

Healthy performance, stepping up EV play; recent run-up in stock price to limit upside potential...

About the stock: Bajaj Auto (BAL) is the second largest motorcycle manufacturer, largest 3-W OEM domestically (FY23 market share at 17.3%, 61.4% respectively).

- Exports comprised ~46% of FY23 volumes; 2-W:3-W mix at ~88:12 (overall)
- Strong b/s with ~₹ 17,445 crore cash on books (March 2023 end), history of ~20% return ratios & one of the highest dividends yields among Nifty stocks

Q4FY23 Results: BAL reported a healthy performance in Q4FY23.

- Net revenues in Q4FY23 came in at ₹ 8,905 crore, down 4.4% QoQ
- Blended ASPs for the quarter were at ₹ 1 lakh/unit, up 9.4% QoQ
- EBITDA in Q4FY23 was at ₹ 1,717 crore, margins: 19.3% (up 20 bps QoQ)
- PAT was down 4% QoQ to ₹ 1,433 crore, aided by higher topline, margins

What should investors do? BAL's stock price has grown ~8.4% CAGR (from ₹ 2,850 levels in April 2018) over five years outperforming broader Nifty Auto index.

- We maintain our **HOLD** rating on BAL awaiting ramp-up in EV 2-W domain; delay in debut of captive electric-3-W launch & management guidance over gradual improvement in key export markets amid persistent issues with availability of forex and devaluation of currencies.

Target Price and Valuation: Revising our estimates, we now value BAL at ₹ 4,530 on SOTP basis (15x PE on FY25E EPS, stake in PMAG; previous target: ₹ 4,100).

Key triggers for future price performance:

- Gradual improvement in export markets, traction in 125 cc+ segment and recovery in commuter space to aid growth. We expect volume, net sales to grow at a CAGR of ~9.4%, ~15.8%, respectively, over FY23-25E
- Ramp-up of volumes in electric 2-W space, expansion of network to 120 cities by April 2024 from current ~80 cities and unveiling of Electric-3-W
- Global unveiling of its premium offering (mid-size category) under triumph badging (co-developed product) on June 27, 2023 & retails from Q2FY24
- Margins, RoCE to reach 19.6%, 32.3% levels, respectively, by FY25E amid operating leverage gains, stable RM prices & healthy export realisations

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

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with target price of ₹ 1,665



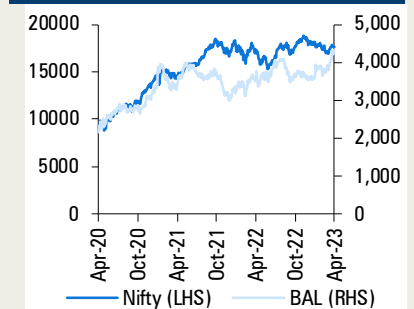
Particulars

Particular	₹ crore
Market Capitalization	1,21,956
Total Debt (FY23P)	0.0
Cash & Invsts (FY23P)	17,423
EV	1,04,533
52 week H/L (₹)	4,399 / 3,460
Equity capital (₹)	283.0
Face value (₹)	₹ 10

Shareholding pattern

	Jun-22	Sept-22	Dec-22	Mar-23
Promoter	53.8	54.8	55.0	55.0
FII	11.2	11.6	11.8	12.4
DII	12.4	11.5	10.9	10.8
Other	22.7	22.1	22.3	21.9

Price Chart



Recent event & key risks

- BAL reports healthy Q4FY23
- Key Risk:** (i) deterioration of margin profile amidst pick up in input costs, (ii) sooner than anticipated recovery in export markets amid pent-up demand

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Raghvendra Goyal
raghvendra.goyal@icicisecurities.com

Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	FY23P	5 year CAGR (FY18-23)	FY24E	FY25E	2 year CAGR (FY23P-25E)
Net Sales	30,250.0	29,918.6	27,741.1	33,144.7	36,427.6	7.7%	42,708.4	48,833.2	15.8%
EBITDA	4,982.0	5,096.2	4,928.5	5,258.7	6,549.1	6.5%	8,250.6	9,566.5	20.9%
EBITDA Margins (%)	16.5	17.0	17.8	15.9	18.0		19.3	19.6	
Net Profit	4,675.1	5,100.0	4,554.6	5,018.9	5,627.6	6.7%	6,965.9	7,948.3	18.8%
EPS (₹)	161.6	176.2	157.4	173.4	198.9		246.2	280.9	
P/E	26.7	24.5	27.4	24.9	21.7		17.5	15.3	
RoNW (%)	19.9	25.6	18.1	17.6	22.1		26.1	28.1	
RoCE (%)	21.1	23.9	18.2	18.4	24.3		29.4	32.3	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results:

