

AUTOMOBILES

Q4FY23 Preview

24 April 2023

On a recovery path; rural demand key

- **PV revenue growth likely to remain strong in Q4 at ~20% YoY for our coverage but margin pressure set to continue**
- **Weak exports still a drag on the 2W segment; volume data shows HMCL outdoing peers as rural economy shows signs of revival**
- **CV and tractor segments send mixed signals; we remain positive on AL and MM but maintain SELL on ESCORTS**

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Passenger vehicles (PV): We expect strong 20%+ YoY revenue growth for PV OEMs under our coverage (MSIL & MM) in Q4FY23, supported by a mix of volume and realisation gains (due to easing semiconductor availability and lower input cost). Sequential gross margin pressure is likely to continue (64bps/5bps QoQ decline estimated for MSIL/MM) due to limited passthrough of the cost burden (~1%). EBITDA margins are also expected to be strained with MSIL forecast to see a 30bps QoQ dip due to limited operating efficiencies.

Two-wheelers (2W): Volume data shows softness across the 2W pack (ex-HMCL) in Q4. This together with limited price hikes is likely to keep revenue growth muted at ~1% QoQ for our coverage. BJAUT's revenue is estimated to drop by a sharper ~8% QoQ due to weak exports (major contributor). Gross margin across our 2W coverage is expected to fall 50-250bps QoQ with the exception of HMCL (+70bps) where ~3% volume gains coupled with price hikes are estimated to aid ~4% revenue growth. HMCL's gains indicate that rural markets are showing signs of revival. YoY growth for 2W companies was healthy as semiconductor availability has gradually normalised.

Commercial vehicles (CV): CVs are seeing a healthy revival with AL's volumes advancing 22-25% YoY and QoQ. This is likely to fuel strong revenue growth both YoY and sequentially. AL's gross margin is expected to remain under pressure due to higher input cost, but better operating efficiencies should support EBITDA margin. TTMT's (Not Rated) volumes have gained QoQ while declining YoY, and EIM's CV segment has risen by a strong 45% QoQ and 42% YoY.

Tractors: The tractor segment was a mixed bag with VSTT delivering 64% QoQ volume growth that is estimated to boost revenue by 68% (on a low base) and aid 85bps gross margin expansion to 32% in Q4. However, ESCORTS' volumes dropped 12% QoQ and hence we bake in a sequential revenue decline of 10% to Rs 20.4bn. MM's tractor volumes fell 15% QoQ but jumped 23% YoY.

Prefer 4W OEMs over 2Ws: We retain our positive view on four-wheeler (4W) OEMs with a BUY on AL & MM and SELL on ESCORTS.

Recommendation snapshot

Ticker	Price	Target	Rating
AL IN	136	169	BUY
BJAUT IN	4,332	3,636	HOLD
EIM IN	3,183	3,543	HOLD
ESCORTS IN	1,956	1,742	SELL
HMCL IN	2,501	2,712	HOLD
MM IN	1,208	1,496	BUY
MSIL IN	8,466	9,989	HOLD
TVSL IN	1,102	1,252	HOLD
VSTT IN	2,418	2,802	BUY

Price & Target in Rupees | Price as of 24 Apr 2023



Fig 1 – BOBCAPS Auto Universe: Q4FY23 Preview

Y/E March (Rs mn)	Net Sales (Rs mn)			EBITDA (Rs mn)			EBITDA Margin (%)			Adj. PAT (Rs mn)		
	Q4FY23E	YoY (%)	QoQ (%)	Q4FY23E	YoY (%)	QoQ (%)	Q4FY23E	YoY (bps)	QoQ (bps)	Q4FY23E	YoY (%)	QoQ (%)
AL	1,16,735	33.5	29.3	10,785	39.0	35.3	9.2	36.4	40.9	5,440	26.2	53.5
BJAUT	85,326	7.0	(8.4)	15,267	11.8	(13.9)	17.9	76.8	(115.2)	13,066	(11.1)	(12.2)
EIM	35,790	12.0	(0.3)	7,783	3.1	(9.2)	21.7	(188.4)	(211.9)	5,713	3.2	(16.1)
ESCORTS	20,404	9.6	(9.9)	1,949	(19.9)	(2.7)	9.5	(352.4)	70.0	1,929	(4.6)	(1.8)
HMCL	83,219	12.1	3.6	10,095	22.0	9.2	12.1	98.0	62.4	7,184	14.6	1.0
MM	2,19,666	28.3	1.4	25,811	32.7	32.7	11.8	38.9	(124.6)	7,184	14.6	1.0
MSIL	3,25,626	21.8	12.1	30,762	26.8	8.6	9.4	37.1	(30.7)	21,625	17.6	(8.0)
TVSL	65,928	19.2	0.7	6,972	25.2	5.8	10.6	50.7	50.8	3,844	40.0	9.0
VSTT	3,581	64.0	67.6	570	89.2	144.6	15.9	212.1	501.5	432	95.3	122.2
Total	9,56,274	21.3	6.6	1,09,994	23.2	9.8	11.5	17.5	33.7	66,416	9.9	(3.3)

