

CMP: ₹ 8,500 Target: ₹ 11,000 (29%) Target Period: 12 months

BUY

April 27, 2023

Accelerating growth, capacity expansion; portfolio attributed unchanged, bullishness reloaded...

About the stock: Maruti Suzuki (MSIL) is the market leader in the domestic passenger vehicle (PV) space with market share pegged at ~41.3% and popular models being Alto, WagonR, Swift, Brezza, Baleno, Ertiga, etc, among others.

- Market leader in each sub-segment - cars (63.5%), UV (18.3%), vans (94.4%)
- Strong b/s; ~₹ 45,000 crore cash and investment on books as of FY23P

Q4FY23 Results: The company posted a healthy performance in Q4FY23.

- Total operating income came in at ₹ 32,048 crore, up 10.3% QoQ. With 11% QoQ rise in volumes, ASPs remained flat QoQ at ~₹ 6 lakh/unit
- EBITDA margins in Q4FY23 were at 10.5%, up 70 bps QoQ
- Consequent PAT was at ₹ 2,624 crore, up 11.6% QoQ. PAT performance was driven by higher margins as well as higher other income

What should investors do? MSIL's stock price has de-grown at ~1% CAGR from ~₹ 8,780 levels in April 2018, underperforming the broader Nifty Auto index.

- We retain our **BUY** rating on MSIL tracking its strong intent to outpace industry growth, going forward, reignited focus on SUVs, market share gain ambition (~50%), clear timeframe for EV launch and robust order book

Target Price and Valuation: Revising our estimates, we now value MSIL at a target price of ₹ 11,000 i.e. 26x P/E (~1x PEG) on FY25E EPS of ₹ 422.5/share.

Key triggers for future price performance:

- Aided by robust demand for its new launches, incremental capex being done to bring in additional 10 lakh capacity and ambition to regain 50% market share thereby outpacing industry growth, going forward, we build in 9%, 15% volume, sales CAGR, respectively, in FY23-25E
- Continuing leadership position in the CNG space (penetration at ~20%) with positive traction being witnessed post government rationalising CNG prices
- Technology work being done in the flex fuel (ethanol powered) vehicle domain and BEVs showcased in Auto Expo 2023 (launch in FY25) and potential beneficiary of Toyota accelerating the EV push on a global scale
- Robust orderbook of >4.1 lakh units; healthy numbers in new SUV launches

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

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



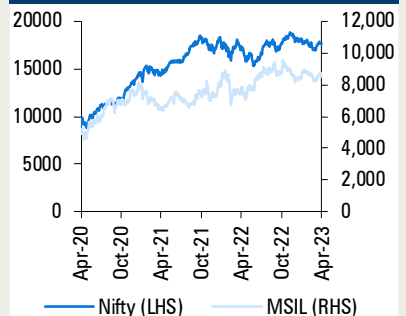
Particulars

Particular	₹ crore
Market Capitalization	2,56,768
Total Debt (FY23P)	1,216
Cash & Invt. (FY23P)	45,038
EV	2,12,946
52 week H/L (₹)	9,769 / 7,062
Equity capital	₹ 151 Crore
Face value	₹ 5

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	56.4	56.4	56.4	56.5
FII	21.9	21.8	21.5	21.1
DII	18.0	18.1	18.2	18.6
Other	3.7	3.7	4.0	3.8

Price Chart



Recent event & key risks

- Healthy performance in Q3FY23.
- Key Risk:** (i) Rise in commodity prices & unfavourable forex movement to limit margin gains (ii) aggressive launches by peers limiting market share gains in the high growth SUV space