- Net sales came in at ₹ 8,905 crore down 9.4% QoQ. Blended ASPs for the quarter were at ₹ 1 lakh/unit, up 9.4% QoQ. Total volumes for the quarter were at 8.6 lakh units, down 12.8% QoQ with exports share in volumes pegged at 40% vs. 45% in Q3FY23. The 3-W share in volume rose ~220 bps QoQ to 15.7% in Q4FY23
- Reported EBITDA in Q4FY23 was at ₹ 1,717 crore, with EBITDA margins coming in at 19.3% (up 20 bps QoQ). Margin beat was on account of higher than anticipated gross margin expansion, which was at 83 bps QoQ against our estimate of ~40 bps QoQ
- Consequent reported PAT was down 4% QoQ to ₹ 1,433 crore, supported by higher than anticipated topline & margins
- The management informed about surplus cash balance of ~₹ 17,445 crore in b/s as of March 31, 2023. Cash flow generation at the company was healthy with CFO for FY23 coming in at ~₹ 5,500 crore with resultant FCF pegged at ~₹ 4,500 crore
- The company recommended a dividend of ~₹ 140 per share for FY23 with record date for the same set as June 30, 2023**

Q4FY23 Earnings Conference Call highlights

- The management informed about YoY growth in topline largely attributable to a better foreign exchange realisation, judicious pricing and a richer product mix & offset overall drop in volumes on the exports front
- They informed about demand from its key market Nigeria being subdued due to election in February 2023 & demonetisation. However, the company witnessed an increase in retails in March 2023
- The management informed about retails in export market steadily improving and inventory levels being low as customers are now accepting increased prices. Further the company was able to maintain its market share in export market with Pulsar 125 dominating the Latin market
- They expect the industry to grow by 6-8% in the next few quarters (to be primarily led by >125 cc segment)
- BAL continues to command 50% market share in 150-250 cc segment primarily on success of Pulsar series. Further management informed about >125 cc forming 60% of domestic sales vs. ~45-50% three years back
- BAL launched a premium bike in the 110 cc space i.e. Platina 110 cc ABS
- The management informed about the launch of its first premium offering with Triumph to be launched on June 27, 2023 (jointly developed product), with deliveries to commence in Q2FY24. Also, the company will look after domestic sales operation for Triumph whereas global sales will be handled by Triumph

BAL-ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	16.5	16.5	16.5
Social	27.0	27.0	27.0
Governance	84.9	84.9	84.9
Overall ESG Score	42.8	42.8	42.8

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

The management expects E-2W industry to consolidate in favour of large players post FAME-II subsidy withdrawal

On the EV front the management informed about robust work being done to restructure the Chetak supply chain with target of increasing production to ~10,000 units per month from June 2023 onwards. Further, the company plans to increase chetak network to 120-150 cities in FY24E vs ~85 cities currently thereby covering ~80% of the high-speed market

The management also informed about its captive E-3W to be launched soon but it plans to launch it in a phased manner (i.e., starting from few cities only). It is awaiting FAME-2 approval for its product and has already commenced production of the same

Spare revenue for the quarter was at ~₹ 1,150 crore vs. ~₹ 1,100 crore in Q3FY23; Export revenue was at ~US\$370 million vs. ~\$450 million in Q3FY23

The management informed about its domestic 3-W portfolio being at 109% of pre Covid levels vs. ~45% for the rest of the industry

Peer comparison

Exhibit 1: ICICI Direct coverage universe (2-W OEMs)

Company	CMP	TP	Rating	Mcap	2-W Lakh volumes			EBITDA margin (%)			RoCE (%)			P/E		
	₹	₹		₹ crore	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Bajaj Auto (BAAUTO)	4,310	4,530	Hold	1,21,956	34.4	36.6	41.2	18.0	19.3	19.6	24.3	29.4	32.3	21.7	17.5	15.3
Hero Moto (HERHON)	2,500	2,770	Hold	49,925	49.2	52.6	56.3	11.5	12.7	13.0	18.4	22.2	23.7	18.2	14.7	13.3
Eicher Motors (EICMOT)	3,262	4,065	Buy	89,150	8.5	9.8	10.8	23.7	24.5	25.4	19.8	20.2	27.3	32.2	26.4	23.0

Source: Company, ICICI Direct Research

Currently, we ascribe HOLD to Bajaj Auto and Hero MotoCorp amid a slower pace of volume recovery and are just positive on the premium leg of the segment with BUY rating on Eicher Motors amid healthy volume prints post Hunter 350 launch.

