAGR of 12.9% over FY22-24E to ₹ 37,258 crore in FY24E
EBITDA	4,321	4,315	-0.1	4,798	4,862	1.3	
EBITDA Margin (%)	12.9	12.5	-44 bps	13.2	13.0	-15 bps	Marginally revised downward our margin estimates tracking muted performance in Q4FY22
PAT	3,135	3,118	-0.5	3,544	3,521	-0.7	
EPS (₹)	157.0	156.1	-0.5	177.5	176.3	-0.7	PAT estimates broadly remain unchanged. We expect PAT at HMCL to grow at a CAGR of 19.3% over FY22-24E

Source: ICICI Direct Research

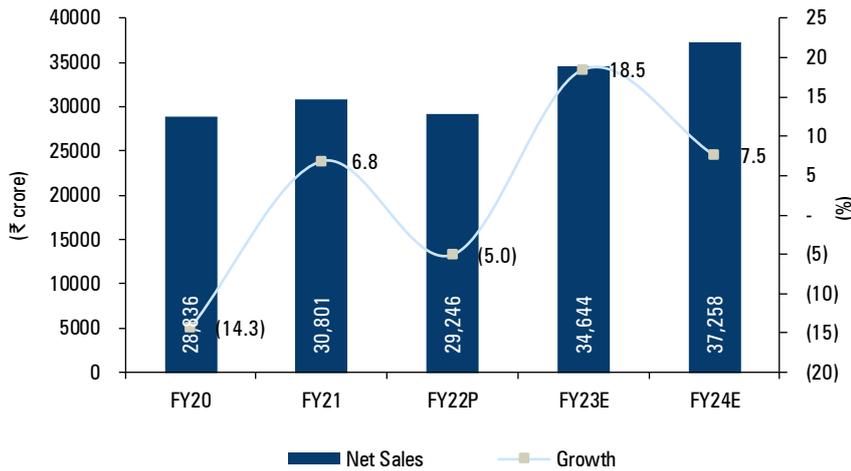
**Exhibit 4: Assumptions**

	Current						Earlier		Comments
	FY19	FY20	FY21	FY22P	FY23E	FY24E	FY23E	FY24E	
Motorcycle volumes (lakh units)	71	60	53	46	51	54	50	53	Broadly maintained our volume estimates wherein we expect total sales volume to grow 10% YoY in FY23E to ~54 lakh units and thereafter grow by 6% in FY24E to ~58 lakh units. Revised upward our ASP estimates tracking healthy ASP's recorded in H2FY22 (commodity led price hikes)
Scooter volumes (lakh units)	7	4	5	3	3	4	3	3	
Total volumes (lakh units)	78	64	58	49	54	58	54	57	
Growth (% YoY)		-18.0%	-9.8%	-14.5%	10.0%	6.0%			
Gross Blended ASP (₹/unit)	43,026	44,988	53,244	59,152	63,675	64,627	62,536	63,793	

Source: ICICI Direct Research

## Financial story in charts

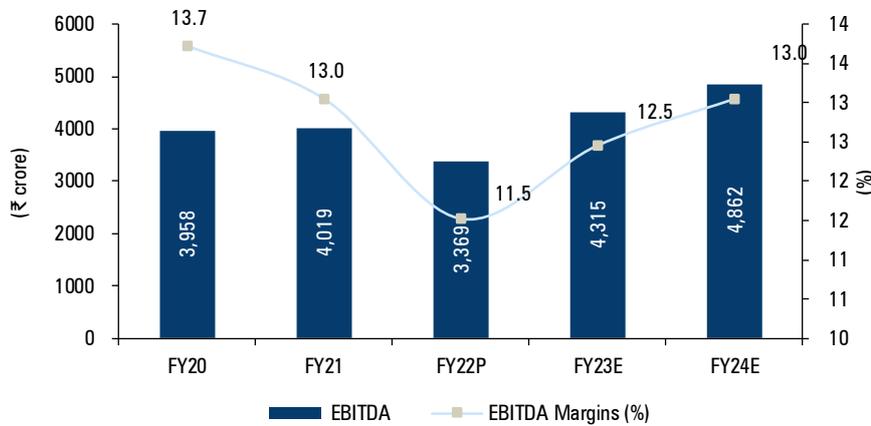
Exhibit 5: Topline trend



We expect sales to grow at a CAGR of 12.9% over FY22-24E backed by 8% volume CAGR