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 (FY18-23P)	FY24E	FY25E	2 year CAGR (FY23P-25E)
Total Operating Income	86,020.3	75,610.6	70,332.5	88,295.6	1,17,522.9	8.1%	1,39,443.6	1,55,463.0	15.0%
EBITDA	10,999.3	7,302.6	5,345.3	5,701.2	11,007.7	-1.8%	14,311.4	16,968.8	24.2%
EBITDA Margins (%)	12.8	9.7	7.6	6.5	9.4		10.3	10.9	
Net Profit	7,500.6	5,650.6	4,229.7	3,766.3	8,049.2	0.8%	10,720.9	12,762.3	25.9%
EPS (₹)	248.3	187.1	140.0	124.7	266.5		354.9	422.5	
P/E	34.2	45.4	60.7	68.2	31.9		24.0	20.1	
RoNW (%)	16.3	11.7	8.2	7.0	13.3		15.9	16.7	
RoIC (%)	68.6	26.8	24.2	24.5	50.1		70.5	54.4	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results:

- Total operating income for the quarter was at ₹ 32,048 up 10.3% QoQ. Q4FY23 volumes were at 5.1 lakh units, up 11% QoQ. Of this, domestic volumes grew 11.5% QoQ to 4.5 lakh units while export volumes were up 4.4% QoQ at 0.65 lakh units
- Average selling price (ASP) came in at ~₹ 6 lakh/unit, flat QoQ
- EBITDA in Q4FY23 was at ₹ 3,350 crore with corresponding EBITDA margins at 10.5%, up ~70 bps QoQ. Margin outperformance for the quarter was led by operating leverage benefits even as gross margins contracted ~60 bps QoQ amid greater sourcing from Toyota as well as SMG
- Consequent PAT in Q4FY23 came in at ₹ 2,624 crore, up 11.6% QoQ. The PAT performance was driven by higher margins & high other income, which for the quarter was at ₹ 743 crore
- The management informed about loss of production of ~1.7 lakh units in FY23 owing to chip shortages along with fresh board approval for capacity expansion of 10 lakh units. This board approval for capacity expansion is in addition to its already under execution new plant at Sonipat (~10 lakh units)
- It also declared a dividend of ₹ 90/share for FY23

Q4FY23 Earnings Conference Call highlights

- The management informed about the company seeing highest ever sales during the year with total sales at 19.66 lakh units including exports of 2.6 lakh units. Further cumulative sales from Nexa channel crossed 20 lakh units
- The management said contribution of green fuel (CNG + hybrids) share increased to 37% vs. 27% in FY22
- The management expects the PV industry to grow 5-7% largely led by the outperformance in the UV space whereas entry level passenger car segment is expected to remain largely flat. Further, the management remained confident about outpacing industry growth
- Discount during Q4FY23 was at ~₹ 13,269/vehicle vs. ~₹ 18,291 in Q3FY23 and ~₹ 11,130 in Q4FY22
- The management said semiconductor shortage is expected to continue in the coming quarter also with the situation to ease from Q2FY24 onwards
- The current orderbook was at 4.12 lakh units of which about one-third relates to CNG. Also, the management is seeing good traction on the CNG front amid reduction in CNG prices by the government. The orderbook for new SUV launches was also healthy
- Capex for FY24 was guided as ~₹ 8,000 crore. Export revenue was at ₹ 3,900 crore for Q4FY23 and ~₹ 14,652 crore for FY23
- Channel inventory as on date was on the lower side at two to three weeks

MSIL - ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	67.5	69.4	69.4
Social	34.0	39.6	39.6
Governance	84.9	84.9	84.9
Overall ESG Score	62.1	64.7	64.7

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

The management expects a slight uptick in commodity prices in the coming quarter based on interactions with its suppliers largely led by steel

The management informed about first time buyers, replacement and additional buyers forming ~42%, 21% & 37% of its customer profile, respectively. It is witnessing some pressure on first-time buyer's customer profile while rest of the categories are witnessing an upward trend

SMG Gujarat production was at 1.86 lakh units for Q3FY23 and 6.72 lakh units for FY23