Exhibit 2: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Total Operating Income	8,905	8,526	7,975	11.7	9,315	-4.4	Topline came in ahead of our estimates tracking beat on ASPs amid improved product mix
Raw Material Expenses	6,213	5,989	5,736	8.3	6,578	-5.5	RM to sales came in lower than expected at 69.8% of sales vs. our expectation of 70.2%
Employee Expenses	362	352	306	18.4	351	3.1	
Other Expenses	625	608	570	9.7	616	1.4	Other expenses were on expected lines
EBITDA	1,717	1,583	1,366	25.7	1,777	-3.4	
EBITDA Margin (%)	19.3	18.6	17.1	215 bps	19.1	20 bps	EBITDA margins came in ahead of estimates tracking beat on ASPs as well as gross margins
Other Income	260	288	289	-10.0	269	-3.5	
Depreciation	74	80	70	6.4	74	0.3	Depreciation came in tad lower than anticipated
Interest	16	6	3	446.5	8	85.6	
PBT	1887	1786	1582	19.3	1964	-3.9	PBT for the quarter was up 19% YoY at ₹ 1,887 crore
Total Tax	454	429	428	5.9	472	-3.9	
Reported PAT	1433	1357	1469	-2.5	1491	-3.9	PAT for the quarter came in ahead of estimates tracking beat on EBITDA and margins
EPS (₹)	50.6	48.0	50.8	-0.2	52.7	-3.9	
Key Metrics							
Blended ASP (₹/ unit)	100,626	99,394	79,129	27.2	92,015	9.4	ASPs came in ahead of estimates at ₹ 1.06 lakh/unit

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

₹ Crore)	FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	41,220	42,708	3.6	45,259	48,833	7.9	Marginally tweak our topline estimates. We expect sales to grow at a CAGR of 15.8% over FY23-25E amid volume CAGR of 9.4% in the same period
EBITDA	7,991	8,251	3.3	8,881	9,567	7.7	
EBITDA Margin (%)	19.4	19.3	-7 bps	19.6	19.6	-3 bps	Broadly retained margin estimates for FY24-25E
PAT	6,818	6,966	2.2	7,473	7,948	6.4	
EPS (₹)	241	246	2.2	264	281	6.4	Earnings stage marginal uptick tracking upgrade in topline estimates and stable 19%+ margin profile

Source: ICICI Direct Research

Exhibit 4: Assumptions

Units (lakh)	Current						Earlier		Comments	
	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY24E		FY25E
Motorcycle volumes	42.4	39.5	36.1	38.4	34.4	36.6	41.2	39.2	42.1	Post a decline in export volumes in FY23 amid turmoil at its key export markets, we expect export volumes to lead volume recovery by growing ~11% CAGR over FY23-25E with total volumes expected to grow at a CAGR of 9.4%.
Three-Wheeler volumes	7.8	6.7	3.7	4.7	4.9	5.4	5.8	5.2	5.6	
Total volumes	50.2	46.2	39.7	43.1	39.3	42.0	47.0	44.4	47.7	
Export volumes	20.8	21.7	20.5	25.1	18.2	19.1	22.5	21.9	23.6	
Domestic revenues (₹ crore)	18,099	17,169	14,609	14,924	20,608	24,497	26,830	21,967	23,859	
Export revenues (\$ mn)	1,642	1,677	1,694	2,298	1,847	2,069	2,450	2,201	2,391	
US\$INR Realisation rate	70	71	74	75	80	82	84	82	84	
Export ASP (\$/unit)	790	772	822	917	1012	1082	1090	1006	1012	
Blended ASP (₹/unit)	58,905	63,077	68,295	74,589	90,070	98,652	100,892	90,110	92,044	