Source: Company, ICICI Direct Research

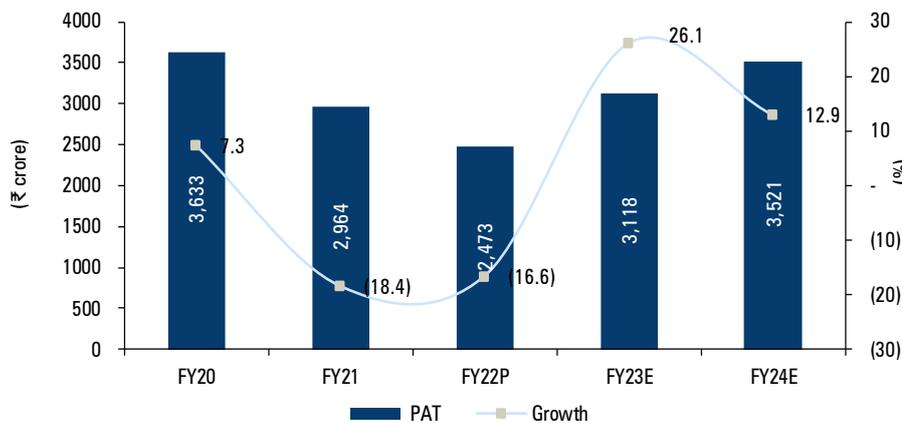
Exhibit 6: Trend in margins



Margins are seen remaining resilient around the ~13.0% mark by FY24E

Source: Company, ICICI Direct Research

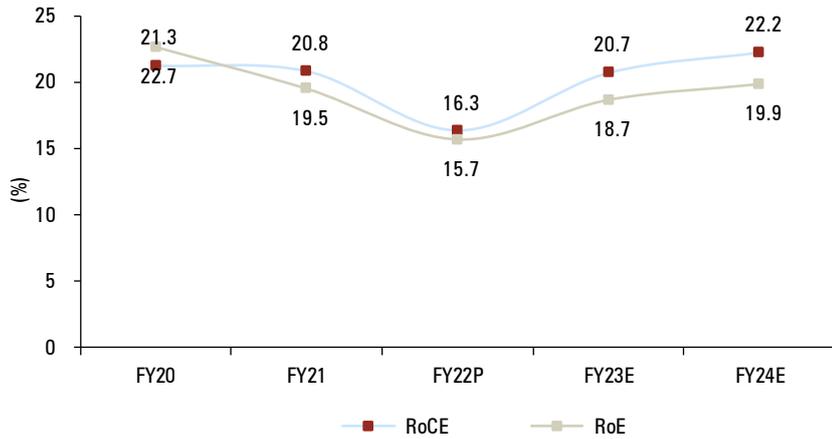
Exhibit 7: Trend in profitability



PAT is expected to grow to ₹ 3,521 crore in FY24E

Source: Company, ICICI Direct Research

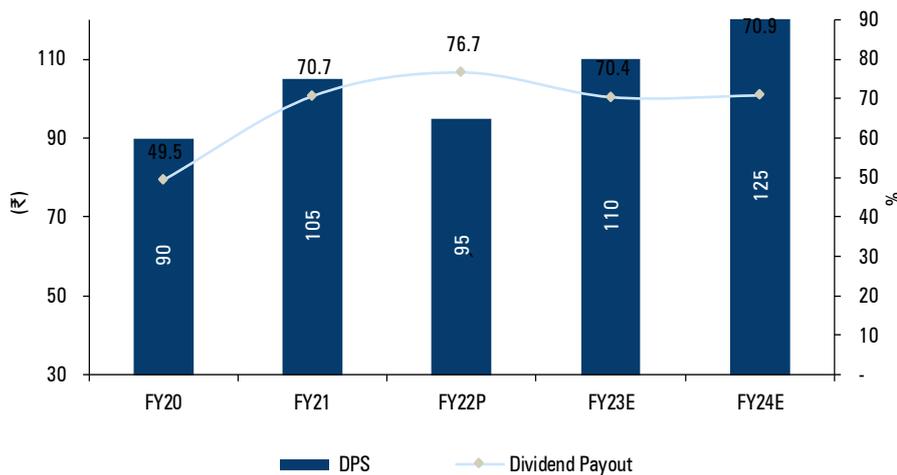
Exhibit 8: Trend in return ratios



Return ratios are expected to be ~20-22% in FY24E

Source: Company, ICICI Direct Research

Exhibit 9: Trend in dividend payout



Source: Company, ICICI Direct Research

Exhibit 10: Valuation Summary

	Sales (₹ cr)	Growth (%)	EPS (₹ cr)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	32,230.5	(7.0)	185.1	18.6	13.0	7.9	31.4	38.1
FY19	33,650.5	4.4	169.5	-8.5	14.2	8.9	26.3	32.0
FY20	28,836.1	(14.3)	181.9	7.3	13.3	10.5	22.7	21.3
FY21	30,800.7	6.8	148.4	-18.4	16.3	9.9	19.5	20.8
FY22P	29,245.5	-5.0	123.8	-16.6	19.5	11.9	15.7	16.3
FY23E	34,643.5	18.5	156.1	26.1	15.4	9.3	18.7	20.7
FY24E	37,258.3	7.5	176.3	12.9	13.7	8.1	19.9	22.2

Source: Company, ICICI Direct Research

Exhibit 11: SoTP Valuation

Particulars	Amount (₹)
FY24E Core EPS (₹/share, A)	176.3
P/E Multiple assigned (x, B)	12.0
<b>Value of Base Business (C = A*B)</b>	<b>2,115</b>
Other investment like Hero Fincorp & Ather Energy (₹ crore as of FY24E, D)	3,815
P/B Multiple Assigned (x, E)	2.0
Value of long term Investments (₹ crore, F = D*E)	7,629
<b>Per share value of long term investments (G)</b>	<b>380</b>
<b>Target Price (C+G)</b>	<b>2,495</b>
Potential Upside (%)	3%