CNG vehicle sales in FY23 were at 3.3 lakh units

The management informed about ~₹ 40 crore expense related to Auto Expo, 2023

The Management further said car prices would rise further amid regulatory led mandatory features like Electronic Stability Control & seatbelt alert. The company/industry is, however, engaging with government over mandatory six airbag rule with some decision expected in coming months

Strong hybrid share in Grand Vitara sales has normalised to mid-20s vs. 40%+ share witnessed post its launch date (initial booking period)

Peer comparison

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

Company	CMP	TP	Rating	Mcap	Total lakh volumes			EBITDA margin (%)			RoCE (%)			P/E		
	₹	₹		₹ crore	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Maruti Suzuki (MARUTI)	8,500	11,000	Buy	2,56,768	19.7	21.6	23.4	9.4	10.3	10.9	12.8	16.0	17.4	31.9	24.0	20.1
Tata Motors (TATMOT)	473	530	Buy	1,81,112	5.4	6.0	6.5	11.7	13.3	13.7	7.9	15.1	18.6	(154.4)	19.5	13.2
M&M (MAHMAH)	1,208	1,665	Buy	1,50,135	7.0	8.1	9.1	12.2	12.1	12.5	13.1	14.3	15.4	22.0	18.2	16.0

Source: Company, ICICI Direct Research

Note – There are no directly comparable listed companies in pure-play PVs. Tata Motors, M&M volumes above are for India PV & automotive businesses, respectively.

Exhibit 2: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22 YoY (Chg %)	Q3FY23	Q3FY23 QoQ (Chg %)	Comments	
Total Operating Income	32,048	32,470	26,740	19.9	29,044	10.3	Topline came in marginally lower than our estimates primarily tracking muted ASPs
Raw Material Expenses	23,487	23,548	19,667	19.4	21,106	11.3	RM costs as a percentage of sales were up ~60 bps QoQ on account of higher sourcing from Toyota & SMG
Employee Expenses	1,113	1,243	1,026	8.5	1,201	-7.3	Employee costs came in lower than anticipated
Other expenses	4,097	4,505	3,621	13.2	3,904	4.9	Substantial savings were realised on the other overhead side despite Auto Expo related one-time expense of ~₹ 40 crore during the quarter
Operating Profit (EBITDA)	3,350	3,174	2,427	38.1	2,833	18.3	
EBITDA Margin (%)	10.5	9.8	9.1	138 bps	9.8	70 bps	EBITDA margins came in ahead of estimates tracking operating leverage gains even as optically gross margins contracted on a QoQ basis
Other Income	743	650	474	56.6	861	-13.7	
Depreciation	739	717	647	14.2	710	4.1	Depreciation was on expected lines
Interest	99	26	56	77.0	30	234.8	
Total Tax	631.2	677.8	359.1	75.8	602.9	4.7	Tax rate for the quarter came in lower at 19.4%
PAT	2,624	2,403	1,839	42.7	2,351	11.6	PAT came in ahead of estimates tracking beat on margins as well as higher other income
EPS	86.9	79.5	60.9	42.7	77.8	11.6	
Key Metrics							
ASP (₹)	598,566	603,424	521,940	14.7	597,736	0.1	ASP in Q4FY23 was broadly flat on a QoQ basis at ₹ 5.99 lakh/unit vs. our estimates of ₹ 6.03 lakh/unit
Discounts (₹)	13,269	15,000	11,130	19.2	18,291	-27.5	Discounts were substantially lower on QoQ basis

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ Crore)	FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change	
Total Operating Income	145,996	139,444	-4.5	164,289	155,463	-5.4	Our topline estimates witnessed a marginal decline due to decline in our forward volume estimates over FY24-25E. Nevertheless, topline at the company is seen growing at a CAGR of 15% over FY23-25E
EBITDA	14,663	14,311	-2.4	17,245	16,969	-1.6	
EBITDA Margin (%)	10.0	10.3	26 bps	10.5	10.9	42 bps	Upgraded margin estimates tracking Q4FY23 results
PAT	11,148	10,721	-3.8	13,033	12,762	-2.1	
EPS (₹)	369	355	-3.8	431.5	422	-2.1	Earnings witnessed a marginal decline due to decline in topline estimates. PAT is seen growing at a CAGR of 26% over FY23-25E