Source: ICICI Direct Research

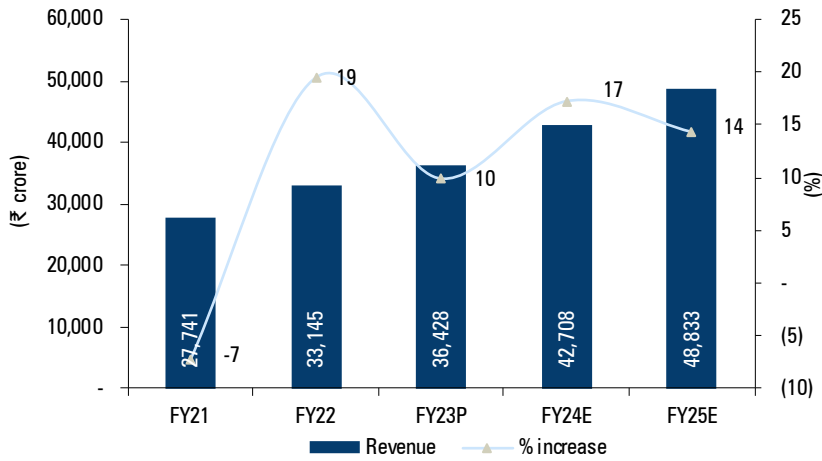
Exhibit 5: Segment wise, model wise FY23 sales at BAL

Particulars	Domestic			Exports			Total			% of sales mix		Domestic MS %
	FY23	FY22	YoY %	FY23	FY22	YoY %	FY23	FY22	YoY %	FY23	FY22	
I. Motorcycles	17,69,575	16,32,897	8.4	16,36,951	21,95,772	(25.4)	34,06,526	38,28,669	(11.0)	86.7	88.9	17.3
75-110 cc	6,00,963	7,68,330	(21.8)	7,94,035	12,25,075	(35.2)	13,94,998	19,93,405	(30.0)	35.5	46.3	
Boxer	-	-	NA	6,62,324	10,62,612	(37.7)	6,62,324	10,62,612	(37.7)	16.9	24.7	
CT	66,946	1,92,483	(65.2)	88,814	90,920	(2.3)	1,55,760	2,83,403	(45.0)	4.0	6.6	
Discover	-	-	NA	24,840	34,200	(27.4)	24,840	34,200	(27.4)	0.6	0.8	
Platina	5,34,017	5,75,847	(7.3)	18,057	37,343	(51.6)	5,52,074	6,13,190	(10.0)	14.1	14.2	
110-125 cc	6,76,593	4,58,880	47.4	3,38,632	3,52,447	(3.9)	10,15,225	8,11,327	25.1	25.8	18.8	
Boxer	-	-	NA	63,444	58,862	7.8	63,444	58,862	7.8	1.6	1.4	
CT	43,994	-	NA	1,41,092	97,632	44.5	1,85,086	97,632	89.6	4.7	2.3	
Discover	-	-	NA	79,148	1,25,961	(37.2)	79,148	1,25,961	(37.2)	2.0	2.9	
Husqvarna	-	-	NA	2,145	3,865	(44.5)	2,145	3,865	(44.5)	0.1	0.1	
KTM	3,332	7,933	(58.0)	15,186	10,899	39.3	18,518	18,832	(1.7)	0.5	0.4	
Platina	-	-	NA	6,996	7,740	(9.6)	6,996	7,740	(9.6)	0.2	0.2	
Pulsar	6,29,267	4,50,947	39.5	30,621	47,488	(35.5)	6,59,888	4,98,435	32.4	16.8	11.6	
125-150 cc	2,09,715	2,22,712	(5.8)	2,09,774	3,09,099	(32.1)	4,19,489	5,31,811	(21.1)	10.7	12.3	
Boxer	-	-	NA	1,31,610	1,72,212	(23.6)	1,31,610	1,72,212	(23.6)	3.4	4.0	
CT 150	-	-	NA	9,072	9,792	(7.4)	9,072	9,792	(7.4)	0.2	0.2	
Pulsar	2,09,715	2,22,712	(5.8)	69,092	1,27,095	(45.6)	2,78,807	3,49,807	(20.3)	7.1	8.1	
150-200 cc	2,17,073	1,03,423	109.9	1,73,149	1,94,141	(10.8)	3,90,222	2,97,564	31.1	9.9	6.9	
Avenger	21,124	16,744	26.2	1,536	2,610	(41.1)	22,660	19,354	17.1	0.6	0.4	
Husqvarna	-	-	NA	980	1,886	(48.0)	980	1,886	(48.0)	0.0	0.0	
KTM	25,816	23,746	8.7	20,746	22,567	(8.1)	46,562	46,313	0.5	1.2	1.1	
Pulsar	1,70,133	62,933	170.3	1,49,887	1,67,078	(10.3)	3,20,020	2,30,011	39.1	8.1	5.3	
200-250 cc	49,081	67,571	(27.4)	48,815	50,993	(4.3)	97,896	1,18,564	(17.4)	2.5	2.8	
Avenger	6,216	5,937	4.7	3,676	4,263	(13.8)	9,892	10,200	(3.0)	0.3	0.2	
Dominar	7,924	6,982	13.5	13,124	13,686	(4.1)	21,048	20,668	1.8	0.5	0.5	
Husqvarna	1,090	1,795	(39.3)	1,683	2,309	(27.1)	2,773	4,104	(32.4)	0.1	0.1	
KTM	13,909	12,405	12.1	8,523	9,831	(13.3)	22,432	22,236	0.9	0.6	0.5	
Pulsar	19,942	40,452	(50.7)	21,809	20,904	4.3	41,751	61,356	(32.0)	1.1	1.4	
350-500 cc	16,150	11,981	34.8	72,546	64,017	13.3	88,696	75,998	16.7	2.3	1.8	
Dominar	7,316	6,912	5.8	25,573	22,301	14.7	32,889	29,213	12.6	0.8	0.7	
Husqvarna	-	-	NA	8,996	14,278	(37.0)	8,996	14,278	(37.0)	0.2	0.3	
KTM	8,834	5,069	74.3	37,977	27,438	38.4	46,811	32,507	44.0	1.2	0.8	
II. Electric Chetak	36,263	8,187	342.9	5	-	NA	36,268	8,187	343.0	0.9	0.2	
A. Total 2-W (I + II)	18,05,838	16,41,084	10.0	16,36,956	21,95,772	(25.4)	34,42,794	38,36,856	(10.3)	87.7	89.1	11.4
III. Passenger 3-W	2,61,386	1,30,172	100.8	1,80,342	3,00,500	(40.0)	4,41,728	4,30,672	2.6	11.2	10.0	72.4
Maxima	83,526	42,021	98.8	6,772	9,258	(26.9)	90,298	51,279	76.1	2.3	1.2	
RE	1,77,860	88,151	101.8	1,73,570	2,91,242	(40.4)	3,51,430	3,79,393	(7.4)	8.9	8.8	
IV. Goods 3-W	38,623	30,427	26.9	1,662	6,028	(72.4)	40,285	36,455	10.5	1.0	0.8	39.6
Maxima	38,623	30,427	26.9	1,662	6,028	(72.4)	40,285	36,455	10.5	1.0	0.8	
V. Quadricycle	725	124	484.7	2,280	4,326	(47.3)	3,005	4,450	(32.5)	0.1	0.1	100.0
Qute	725	124	484.7	2,280	4,326	(47.3)	3,005	4,450	(32.5)	0.1	0.1	
B. Total 3-W (III + IV + V)	3,00,734	1,60,723	87.1	1,84,284	3,10,854	(40.7)	4,85,018	4,71,577	2.9	12.3	10.9	61.4
C. Total sales (A + B)	21,06,572	18,01,807	16.9	18,21,240	25,06,626	(27.3)	39,27,812	43,08,433	(8.8)	100.0	100.0	