Source: ICICI Direct Research

Exhibit 12: FY22 segment wise, model-wise sales performance at HMCL

Particulars	Domestic			Exports			Total			% of sales mix		Domestic MS %
	FY21	FY22	YoY %	FY21	FY22	YoY %	FY21	FY22	YoY %	FY21	FY22	
<b>I. Scooters</b>	<b>4,43,459</b>	<b>3,05,892</b>	<b>(31.0)</b>	<b>14,600</b>	<b>10,491</b>	<b>(28.1)</b>	<b>4,58,059</b>	<b>3,16,383</b>	<b>(30.9)</b>	<b>7.9</b>	<b>6.4</b>	<b>7.6</b>
90-125 cc	4,43,459	3,05,892	(31.0)	14,600	10,491	(28.1)	4,58,059	3,16,383	(30.9)	7.9	6.4	
<i>Duet</i>	-	-		6,396	-	(100.0)	6,396	-	(100.0)	0.1	-	
<i>Hero Destni 125</i>	1,44,332	69,351	(52.0)	2,443	1,086	(55.5)	1,46,775	70,437	(52.0)	2.5	1.4	
<i>Maestro</i>	95,533	56,580	(40.8)	3,469	7,365	112.3	99,002	63,945	(35.4)	1.7	1.3	
<i>Pleasure</i>	2,03,594	1,79,961	(11.6)	2,292	2,040	(11.0)	2,05,886	1,82,001	(11.6)	3.6	3.7	
<b>II. Motorcycles</b>	<b>51,57,796</b>	<b>43,37,634</b>	<b>(15.9)</b>	<b>1,77,009</b>	<b>2,90,131</b>	<b>63.9</b>	<b>53,34,805</b>	<b>46,27,164</b>	<b>(13.3)</b>	<b>92.1</b>	<b>93.6</b>	<b>48.3</b>
75-110 cc	41,10,068	37,05,145	(9.9)	68,124	1,03,406	51.8	41,78,192	38,08,551	(8.8)	72.1	77.0	
<i>HF Dawn</i>	-	-	NA	580	-	(100.0)	580	-	(100.0)	0.0	-	
<i>HF Deluxe</i>	16,61,735	11,65,163	(29.9)	31,922	62,004	94.2	16,93,657	12,27,167	(27.5)	29.2	24.8	
<i>Passion</i>	4,87,461	1,56,672	(67.9)	5,533	2,628	(52.5)	4,92,994	1,59,300	(67.7)	8.5	3.2	
<i>Splendor</i>	19,60,872	23,83,310	21.5	30,089	38,774	28.9	19,90,961	24,22,084	21.7	34.4	49.0	
110-125 cc	9,63,214	5,65,069	(41.3)	42,621	57,246	34.3	10,05,835	6,22,315	(38.1)	17.4	12.6	
<i>Glamour</i>	4,62,914	2,82,993	(38.9)	17,241	26,542	53.9	4,80,155	3,09,535	(35.5)	8.3	6.3	
<i>Splendor</i>	5,00,300	2,82,076	(43.6)	25,380	30,704	21.0	5,25,680	3,12,780	(40.5)	9.1	6.3	