Source: ICICI Direct Research

Exhibit 4: Assumptions

	Current				Earlier		Comments			
	FY19	FY20	FY21	FY22	FY23	FY24E		FY25E		
Total Volumes (lakh units)	18.6	15.6	14.6	16.5	19.7	21.6	23.4	22.1	24.0	Lowered volume estimates tracking management commentary on uncertain chip supplies amidst its endeavour to outperform the industry in FY24E. We build in volume CAGR of 9% over FY23-25E primarily led by uptick in SUV volumes post new product launches with entry level segment mostly seen flat in the aforesaid period
Average ASPs (₹ lakh/unit)	4.46	4.59	4.57	5.07	5.72	6.20	6.40	6.32	6.55	
RMC/Unit (₹ lakh/unit)	3.24	3.45	3.49	4.00	4.39	4.75	4.88	4.81	4.96	
Discount (₹/unit)	18,334	23,688	19,771	14,700	14,538	12,500	12,500	13,500	12,500	

Source: ICICI Direct Research

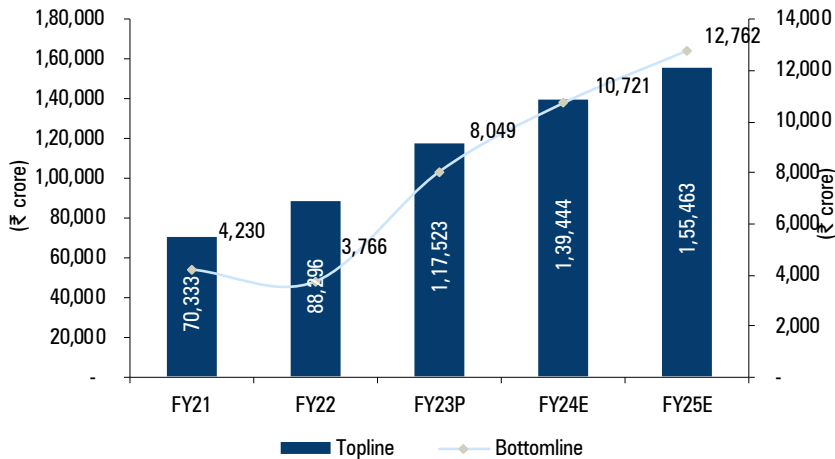
Exhibit 5: Model wise, segment wise sales for FY23