Source: SIAM, ICICI Direct Research

Financial story in charts....

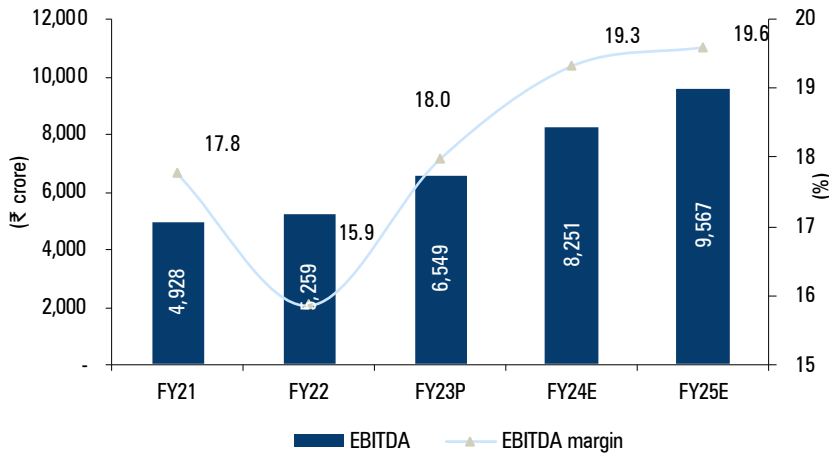
Exhibit 6: Trend in topline



We expect total operating income to grow at ~15.8% CAGR over FY23-25E on the back of ~9.4% volume CAGR in the aforesaid period