Y/E March	Sales Volume (units)			Realisation (Rs mn/vehicle)			Gross profit margin (%)		
	Q4FY23E	YoY (%)	QoQ (%)	Q4FY23E	YoY (%)	QoQ (%)	Q4FY23E	YoY (bps)	QoQ (bps)
AL	59,697	22.5	25.5	2.0	8.9	3.0	21.5	(26)	(225)
BJAUT	8,57,788	(12.2)	(12.8)	0.1	21.8	5.0	28.8	72	(59)
EIM	2,18,525	17.7	(1.3)	0.2	(4.8)	1.0	39.2	(342)	(245)
ESCORTS	24,765	13.1	(11.6)	0.8	(3.1)	2.0	26.0	(353)	58
HMCL	12,70,492	6.9	2.5	0.1	4.9	1.1	31.3	58	70
MM	2,78,958	27.2	(1.0)	0.8	9.3	2.5	24.0	36	(5)
MSIL	5,17,177	5.8	11.0	0.6	15.1	15.1	26.7	24	(64)
TVSL	8,68,417	1.4	(1.3)	0.1	19.2	0.7	24.6	73	9
VSTT	14,776	36.1	64.3	0.2	20.5	20.5	31.9	28	85
Total	41,10,595	2.8	(1.1)	0.2	18.0	7.8	26.4	(40)	168

Source: Company, BOBCAPS Research

Fig 2 – MSIL

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	517,177	488,830	5.8	465,911	11.0	Domestic volumes grew 6% YoY in Q4, in which the utility and mini segments increased by 38% and 10% YoY whereas the compact, super compact and mid-size segments declined by 3%, 11% and 61% respectively. CVs (incl. vans) also grew by 16% YoY, and exports were up 14%.
Realisations/Vehicle (Rs mn)	0.63	0.55	15.1	0.55	15.1	
Sales (Rs mn)	325,626	267,400	21.8	290,443	12.1	
EBITDA (Rs mn)	30,762	24,268	26.8	28,331	8.6	MSIL undertook a weighted average price hike of 1.1% across models in Jan'23 (and another 0.8% hike in April) to offset the impact of rising input costs and provisions to update its models to the Apr'23 BS6 norms. We expect realisations to rise 15% YoY/QoQ on the back of strong demand for the premium segment, price hikes and export pick-up. However, gross margin could decline 64bps QoQ (+24bps YoY) as commodity prices have hardened sequentially.
EBITDA margin (%)	9.4	9.1	37bps	9.8	(31bps)	
Gross Profit (Rs mn)	86,932	70,733	22.9	79,385	9.5	
Gross margin (%)	26.7	26.5	24bps	27.3	(64bps)	
Adj PAT (Rs mn)	21,625	18,389	17.6	23,513	(8.0)	

Source: Company, BOBCAPS Research

Fig 3 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
PV (incl Utility vehicles)	403,753	380,444	6.1	370,206	9.1
CV (incl vans)	46,455	39,932	16.3	33,723	37.8
Domestic	450,208	420,376	7.1	403,929	11.5
Exports	64,719	68,454	(5.5)	61,982	4.4
Total	514,927	488,830	5.3	465,911	10.5

Source: Company, BOBCAPS Research

Fig 4 – MM

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	278,958	219,336	27.2	281,859	(1.0)	Domestic auto sale volumes grew 24% YoY in Q4 led by PVs (+32%).
Realisations/Vehicle (Rs mn)	0.79	0.72	9.3	0.77	2.5	Utility vehicle (UV) volumes grew 33% YoY whereas PVs (plus vans) declined 37%. CVs grew 6% and the 3W segment surged 64% YoY.
Sales (Rs mn)	219,666	171,240	28.3	216,537	1.4	Exports remained weak, falling 17% YoY. MM's tractor volumes increased 23% YoY led by domestic growth of 26% whereas exports declined 18%.
EBITDA (Rs mn)	25,811	19,455	32.7	19,455	32.7	The company continued to face a shortage of semiconductors for high-end SUVs which has led to long waiting periods.
EBITDA margin (%)	11.8	11.4	39bps	13.0	(125bps)	
Gross Profit (Rs mn)	52,720	40,485	30.2	52,067	1.3	MM raised prices for <i>Scorpio-N</i> and <i>XUV 700</i> in January and for <i>Bolero</i> and <i>Bolero Neo</i> in March, with BS6 norm-related hikes expected in Q1FY24.
Gross margin (%)	24.0	23.6	36bps	24.0	(5bps)	A bulk of the steel cost easing was reflected in Q3FY23 and we foresee no QoQ margin tailwinds in Q4. Going ahead, margin gains would come from price hikes, operating leverage, cost control and rising UV demand.
Adj PAT (Rs mn)	7,184	6,271	14.6	7,111	1.0	