Particulars	Domestic			Exports			Total			% of sales mix		Domestic MS (%)
	FY23	FY22	YoY %	FY23	FY22	YoY %	FY23	FY22	YoY %	FY23	FY22	
I. Passenger Cars	11,09,550	9,32,512	19.0	2,06,105	1,83,876	12.1	13,15,655	11,16,388	17.8	66.9	67.6	63.5
Mini	2,32,911	2,11,762	10.0	45,547	39,135	16.4	2,78,458	2,50,897	11.0	14.2	15.2	
Alto	1,79,698	1,45,167	23.8	13,461	11,813	14.0	1,93,159	1,56,980	23.0	9.8	9.5	
Spresso	53,213	66,595	(20.1)	32,086	27,322	17.4	85,299	93,917	(9.2)	4.3	5.7	
Compact	8,63,029	7,04,881	22.4	1,48,021	1,35,206	9.5	10,11,050	8,40,087	20.4	51.4	50.8	
Baleno	2,02,901	1,48,187	36.9	40,289	45,332	(11.1)	2,43,190	1,93,519	25.7	12.4	11.7	
Celerio	60,634	39,573	53.2	16,209	6,567	146.8	76,843	46,140	66.5	3.9	2.8	
Dzire	1,50,400	1,28,790	16.8	47,682	48,047	(0.8)	1,98,082	1,76,837	12.0	10.1	10.7	
Ignis	59,852	31,667	89.0	2,291	1,608	42.5	62,143	33,275	86.8	3.2	2.0	
Swift	1,76,902	1,67,827	5.4	41,461	32,862	26.2	2,18,363	2,00,689	8.8	11.1	12.1	
WagonR	2,12,340	1,88,837	12.4	89	790	(88.7)	2,12,429	1,89,627	12.0	10.8	11.5	
Mid size	13,610	15,869	(14.2)	12,537	9,535	31.5	26,147	25,404	2.9	1.3	1.5	
Ciaz	13,610	15,869	(14.2)	12,537	9,535	31.5	26,147	25,404	2.9	1.3	1.5	
II. Utility Vehicles	3,66,129	2,90,701	25.9	47,942	50,821	(5.7)	4,14,071	3,41,522	21.2	21.1	20.7	18.3
< 4m	1,45,665	1,13,751	28.1	30,193	40,010	(24.5)	1,75,858	1,53,761	14.4	8.9	9.3	
Jimny	-	-	NA	9,202	18,486	NA	9,202	18,486	NA	0.5	1.1	
Brezza	1,45,665	1,13,751	28.1	20,991	21,524	(2.5)	1,66,656	1,35,275	23.2	8.5	8.2	
4-4.4m	1,84,041	1,37,860	33.5	17,559	10,776	62.9	2,01,600	1,48,636	35.6	10.3	9.0	
Ertiga	1,27,679	1,17,150	9.0	11,064	10,520	5.2	1,38,743	1,27,670	8.7	7.1	7.7	
S-Cross	5,047	20,710	(75.6)	474	256	85.2	5,521	20,966	(73.7)	0.3	1.3	
Grand Vitara	51,315	-	NA	6,021	-	NA	57,336	-	NA	2.9	-	
4.4-4.7m	36,423	39,090	(6.8)	190	35	442.9	36,613	39,125	(6.4)	1.9	2.4	
XL6	36,423	39,090	(6.8)	190	35	442.9	36,613	39,125	(6.4)	1.9	2.4	
III. Vans	1,31,191	1,08,345	21.1	1,392	973	43.1	1,32,583	1,09,318	21.3	6.7	6.6	94.4
Eeco	1,31,191	1,08,345	21.1	1,392	973	43.1	1,32,583	1,09,318	21.3			
IV. Sales to other OEM							61,955	48,907	1.6	3.2	3.0	
A. Total PV (I + II + III + IV)	16,06,870	13,31,558	20.7	2,55,439	2,35,670	8.4	19,24,264	16,16,135	19.1	97.9	97.8	41.3
B. LCV - goods	38,006	33,812	12.4	3,894	2,706	43.9	41,900	36,518	14.7	2.1	2.2	6.8
Super Carry	38,006	33,812	12.4	3,894	2,706	43.9	41,900	36,518	14.7	2.1	2.2	
C. Total sales (A + B)	16,44,876	13,65,370	20.5	2,59,333	2,38,376	8.8	19,66,164	16,52,653	19.0	100.0	100.0	

