

EV products unveiled; await launch, execution...

About the stock: Atul Auto (AAL) is a prominent 3-W manufacturer based out of Gujarat with a broad-based presence across segments and fuel types.

- It has a production capacity of 1.2 lakh units with FY22 sales volume at ~16,000 units. Fourth largest 3-W player with FY22 domestic market share at 5.5% (9.0% in cargo segment and 4.1% in passenger segment)

Key highlights

- Atul Auto's subsidiary Atul Greentech unveiled EV-3-Ws Atul Mobili and Atul Energie in Auto Expo 2023. Atul Mobili is a passenger 3-W while Atul Energie is a Cargo 3-W with driving range of 110 km, 195 km, respectively
- In the recent past, in Q2FY23, Atul turned in the black with positive EBITDA margin and PAT reading amid a gradual recovery in 3-W sales volume
- The company, in the recent past, also executed preferential issuance of warrants (i.e. 58,08,080 warrants convertible into one equity share @ ₹198 per share) to promoters & non promoters of company, with total equity raise pegged at ₹ 115 crore. The company has received 25% against such a sum of ~₹ 29 crore as of November 2022. The money is raised to retire debt with net debt on standalone basis at the company at ~₹ 75 crore as of FY22

What should investors do? AAL's share price has de-grown at ~4% CAGR from ~₹ 435 in January 2018, heavily underperforming the Nifty Auto index in that time.

- Given slower than expected recovery in 3-W space, delay in electric 3-W launch at AAL and recent run up in stock price, we downgrade AAL from BUY to HOLD and await EV launch & volume ramp up before turning positive

Target Price and Valuation: Introducing FY25E and rolling over our valuations, we now value AAL at a revised target price of ₹ 360 i.e. 24x P/E on FY24E-25E average PAT of core auto business and 2x P/BV to investment in subsidiaries.

Key triggers for future price performance:

- On a low base, we build ~35%, ~45% volume, revenue CAGR, respectively, over FY22-25E with PAT expected at ~₹ 46 crore by FY25E
- Official launch and competitive pricing of captive electric-3-W (fixed battery)
- Collaboration with Honda Power to explore battery swapping solutions for electric-3-Ws and Valeo for electric powertrain
- Recent equity raise to taper debt on b/s while higher utilisation to spur margins, RoCE to ~8% and ~12% levels, respectively, by FY25E

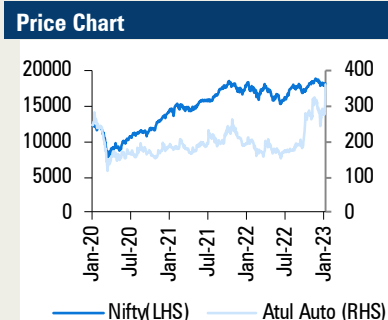
Alternate Stock Idea: In our OEM coverage we like M&M.

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



Particulars	
Particulars	Amount
Market capitalisation (₹ crore)	767.9
Total Debt (FY22, ₹ crore)	80.4
Cash & Inv. (FY22, ₹ crore)	5.4
EV (₹ crore)	842.9
52 week H/L (₹)	369 / 145
Equity capital (FY22, ₹ crore)	11.0
Face value (₹)	5.0

Shareholding pattern				
	Dec'21	Mar'22	Jun'22	Sep'22
Promoter	52.7	52.7	52.7	52.7
DII	0.5	0.2	0.2	0.2
FII	0.2	0.1	-	0.5
Others	46.6	47.0	47.1	46.6



Recent event & key risks

- Unveiled electric 3-Ws at Auto Expo 2023
- Key Risk:** (i) Higher than anticipated 3-W volume recovery over FY22-25E, (ii) Slower than anticipated margin recovery

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Key Financial Summary

Key Financials (₹ crore)	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	3 year CAGR (FY22-25E)
Total Operating Income	666.8	625.3	295.9	293.8	-9.1%	482.3	677.3	894.0	44.9%
EBITDA	81.5	71.3	(7.6)	(21.5)	PL	18.2	44.0	71.5	LP
EBITDA Margins (%)	12.2	11.4	(2.6)	(7.3)		3.8	6.5	8.0	
Net Profit	53.1	52.4	(10.2)	(24.9)	PL	2.7	25.0	45.8	LP
EPS (₹)	24.2	23.9	(4.6)	(11.3)		1.2	9.0	16.5	
P/E	14.5	14.7	NM	NM		NM	38.8	21.2	
RoNW (%)	20.5	17.3	(3.5)	(9.3)		0.9	6.2	10.4	
RoCE (%)	28.8	21.1	(4.6)	(8.8)		1.7	7.1	12.4	