Source: Company, BOBCAPS Research

Fig 5 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
PV	99,395	75,230	32.1	91,135	9.1
CV (incl 3W)	82,458	71,837	14.8	75,982	8.5
Tractor	85,867	68,184	25.9	101,359	(15.3)
Domestic	267,720	215,251	24.4	268,476	(0.3)
Exports	11,238	13,533	(17.0)	13,383	(16.0)
Total	278,958	228,784	21.9	281,859	(1.0)

Source: Company, BOBCAPS Research

Fig 6 – BJAUT

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	857,788	976,651	(12.2)	983,276	(12.8)	BJAUT's volumes continued to decline (-12% YoY) in Q4 as 2W/3W exports contracted 41% YoY amid sustained headwinds in key markets such as Nigeria. Domestic 2W volumes grew 32% YoY. BJAUT remains focused on the >125cc segment, where the industry is seeing 3-4 times the growth of the 100cc segment. Rural demand, however, remains soft. We expect realisation per vehicle to improve by 5%/22% QoQ/YoY on the back of price hikes and a rich product mix. Gross margin could soften 60bps QoQ (+72bps YoY) as commodity prices have increased marginally.
Realisations/Vehicle (Rs mn)	0.10	0.08	21.8	0.09	5.0	
Sales (Rs mn)	85,326	79,748	7.0	93,151	(8.4)	
EBITDA (Rs mn)	15,267	13,656	11.8	17,740	(13.9)	
EBITDA margin (%)	17.9	17.1	77bps	19.0	(115bps)	
Gross Profit (Rs mn)	24,574	22,391	9.7	27,376	(10.2)	
Gross margin (%)	28.8	28.1	72bps	29.4	(59bps)	
Adj PAT (Rs mn)	13,066	14,690	(11.1)	14,886	(12.2)	

Source: Company, BOBCAPS Research

Fig 7 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
2-wheelers	413,050	339,100	21.8	455,146	(9.2)
3-wheelers	100,033	50,055	99.8	89,042	12.3
Domestic	513,083	389,155	31.8	544,188	(5.7)
Exports	344,705	587,496	(41.3)	439,088	(21.5)
Total	857,788	976,651	(12.2)	983,276	(12.8)

Source: Company, BOBCAPS Research

Fig 8 – HMCL

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	1,270,492	1,188,884	6.9	1,239,693	2.5	HMCL recorded healthy volume growth in scooters (+18% YoY) and motorcycles (+6%) in Q4, indicating recovery in rural markets. Exports were a drag on volumes, declining 57% YoY. HMCL continues to focus on strengthening the 125cc portfolio, launching the <i>Super Splendor XTEC</i> in Q4 and collaborating with Zero Motorcycles for premium electric products. In order to strengthen entry-level demand, it launched 110cc scooter <i>Xoom</i> .
Realisations/Vehicle (Rs mn)	0.07	0.06	4.9	0.06	1.1	
Sales (Rs mn)	83,219	74,217	12.1	80,310	3.6	
EBITDA (Rs mn)	10,095	8,276	22.0	9,241	9.2	
EBITDA margin (%)	12.1	11.2	98bps	11.5	62bps	
Gross Profit (Rs mn)	26,040	22,793	14.2	24,567	6.0	We expect operating leverage to contribute towards margin gains in Q4. The company has taken a price hike of ~2% effective from 1 April on account of cost increases toward OBD2 (onboard diagnostics) transition, which will help safeguard margins in subsequent quarters.
Gross margin (%)	31.3	30.7	58bps	30.6	70bps	
Adj PAT (Rs mn)	7,184	6,271	14.6	7,111	1.0	

Source: Company, BOBCAPS Research

Fig 9 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
Motorcycles (incl exports)	1,191,388	1,122,020	6.2	1,129,151	5.5
Scooters (incl exports)	79,104	66,864	18.3	110,542	(28.4)
Total	1,270,492	1,188,884	6.9	1,239,693	2.5
Domestic	1,234,484	1,105,886	11.6	1,204,029	2.5
Exports	36,008	82,998	(56.6)	35,664	1.0