Source: SIAM, ICICI Direct Research

Financial story in charts

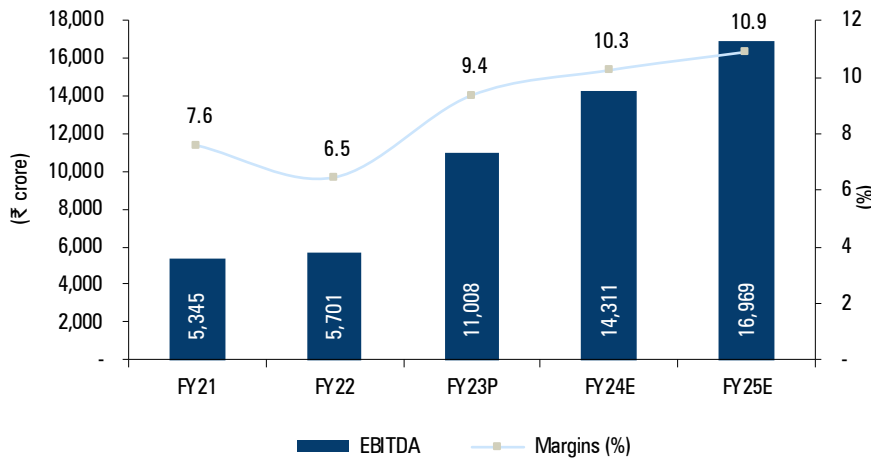
Exhibit 6: Trend in topline and bottomline



We expect net sales to grow at 15% CAGR over FY23-25E on the back of 9% volume CAGR. PAT is expected to grow at 26% CAGR in the aforesaid period to ₹ 12,762 crore by FY25E

Source: Company, ICICI Direct Research

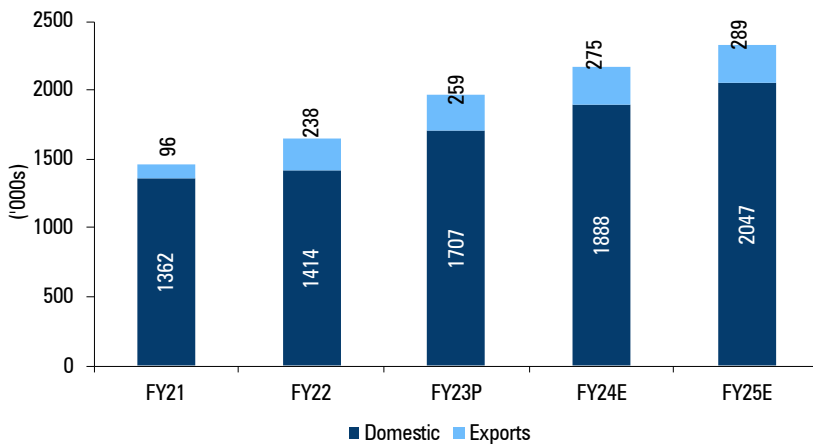
Exhibit 7: Trend in margins



With stable raw material price outlook and operating leverage at play margin trajectory at MSIL is seen inching up to 10.9% by FY25E vs. 9.4% in FY23

Source: Company, ICICI Direct Research

Exhibit 8: Domestic vs. exports volume trend



Exports are seen forming ~12-13% of FY25E volumes. Post rebasing in FY22 export sales growth CAGR is seen lagging the domestic sales CAGR