125-150 cc	18,896	-	(100.0)	52,146	1,13,857	118.3	71,042	1,13,857	60.3	1.2	2.3	
<i>Acheiver</i>	-	-	NA	14,846	25,227	69.9	14,846	25,227	69.9	0.3	0.5	
<i>Hunk</i>	-	-	NA	23,650	86,482	265.7	23,650	86,482	265.7	0.4	1.7	
<i>Xtreme</i>	18,896	-	(100.0)	13,650	2,148	(84.3)	32,546	2,148	(93.4)	0.6	0.0	
150-200 cc	65,618	66,819	1.8	14,110	15,622	10.7	79,728	82,441	3.4	1.4	1.7	
<i>Xpulse 200</i>	17,215	31,667	84.0	13,718	15,232	11.0	30,933	46,899	51.6	0.5	0.9	
<i>Xtreme</i>	48,403	35,152	(27.4)	392	390	(0.5)	48,795	35,542	(27.2)	0.8	0.7	
200-250 cc	-	-	NA	8	-	(100.0)	8	-	(100.0)	0.0	-	
<i>Karizma</i>	-	-	NA	8	-	(100.0)	8	-	(100.0)	0.0	-	
<b>C. Total sales (A + B)</b>	<b>56,01,255</b>	<b>46,43,526</b>	<b>(17.1)</b>	<b>1,91,609</b>	<b>3,00,622</b>	<b>56.9</b>	<b>57,92,864</b>	<b>49,43,547</b>	<b>(14.7)</b>	<b>100.0</b>	<b>100.0</b>	<b>34.5</b>

Source: SIAM, ICICI Direct Research

## Financial Summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
<b>Total operating Income</b>	<b>30,800.7</b>	<b>29,245.5</b>	<b>34,643.5</b>	<b>37,258.3</b>
Growth (%)	6.8	-5.0	18.5	7.5
Raw Material Expenses	21,762.3	20,826.7	24,444.6	26,256.1
Employee Expenses	1,898.8	1,935.4	2,030.7	2,137.5
Other expenses	3,120.3	3,114.5	3,852.6	4,002.2
Total Operating Expenditure	26,781.5	25,876.8	30,328.1	32,396.0
<b>EBITDA</b>	<b>4019.2</b>	<b>3368.7</b>	<b>4315.5</b>	<b>4862.3</b>
Growth (%)	1.5	-16.2	28.1	12.7
Depreciation	676.9	649.8	679.0	726.5
Interest	21.9	25.8	27.1	28.4
Other Income	579.9	556.9	559.8	600.0
<b>PBT</b>	<b>3900.3</b>	<b>3250.0</b>	<b>4168.8</b>	<b>4707.0</b>
Total Tax	936.2	777.1	1,050.5	1,186.2
<b>PAT</b>	<b>2964.1</b>	<b>2472.9</b>	<b>3118.3</b>	<b>3520.8</b>
Growth (%)	-18.4	-16.6	26.1	12.9
Normalised PAT (₹)	2,964.1	2,472.9	3,118.3	3,520.8
<b>EPS (₹)</b>	<b>148.4</b>	<b>123.8</b>	<b>156.1</b>	<b>176.3</b>