Source: Company, ICICI Direct Research; LP: Loss to Profit; PL: Profit to loss; NM: Not meaningful

Electric vehicle unveiled in Auto Expo 2023

Exhibit 1: Atul Auto – Electric 3-W unveiled, launch expected in coming months



Source: Company, ICICI Direct Research

Exhibit 2: Technical specifications of Electric 3-W

DESIGNED TO DETAILS!		
VARIANTS	ATUL MOBILI	ATUL ENERGIE
Performance		
Payload	350	500
Certified Range	110	195
Maximum Speed	45	45
Charging Time (0 to 80%)	4 hrs*	4 hrs*
Portable Charger	1.5 kW	3 kW
Battery Power Pack		
Battery Type	Lithium-ion	Lithium-ion
Capacity	6.6 kWh	6.6 / 13.2 kWh
Specification		
Seating Capacity	D+3	Driver
Steering System	Handle Bar	Handle Bar
Ground Clearance	190	215
Wheelbase	1950	2125
Turning Radius	2.65 m	3.50 m
Gradeability	19%	18%
Overall Length	2836	3350
Overall Width	1390	1510
Overall Height	1890	1700
Gross Vehicle Weight	766	995
Tyres	135/70 R12	4.50-10
Motor		
Type	AC Synchronous Motor	AC Synchronous Motor
Power Peak	9.9 kW @ 4500 rpm	9.9 kW @ 4500 rpm
Torque Peak	44 Nm @ 2500 rpm	44 Nm @ 2500 rpm
Brake System		
Front & Rear	Hydraulic	Hydraulic
Suspension System		
Front	Fork Type With Double Helical Compression Coil Spring, Telescopic Hydraulic Shock Absorber	Anti Dive Leading Link With Dual Action Telescopic Hydraulic Shock Absorber Helical Compression Coil Spring
Rear	Trailing Arm, Helical Compression With Coil Spring Telescopic Shock Absorber	Trailing Arm, Helical Compression With Coil Spring Telescopic Shock Absorber
Technology		
Battery Thermal Management System	Active Intelligent Cooling	Active Intelligent Cooling
Regenerative Braking	Efficient Energy Recovery	Efficient Energy Recovery
Vehicle Telemetry System	Atul Intelligence (AI) Platform	Atul Intelligence (AI) Platform
IP 67 Rated Components	Motor, Charger, Battery & All connectors	Motor, Charger, Battery & All connectors

Source: Company, ICICI Direct Research

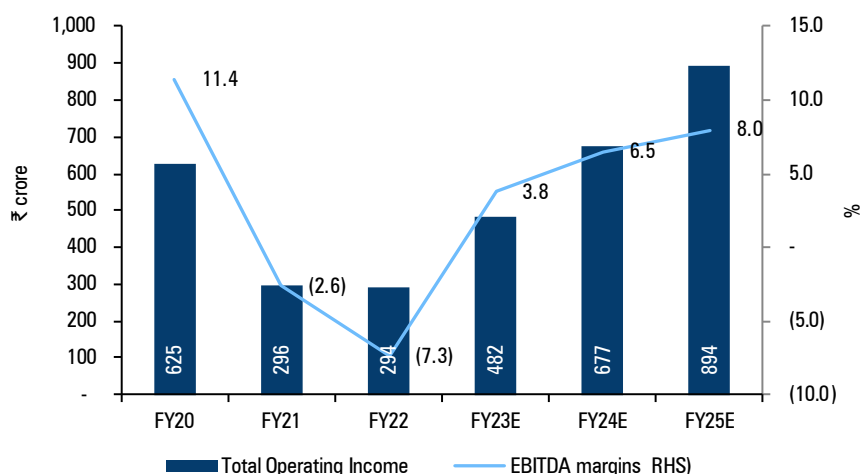
Atul Mobili and Atul Energie are built with industry-leading technology, telematics and Battery Management Systems (BMS)

The company has in-house developed an advanced temperature controlled solution to enable the cooling of its AIS 156 battery pack, to ensure the e-vehicles operate seamlessly even in extreme weather conditions. The battery pack is integrated with the vehicle telemetry system that provides the drivers and fleet operators with timely insights through real-time monitoring and remote visualisation