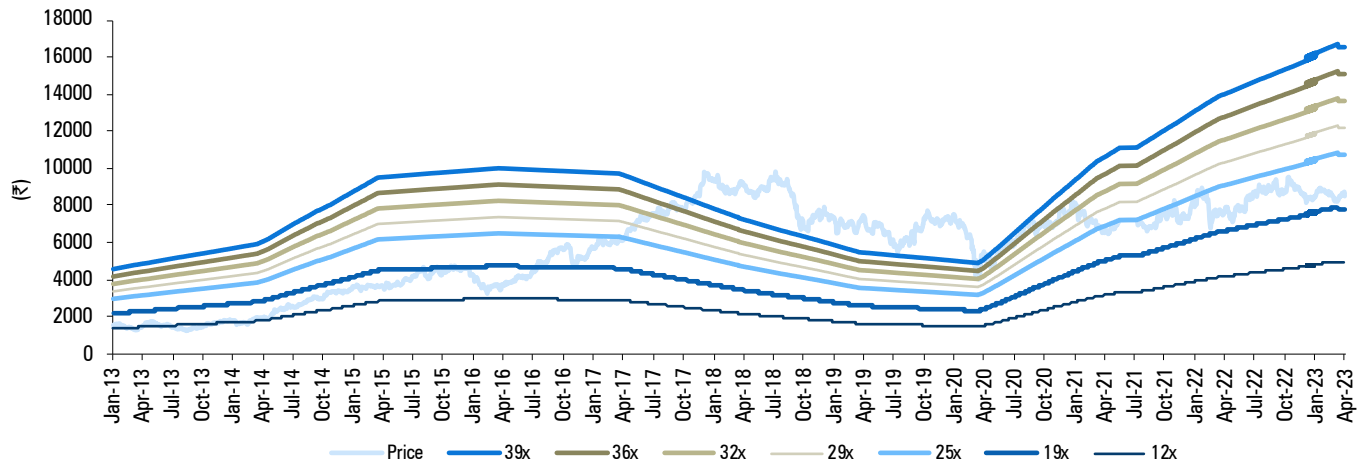
Source: Company, ICICI Direct Research

Exhibit 9: Valuation summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	75,611	(12.1)	187	(24.7)	45.4	30.3	11.7	7.4
FY21	70,333	(7.0)	140	(25.1)	60.7	40.0	8.2	4.3
FY22	88,296	25.5	125	(11.0)	68.2	37.7	7.0	5.1
FY23P	1,17,523	33.1	266	113.7	31.9	19.3	13.3	12.8
FY24E	1,39,444	18.7	355	33.2	24.0	14.7	15.9	16.0
FY25E	1,55,463	11.5	422	19.0	20.1	12.1	16.7	17.4

Source: Company, ICICI Direct Research

Exhibit 10: MSIL currently trades at ~20x PE on two year forward basis; discount to its long period averages of ~25x PE



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Total operating Income	88,296	1,17,523	1,39,444	1,55,463
Growth (%)	25.5	33.1	18.7	11.5
Raw Material Expenses	66,037	86,244	1,02,674	1,13,904
Employee Expenses	4,022	4,605	5,028	5,531
Other expenses	12,535	15,667	17,430	19,059
Total Operating Expenditure	82,594	1,06,515	1,25,132	1,38,494
EBITDA	5,701	11,008	14,311	16,969
Growth (%)	7	93	30	19
Depreciation	2,787	2,823	2,928	3,109
Interest	126	187	149	119
Other Income	1,794	2,161	2,511	2,622
PBT	4,582	10,159	13,745	16,362
Total Tax	816	2,110	3,024	3,600
Tax Rate (%)	17.8	20.8	22.0	22.0
PAT	3,766	8,049	10,721	12,762
Growth (%)	-11.0	113.7	33.2	19.0
EPS (₹)	124.7	266.5	354.9	422.5

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Profit after Tax	3,766	8,049	10,721	12,762
Add: Depreciation	2,787	2,823	2,928	3,109
Sub: Other Income	1,794	2,161	2,511	2,622
(Inc)/dec in Current Assets	-3,113	-1,947	-2,057	-1,630
Inc/(dec) in CL and Provisions	1,014	2,252	2,866	2,499
Others	126	187	149	119
CF from operating activities	2,786	9,202	12,097	14,237
(Inc)/dec in Investments	1,516	-5,946	-2,000	-4,000
(Inc)/dec in Fixed Assets	-2,986	-6,879	-8,000	-8,000
Others	-1,830	-432	-210	-310
Add: Other income	1,794	2,161	2,511	2,622
CF from investing activities	(1,506)	(11,095)	(7,699)	(9,688)
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-107	834	-500	-200
Dividend paid & dividend tax	-1,812	-2,719	-3,474	-4,078
Others	640	779	-149	-119
CF from financing activities	(1,280)	(1,106)	(4,123)	(4,398)
Net Cash flow	0	-2,999	275	152
Opening Cash	3,036	3,036	38	312
Closing Cash	3,036	38	312	464