Source: Company, ICICI Direct Research

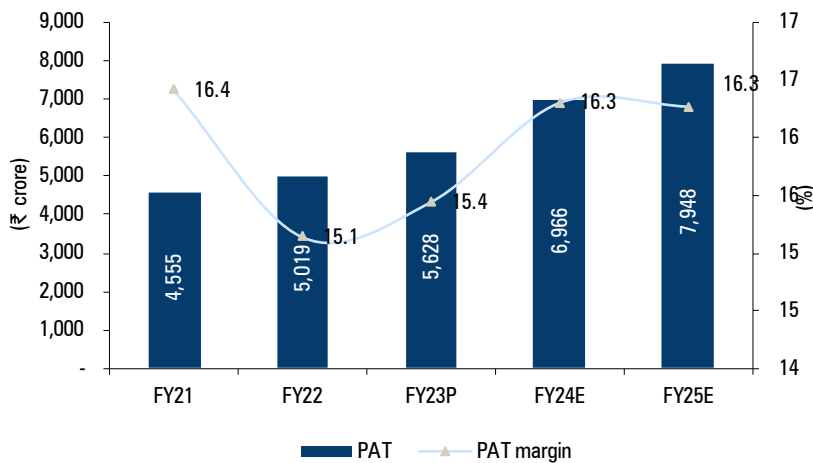
Exhibit 7: Trend in EBITDA and EBITDA margins



Margins are seen in the range of >19% over FY24-25E amid operating leverage benefits and stable input prices

Source: Company, ICICI Direct Research

Exhibit 8: Trend in profitability



PAT is expected to grow at ~18.8% CAGR over FY23-25E to ₹ 7,948 crore in FY25E

Source: Company, ICICI Direct Research

Exhibit 9: Valuation summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	29,918.6	(1.1)	176.2	9.1	24.5	20.5	25.6	23.9
FY21	27,741.1	-7.3	157.4	-10.7	27.4	20.6	18.1	18.2
FY22	33,144.7	19.5	173.4	10.2	24.9	19.1	17.6	18.4
FY23P	36,427.6	9.9	198.9	14.7	21.7	16.0	22.1	24.3
FY24E	42,708.4	17.2	246.2	23.8	17.5	12.6	26.1	29.4
FY25E	48,833.2	14.3	280.9	14.1	15.3	10.8	28.1	32.3

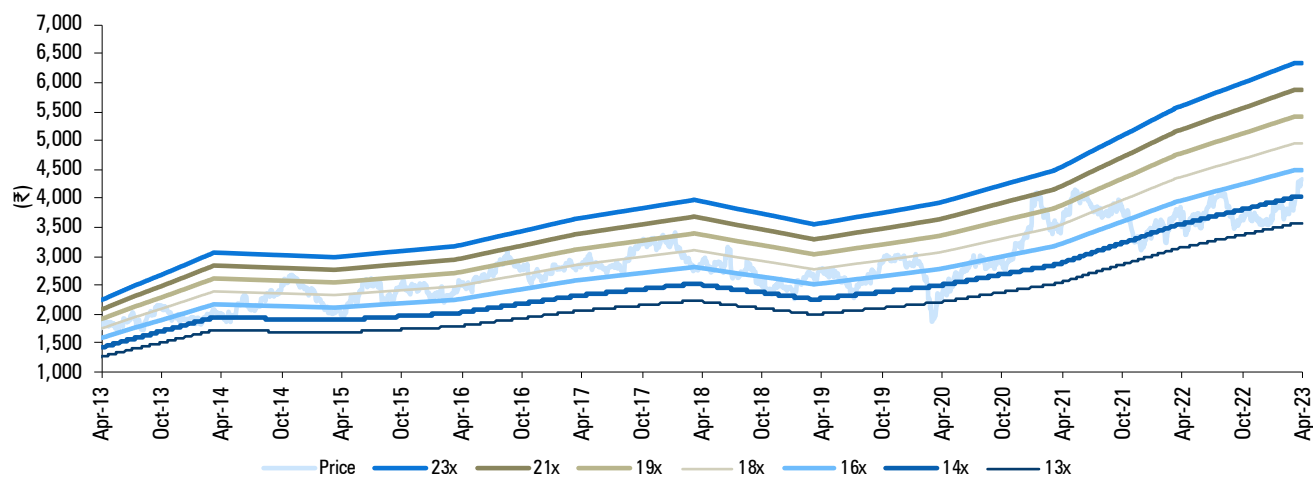
Source: Company, ICICI Direct Research

Exhibit 10: SOTP valuation

SOTP Valuation	Estimated value	Per share (₹)	Remark
Core Business			
FY25E EPS (₹)	280.9		
Multiple (x)	15.0		Broadly in tandem with long period averages
Value per share (₹)		4,215	
Market Capitalisation of PMAG (₹ crore)	24,029		PMAG houses KTM AG
BAL's effective stake (%)	36.7		
BAL's stake value (₹ crore)	8,819		
Value per share (₹)		315	
Total Value per Share (₹)		4,530	