The cargo and passenger variants of electric three-wheelers will be launched across the country, starting from Punjab, Gujarat and NCR. The two variants will be made available in a phase wise manner across India in Atul Auto's dealerships

Financial story in charts

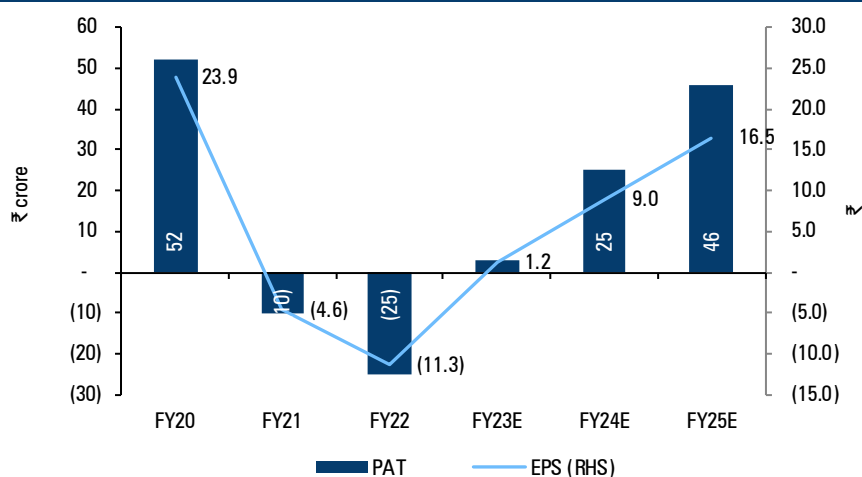
Exhibit 3: Topline and margin trend



Source: Company, ICICI Direct Research

We expect sales to grow at a CAGR of ~45% over FY22-25E backed by ~35% volume CAGR, albeit on low base. With operating leverage at play, EBITDA margins are seen improving to 8% by FY25E

Exhibit 4: Trend in PAT and EPS



Source: Company, ICICI Direct Research

With marginal profit expected for FY23E, we expect the company to clock meaningful PAT in FY24E-25E

Exhibit 5: Valuation Summary

	Sales (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	625.3	(6.2)	23.9	(1.4)	14.7	10.7	17.3	21.1
FY21	295.9	(52.7)	(4.6)	PL	NM	-100.2	(3.5)	(4.6)
FY22	293.8	(0.7)	(11.3)	NM	NM	-39.1	(9.3)	(8.8)
FY23E	482.3	64.1	1.2	LP	NM	45.2	0.9	1.7
FY24E	677.3	40.4	9.0	NM	38.8	16.6	6.2	7.1
FY25E	894.0	32.0	16.5	83.1	21.2	10.0	10.4	12.4

Source: Company, ICICI Direct Research

Exhibit 6: SoTP (target price)

Particulars	Amount
FY24-25E Average PAT (₹ crore)	35.4
PE Multiple (x)	24.0
Core Auto Business Equity Value (₹ crore)	850
Long Term Investments (WoS, ₹ crore, FY25E)	73.2
P/B Multiple (x)	2.0
Subsidiaries Value (₹ crore)	145
Total Equity Value (₹ crore)	995
No of Share (crore)	2.8
Target Price (₹/share)	360

Source: ICICI Direct Research

Financial Summary

Exhibit 7: Profit and loss statement		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Net Sales	286.3	474.1	668.2	884.1	
Other Operating Income	7.5	8.2	9.1	10.0	
Total Operating Income	293.8	482.3	677.3	894.0	
Growth (%)	-0.7	64.1	40.4	32.0	
Raw Material Expenses	240.4	382.5	538.4	710.7	
Employee Expenses	39.6	44.9	50.8	55.9	
Other Operating Expense	35.3	36.7	44.0	55.9	
Total Operating Expenditure	315.4	464.1	633.3	822.5	
EBITDA	-21.5	18.2	44.0	71.5	
Growth (%)	182.7	-184.3	142.5	62.5	
Depreciation	9.3	12.1	14.2	17.0	
Interest	4.0	4.8	0.8	0.0	
Other Income	2.4	3.0	4.5	6.7	
PBT	-32.5	4.3	33.5	61.3	
Excep. charge & P/L from Asso.	0.0	0.0	0.0	0.0	
Total Tax	-7.6	1.6	8.4	15.4	
PAT	-24.9	2.7	25.0	45.8	
Growth (%)	143.9	-110.8	827.9	83.1	
EPS (₹)	-11.3	1.2	9.0	16.5	