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Liabilities				
Equity Capital	151	151	151	151
Reserve and Surplus	53,935	60,231	67,478	76,162
Total Shareholders funds	54,086	60,382	67,629	76,313
Total Debt	382	1,216	716	516
Deferred Tax Liability	0	0	0	0
Others Liabilities	2,295	2,697	2,737	2,777
Total Liabilities	56,763	64,295	71,082	79,606
Assets				
Gross Block	34,435	41,145	44,453	57,453
Less: Acc Depreciation	20,428	23,251	26,179	29,288
Net Block	14,008	17,894	18,274	28,164
Capital WIP	2,639	2,808	7,500	2,500
Total Fixed Assets	16,647	20,702	25,774	30,664
Investments	40,763	47,756	49,906	54,156
Inventory	3,533	4,284	4,966	5,537
Debtors	2,030	3,296	3,820	4,259
Loans and Advances	31	30	35	39
Other Current Assets	4,594	4,526	5,370	5,987
Cash	3,036	38	312	464
Total Current Assets	13,224	12,173	14,504	16,286
Creditors	9,761	11,780	13,371	14,907
Provisions	861	962	1,092	1,218
Other current Liabilities	6,010	6,141	7,286	8,123
Total Current Liabilities	16,632	18,884	21,750	24,248
Net Current Assets	(3,408)	(6,711)	(7,245)	(7,962)
Other Assets	2,760	2,548	2,648	2,748
Application of Funds	56,763	64,295	71,082	79,606

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY22	FY23P	FY24E	FY25E
Per share data (₹)				
EPS	124.7	266.5	354.9	422.5
Cash EPS	216.9	359.9	451.8	525.4
BV	1,790.5	1,998.9	2,238.8	2,526.3
DPS	60.0	90.0	115.0	135.0
Cash Per Share	1,393.3	1,490.9	1,566.2	1,703.7
Operating Ratios				
EBITDA Margin (%)	6.5	9.4	10.3	10.9
PBIT / Net sales (%)	3.3	7.0	8.2	8.9
PAT Margin (%)	4.3	6.8	7.7	8.2
Inventory days	14.6	13.3	13.0	13.0
Debtor days	8.4	10.2	10.0	10.0
Creditor days	40.4	36.6	35.0	35.0
Return Ratios (%)				
RoE	7.0	13.3	15.9	16.7
RoCE	5.1	12.8	16.0	17.4
RoIC	24.5	50.1	70.5	54.4
Valuation Ratios (x)				
P/E	68.2	31.9	24.0	20.1
EV / EBITDA	37.7	19.3	14.7	12.1
EV / Net Sales	2.4	1.8	1.5	1.3
Market Cap / Sales	2.9	2.2	1.8	1.7
Price to Book Value	4.7	4.3	3.8	3.4
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	1.0	1.0	1.0
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

Exhibit 15: 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)	335	390	Buy	21,274	15.9	25.2	30.0	21.0	13.3	11.2	7.7	6.0	5.2	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)	4,300	4,530	Hold	1,24,429	198.9	246.2	280.9	21.6	17.5	15.3	16.3	12.9	11.0	24.3	29.4	32.3	22.1	26.1	28.1
Balkrishna Ind. (BALIND)	2,062	2,170	Hold	39,862	52.1	77.5	95.9	39.5	26.6	21.5	28.6	17.9	14.6	8.6	15.8	19.2	13.2	17.3	18.7
Bharat Forge (BHAFOR)	792	1,050	Buy	36,873	12.7	25.2	34.4	62.2	31.4	23.0	21.8	16.2	12.9	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)	8,500	11,000	Buy	2,56,768	266.5	354.9	422.5	31.9	24.0	20.1	19.3	14.7	12.1	12.8	16.0	17.4	13.3	15.9	16.7
Uno Minda (MININD)	498	630	Buy	28,473	11.5	15.6	18.6	43.4	31.8	26.8	22.6	17.9	15.3	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 icicidirect.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 or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

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 actual/ beneficial ownership of one percent or more or other material conflict of interest 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 a 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.