Source: ICICI Direct Research

Exhibit 11: PE Chart, BAL currently trading at PE ratio of ~15x on two year forward basis



Source: ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Total operating Income	33,145	36,428	42,708	48,833
Growth (%)	19.5	9.9	17.2	14.3
Raw Material Expenses	24,329.8	26,054.8	29,939.8	34,233.4
Employee Expenses	1,358.8	1,444.9	1,554.9	1,659.4
Other expenses	2,210.8	2,406.6	3,017.9	3,434.1
Total Operating Expenditure	27,886.1	29,878.5	34,457.8	39,266.7
EBITDA	5,258.7	6,549.1	8,250.6	9,566.5
Growth (%)	6.7	24.5	26.0	15.9
Depreciation	269.2	282.4	299.0	317.4
Interest	8.7	39.5	19.7	9.9
Other Income	1,209.2	1,181.4	1,233.8	1,219.0
PBT	6,190.0	7,408.6	9,165.7	10,458.3
Total Tax	1,486.5	1,781.0	2,199.8	2,510.0
PAT	5,018.9	5,627.6	6,965.9	7,948.3
Growth (%)	10.2	12.1	23.8	14.1
EPS (₹)	173.4	198.9	246.2	280.9

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Profit after Tax	5,018.9	5,627.6	6,965.9	7,948.3
Add: Depreciation	269.2	282.4	299.0	317.4
Sub: Other Income	1,209.2	1,181.4	1,233.8	1,219.0
(Inc)/dec in Current Assets	1,182.7	271.7	-1,677.3	-837.9
Inc/(dec) in CL and Provisions	-939.3	452.9	1,240.1	785.9
CF from operating activities	4,316.4	5,548.4	5,721.8	7,110.5
(Inc)/dec in Investments	-548.8	3,535.4	-200.0	-1,100.0
(Inc)/dec in Fixed Assets	-499.1	-1,169.5	-765.0	-515.0
Others	-855.7	-2,488.2	-295.0	-295.0
Add: Other Income	1,209.2	1,181.4	1,233.8	1,219.0
CF from investing activities	(694.4)	1,059.1	(26.2)	(691.0)
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-4,051.2	-3,961.4	-5,659.2	-6,366.6
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	490.3	-2,948.6	-33.7	-23.9
CF from financing activities	(3,560.9)	(6,910.0)	(5,692.9)	(6,390.5)
Net Cash flow	61.1	-302.5	2.7	29.1
Opening Cash	527.3	588.3	285.9	288.6
Closing Cash	588.3	285.9	288.6	317.6

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Liabilities				
Equity Capital	289.4	283.0	283.0	283.0
Reserve and Surplus	26,379.4	25,142.9	26,435.7	28,003.4
Total Shareholders funds	26,668.8	25,425.9	26,718.6	28,286.3
Total Debt	-	-	-	-
Deferred Tax Liability	403.3	345.2	345.2	345.2
Other non-current liabilities	0.3	0.2	0.2	0.2
Total Liabilities	27,232.5	25,929.7	27,232.5	28,810.2
Assets				
Gross Block	4,535.7	5,694.7	6,476.6	6,976.6
Less: Acc Depreciation	2,726.9	3,009.4	3,308.3	3,625.7
Net Block	1,808.7	2,685.3	3,168.3	3,350.8
Capital WIP	76.8	81.9	50.0	50.0
Total Fixed Assets	1,885.6	2,767.2	3,218.3	3,400.8
Investments	23,818.8	22,923.3	23,373.3	24,723.3
Inventory	1,230.5	1,397.9	1,755.1	2,006.8
Debtors	1,516.4	1,776.1	2,925.2	3,344.7
Loans and Advances	4.2	3.6	4.2	4.8
Other current assets	1,685.9	987.6	1,157.9	1,324.0
Cash	588.3	285.9	288.6	317.6
Total Current Assets	5,025.3	4,451.1	6,131.1	6,998.0
Creditors	3,633.2	4,073.9	5,265.4	6,020.5
Provisions	153.8	166.0	214.5	245.2
Other current liabilities	505.5	511.3	599.4	685.4
Total Current Liabilities	4,689.4	5,198.0	6,546.3	7,438.1
Net Current Assets	335.9	(746.9)	(415.2)	(440.1)
Deferred Tax asset	-	-	-	-
Application of Funds	27,232.5	25,929.7	27,232.5	28,810.2