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Profit after Tax	-24.9	2.7	25.0	45.8	
Add: Depreciation	9.3	12.1	14.2	17.0	
(Inc)/dec in Current Assets	7.5	-39.2	-58.7	-70.2	
Inc/(dec) in CL and Provisions	-2.6	30.3	40.0	44.5	
Others	1.6	1.8	-3.7	-6.7	
CF from operating activities	-9.0	7.7	16.9	30.4	
(Inc)/dec in Investments	-38.9	-2.0	-2.0	-1.0	
(Inc)/dec in Fixed Assets	-9.5	-10.0	-10.0	-10.0	
Others	-7.5	2.8	4.5	6.7	
CF from investing activities	-55.9	-9.2	-7.5	-4.3	
Issue/(Buy back) of Equity	0.0	0.0	2.9	0.0	
Inc/(dec) in loan funds	65.4	-20.0	-50.0	-10.4	
Interest and Dividend outgo	-4.0	-4.8	-6.4	-11.1	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	0.4	28.8	83.3	0.0	
CF from financing activities	61.8	3.9	29.9	-21.5	
Net Cash flow	-3.1	2.4	39.2	4.6	
Opening Cash	8.5	5.4	7.8	47.0	
Closing Cash	5.4	7.8	47.0	51.6	

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Liabilities					
Equity Capital	11.0	11.0	13.9	13.9	
Reserve and Surplus	257.8	289.2	392.0	426.8	
Total Shareholders funds	268.8	300.2	405.9	440.6	
Total Debt	80.4	60.4	10.4	0.0	
Deferred Tax Liability	0.0	0.0	0.0	0.0	
Minority Interest / Others	1.0	0.8	0.8	0.8	
Total Liabilities	350.1	361.4	417.1	441.4	
Assets					
Gross Block	270.9	313.6	328.6	338.6	
Less: Acc Depreciation	75.6	87.7	101.9	118.9	
Net Block	195.3	225.9	226.7	219.7	
Capital WIP	42.7	10.0	5.0	5.0	
Total Fixed Assets	238.0	235.9	231.7	224.7	
Investments & Goodwill	68.7	70.7	72.7	73.7	
Inventory	49.8	66.1	92.8	122.5	
Debtors	20.2	39.6	64.9	98.0	
Loans and Advances	5.9	7.3	10.2	13.5	
Other Current Assets	7.1	9.3	13.0	17.2	
Cash	5.4	7.8	47.0	51.6	
Total Current Assets	88.4	130.1	228.0	302.8	
Current Liabilities	65.1	93.7	131.6	173.6	
Provisions	3.8	5.4	7.6	10.0	
Current Liabilities & Prov	68.8	99.2	139.2	183.6	
Net Current Assets	19.6	30.9	88.8	119.2	
Others Assets	23.9	23.9	23.9	23.9	
Application of Funds	350.1	361.4	417.1	441.4	

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios					
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Per share data (₹)					
EPS	-11.3	1.2	9.0	16.5	
Cash EPS	-7.1	6.7	14.1	22.6	
BV	122.5	136.8	146.3	158.8	
DPS	0.0	0.0	2.0	4.0	
Cash Per Share (Incl Invst)	2.5	3.5	16.9	18.6	
Operating Ratios (%)					
EBITDA Margin	-7.3	3.8	6.5	8.0	
PAT Margin	-8.5	0.6	3.7	5.1	
Inventory days	61.8	50.0	50.0	50.0	
Debtor days	25.1	30.0	35.0	40.0	
Creditor days	51.2	45.0	45.0	45.0	
Return Ratios (%)					
RoE	-9.3	0.9	6.2	10.4	
RoCE	-8.8	1.7	7.1	12.4	
RoIC	-10.2	1.8	8.2	14.2	
Valuation Ratios (x)					
P/E	-30.9	284.8	38.8	21.2	
EV / EBITDA	-39.1	45.2	16.6	10.0	
EV / Net Sales	2.9	1.7	1.1	0.8	
Market Cap / Sales	2.6	1.6	1.1	0.9	
Price to Book Value	2.9	2.6	2.4	2.2	
Solvency Ratios					
Debt/EBITDA	-3.7	3.3	0.2	0.0	
Debt / Equity	0.3	0.2	0.0	0.0	
Current Ratio	1.8	1.9	2.0	2.1	
Quick Ratio	0.7	0.9	1.0	1.1	

Source: Company, ICICI Direct Research

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