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
<b>Profit after Tax</b>	<b>2,964.1</b>	<b>2,472.9</b>	<b>3,118.3</b>	<b>3,520.8</b>
Add: Depreciation & Interest	698.7	675.6	706.1	755.0
Sub: Other Income	579.9	556.9	559.8	600.0
(Inc)/dec in Current Assets	-1,151.9	384.5	-972.0	-384.3
Inc/(dec) in CL and Provisions	2,134.2	-1,037.8	1,116.3	467.1
<b>CF from operating activities</b>	<b>4065.2</b>	<b>1938.2</b>	<b>3408.8</b>	<b>3758.6</b>
(Inc)/dec in Investments	-1,892.5	298.4	50.0	-550.0
(Inc)/dec in Fixed Assets	-643.6	-489.4	-1,010.0	-1,010.0
Others	-169.8	-471.9	-750.0	-250.0
Add: Other Income	579.9	556.9	559.8	600.0
<b>CF from investing activities</b>	<b>-2126.0</b>	<b>-106.0</b>	<b>-1150.2</b>	<b>-1210.0</b>
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-2,096.9	-1,897.2	-2,196.7	-2,496.3
Inc/(dec) in Sec. premium & Others	172.8	-17.1	-27.1	-28.4
<b>CF from financing activities</b>	<b>-1924.0</b>	<b>-1914.3</b>	<b>-2223.8</b>	<b>-2524.7</b>
Net Cash flow	15.3	-82.0	34.9	23.9
Opening Cash	241.9	257.1	175.2	210.0
<b>Closing Cash</b>	<b>257.1</b>	<b>175.2</b>	<b>210.0</b>	<b>233.9</b>

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22P	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	40.0	40.0	40.0	40.0
Reserve and Surplus	15,158.5	15,743.0	16,664.5	17,689.1
<b>Total Shareholders funds</b>	<b>15198.4</b>	<b>15782.9</b>	<b>16704.5</b>	<b>17729.0</b>
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	404.1	383.3	383.3	383.3
Others	448.3	475.4	475.4	475.4
<b>Total Liabilities</b>	<b>16050.8</b>	<b>16641.6</b>	<b>17563.2</b>	<b>18587.8</b>
<b>Assets</b>				
Gross Block	10,714.3	11,173.8	12,198.8	13,223.8
Less: Acc Depreciation	5,016.1	5,665.8	6,344.9	7,071.4
<b>Net Block</b>	<b>5698.2</b>	<b>5508.0</b>	<b>5853.9</b>	<b>6152.4</b>
Capital WIP	177.9	87.3	62.3	37.3
Total Fixed Assets	5,876.0	5,595.3	5,916.3	6,189.7
Investments	10,499.7	10,652.3	11,352.3	12,152.3
Inventory	1,469.6	1,122.7	1,423.7	1,531.2
Debtors	2,426.8	2,304.3	2,847.4	3,062.3
Loans and Advances	36.9	40.2	47.7	51.3
<b>Cash</b>	<b>257.1</b>	<b>175.2</b>	<b>210.0</b>	<b>233.9</b>
Total Current Assets	4,761.3	4,294.8	5,301.7	5,709.9
Creditors	5,204.6	4,260.4	5,220.3	5,614.3
Provisions	160.4	160.4	196.6	211.4
Total Current Liabilities	6,110.2	5,072.4	6,188.7	6,655.8
<b>Net Current Assets</b>	<b>-1,348.9</b>	<b>-777.6</b>	<b>-887.0</b>	<b>-945.9</b>
<b>Application of Funds</b>	<b>16050.8</b>	<b>16641.6</b>	<b>17563.2</b>	<b>18587.8</b>