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
(Year-end March)	FY22	FY23P	FY24E	FY25E
Per share data (₹)				
EPS	173.4	198.9	246.2	280.9
Cash EPS	182.7	208.9	256.7	292.1
BV	921.6	898.6	944.3	999.7
DPS	140.0	140.0	200.0	225.0
Cash Per Share	20.3	10.1	10.2	11.2
Operating Ratios (%)				
EBITDA Margin	15.9	18.0	19.3	19.6
PBT / Net sales	15.1	17.2	18.6	18.9
PAT Margin	15.1	14.7	15.0	16.0
Inventory days	13.6	14.0	15.0	15.0
Debtor days	16.7	17.8	25.0	25.0
Creditor days	40.0	40.8	45.0	45.0
Return Ratios (%)				
RoE	18.4	24.3	29.4	32.3
RoCE	17.6	22.1	26.1	28.1
RoIC	87.0	75.8	84.7	94.1
Valuation Ratios (x)				
P/E	26.5	21.7	17.5	15.3
EV / EBITDA	19.1	16.0	12.6	10.8
EV / Net Sales	3.0	2.9	2.4	2.1
Market Cap / Sales	3.7	3.3	2.9	2.5
Price to Book Value	4.7	4.8	4.6	4.3
Solvency Ratios				
Current Ratio	1.0	0.9	1.0	1.0
Quick Ratio	0.7	0.6	0.7	0.7

Source: Company, ICICI Direct Research

Exhibit 16: 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)	330	390	Buy	20,956	15.9	25.2	30.0	20.7	13.1	11.0	7.6	5.9	5.1	10.0	13.8	14.9	8.1	11.8	12.9
Ashok Leyland (ASHLEY)	140	185	Buy	40,979	3.9	6.8	8.3	36.1	20.7	16.8	16.0	11.3	9.4	15.9	23.3	27.8	14.1	22.0	23.5
Bajaj Auto (BAAUTO)	4,310	4,530	Hold	1,21,956	198.9	246.2	280.9	21.7	17.5	15.3	16.0	12.6	10.8	24.3	29.4	32.3	22.1	26.1	28.1
Balkrishna Ind. (BALIND)	2,039	2,170	Hold	39,417	52.1	77.5	95.9	39.1	26.3	21.3	28.3	17.7	14.4	8.6	15.8	19.2	13.2	17.3	18.7
Bharat Forge (BHAFOR)	782	1,050	Buy	36,408	12.7	25.2	34.4	61.4	31.0	22.7	21.5	16.0	12.8	8.0	11.7	14.8	8.5	15.0	18.0
Eicher Motors (EICMOT)	3,262	4,065	Buy	89,150	101.5	123.4	141.8	32.2	26.4	23.0	23.1	19.2	16.0	19.8	20.2	27.3	19.2	20.3	20.2
Escorts Kubota (ESCORT)	1,969	2,165	Hold	25,978	45.1	60.7	72.4	43.7	32.5	27.2	28.4	22.5	17.5	6.9	8.4	9.9	8.0	9.0	9.9
Hero Moto (HERHON)	2,500	2,770	Hold	49,925	137.2	169.7	188.3	18.2	14.7	13.3	10.9	8.8	7.8	18.4	22.2	23.7	16.6	19.5	20.5
M&M (MAHMAH)	1,208	1,665	Buy	1,50,135	54.9	66.3	75.3	22.0	18.2	16.0	14.1	12.0	10.1	13.1	14.3	15.4	16.6	15.9	15.9
Maruti Suzuki (MARUTI)	8,489	11,200	Buy	2,56,436	261.9	369.0	431.5	32.4	23.0	19.7	19.6	14.0	11.5	12.9	16.9	17.9	13.3	16.7	17.2
Uno Minda (MININD)	508	630	Buy	29,045	11.5	15.6	18.6	44.3	32.5	27.4	23.0	18.3	15.6	15.2	18.0	19.2	16.3	18.4	18.2
Tata Motors (TATMOT)	473	530	Buy	1,81,112	-3.1	24.3	35.8	-154.4	19.5	13.2	6.7	4.5	3.6	7.9	15.1	18.6	-2.5	16.3	19.4

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets) and Raghvendra Goyal, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc. as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.