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
(Year-end March)	FY21	FY22P	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	148.4	123.8	156.1	176.3
Cash EPS	182.3	156.4	190.1	212.7
BV	761.1	790.3	836.5	887.8
DPS	105.0	95.0	110.0	125.0
Cash Per Share	420.3	401.2	400.5	429.2
<b>Operating Ratios (%)</b>				
EBITDA Margin	13.0	11.5	12.5	13.0
PBT / Net sales	10.9	9.3	10.5	11.1
PAT Margin	9.6	8.5	8.7	9.3
Inventory days	17.4	14.0	15.0	15.0
Debtor days	28.8	28.8	30.0	30.0
Creditor days	61.7	53.2	55.0	55.0
<b>Return Ratios (%)</b>				
RoE	19.5	15.7	18.7	19.9
RoCE	20.8	16.3	20.7	22.2
RoIC	44.7	31.8	38.3	41.4
<b>Valuation Ratios (x)</b>				
P/E	16.3	19.5	15.4	13.7
EV / EBITDA	9.9	11.9	9.3	8.1
Market Cap / Sales	1.6	1.6	1.4	1.3
Price to Book Value	3.2	3.1	2.9	2.7
<b>Solvency Ratios</b>				
Current Ratio	0.8	0.9	0.9	0.9
<b>Quick Ratio</b>	<b>0.5</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>

Source: Company, ICICI Direct Research

Exhibit 17: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)			
	(₹)	(₹)		Rating	(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E
Apollo Tyre (APOTYR)	201	270	Buy	12,733	11.0	15.5	23.3	18.2	12.9	8.6	6.4	4.9	3.6	6.4	8.3	11.5	5.9	7.8	10.8
Ashok Leyland (ASHLEY)	121	140	Buy	35,433	-0.8	1.3	3.7	-146.2	94.3	32.9	62.9	25.4	15.5	-1.1	6.5	14.4	-4.2	5.6	15.2
Bajaj Auto (BAAUTO)	3,514	3,950	Hold	1,01,682	173.4	183.4	204.1	20.3	19.2	17.2	14.9	13.3	11.8	18.4	19.9	21.6	17.6	19.1	20.5
Balkrishna Ind. (BALIND)	2,089	2,650	Buy	40,384	72.8	74.2	91.6	28.7	28.1	22.8	21.0	19.0	15.2	17.6	17.4	20.2	20.6	18.3	19.5
Bharat Forge (BHAFOR)	672	910	Buy	31,263	23.3	24.4	29.3	28.8	27.5	22.9	17.2	14.7	12.4	10.2	11.8	13.5	15.8	15.8	16.6
Eicher Motors (EICMOT)	2,290	2,535	Hold	62,586	57.9	83.5	100.5	39.5	27.4	22.8	26.1	18.4	15.1	12.6	16.3	17.2	12.7	16.3	17.3
Escorts (ESCORT)	1,560	2,050	Hold	20,583	53.8	66.1	78.1	29.0	23.6	20.0	16.9	14.8	12.1	10.0	10.0	10.6	9.0	10.1	10.9
<b>Hero Moto (HERHON)</b>	<b>2,412</b>	<b>2,495</b>	<b>Hold</b>	<b>48,168</b>	<b>123.8</b>	<b>156.1</b>	<b>176.3</b>	<b>19.5</b>	<b>15.4</b>	<b>13.7</b>	<b>11.9</b>	<b>9.3</b>	<b>8.1</b>	<b>16.3</b>	<b>20.7</b>	<b>22.2</b>	<b>15.7</b>	<b>18.7</b>	<b>19.9</b>
M&M (MAHMAH)	901	1,045	Buy	1,12,012	40.5	46.7	56.5	22.2	19.3	15.9	15.4	12.7	10.6	9.8	11.5	13.1	13.4	13.2	14.3
Maruti Suzuki (MARUTI)	7,400	8,545	Hold	2,23,527	124.7	206.4	284.8	59.3	35.8	26.0	32.1	20.3	14.8	5.1	9.5	12.8	7.0	10.7	13.5
Minda Industries (MININD)	910	1,115	Hold	25,990	10.7	17.1	24.2	84.7	53.2	37.6	31.3	23.9	18.2	9.9	13.5	17.8	9.5	13.3	16.0
Tata Motors (TATMOT)	424	550	Buy	1,62,196	-31.0	7.3	26.8	-13.7	57.8	15.8	8.4	5.7	4.3	3.1	9.5	15.1	-26.4	5.9	18.0

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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