Source: Company, BOBCAPS Research

Fig 10 – TVSL

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	868,417	856,446	1.4	879,423	(1.3)	TVSL's domestic 2W segment registered healthy volume growth of 26% YoY whereas the 3W segment declined by 22% in Q4. Exports remained weak for both segments, declining by 42%/32% YoY for 2W/3Ws. While we do not anticipate benefits from commodity softening, we expect the company to maintain its EBITDA margin due to improved semiconductor supply, a prudent mix tilted towards high-end models such as <i>Apache</i> and <i>Ronin</i> , strong demand for <i>iQube</i> (EV), and price hikes.
Realisations/Vehicle (Rs mn)	0.07	0.06	19.2	0.07	0.7	
Sales (Rs mn)	65,928	55,303	19.2	65,454	0.7	
EBITDA (Rs mn)	6,972	5,568	25.2	6,589	5.8	
EBITDA margin (%)	10.6	10.1	51bps	10.1	51bps	
Gross Profit (Rs mn)	16,202	13,189	22.8	16,025	1.1	
Gross margin (%)	24.6	23.8	73bps	24.5	9bps	
Adj PAT (Rs mn)	3,844	2,745	40.0	3,528	9.0	

Source: Company, BOBCAPS Research

Fig 11 – Volume snapshot

	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
Motorcycles (incl exports)	388,535	441,405	(12.0)	434,279	(10.5)
Scooters & Mopeds (incl exports)	450,760	373,277	20.8	401,659	12.2
3-wheelers (incl exports)	29,122	41,774	(30.3)	43,485	(33.0)
Domestic	682,933	543,450	25.7	633,071	7.9
Exports	185,484	313,006	(40.7)	246,352	(24.7)
Total	868,417	856,456	1.4	879,423	(1.3)

Source: Company, BOBCAPS Research

Fig 12 – EIM

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	218,525	185,675	17.7	221,401	(1.3)	EIM's volumes grew 18% YoY with domestic sales up 20% and exports up 5% in Q4. Models up to 350cc increased by 27% YoY whereas those over 350cc declined 26%. For VECV, total sales grew 31% YoY and exports declined by 57%. Volumes of Volvo trucks and buses were up 37%. Operating margin is likely to contract YoY and QoQ as higher commodity prices limit tailwinds.
Realisations/Vehicle (Rs mn)	0.16	0.17	(4.8)	0.16	1.0	
Sales (Rs mn)	35,790	31,947	12.0	35,902	(0.3)	
EBITDA (Rs mn)	7,783	7,550	3.1	8,569	(9.2)	
EBITDA margin (%)	21.7	23.6	(188bps)	23.9	(212bps)	VECV announced that it will increase prices of its CVs by 2-5% in Q1FY24 due to the new BS6 regulations and inflationary pressure, indicating a flattish margin trend in subsequent quarters limited to cost passthrough.
Gross Profit (Rs mn)	14,047	13,632	3.0	14,970	(6.2)	
Gross margin (%)	39.2	42.7	(342bps)	41.7	(245bps)	
Adj PAT (Rs mn)	5,713	5,534	3.2	6,807	(16.1)	

Source: Company, BOBCAPS Research

Fig 13 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
Up to 350cc (incl exports)	195,719	154,723	26.5	202,007	(3.1)
Exceeding 350cc (incl exports)	22,806	30,952	(26.3)	19,394	17.6
Exports	26,503	25,337	4.6	19,292	37.4
Total sales	218,525	185,675	17.7	221,401	(1.3)
Domestic Sales	192,022	160,338	19.8	202,109	(5.0)

Source: Company, BOBCAPS Research

Fig 14 – VECV volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
Domestic	24,853	17,545	41.7	16,709	48.7
Exports	916	2,106	(56.5)	925	(1.0)
Volvo	607	442	37.3	528	15.0
Total	26,376	20,093	31.3	18,162	45.2

Source: Company, BOBCAPS Research

Fig 15 – AL

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	59,697	48,719	22.5	47,562	25.5	AL witnessed volume growth across all segments of medium & heavy CVs (M&HCV), light CVs (LCV) and buses which grew by 18%, 15% and 99% YoY respectively in Q4. However, exports remained weak for MHCVs and LCVs, whereas exports of buses grew 34% YoY. This was partially due to pre-buying in the months of February and March on account of price hikes expected in Q1FY24 due to OBD2 norms.
Realisations/Vehicle (Rs mn)	1.96	1.79	8.9	1.90	3.0	
Sales (Rs mn)	116,735	87,443	33.5	90,297	29.3	
EBITDA (Rs mn)	10,785	7,760	39.0	7,973	35.3	
EBITDA margin (%)	9.2	8.9	36bps	8.8	41bps	We note that AL has hiked prices in January. We expect a better product mix to drive realisation growth by 3% QoQ and 9% YoY. However, hardening of commodity prices sequentially could see gross margin declining by 225bps QoQ and 26bps YoY.
Gross Profit (Rs mn)	25,085	21,438	17.0	491	5,006.0	
Gross margin (%)	21.5	21.8	(26bps)	23.7	(225bps)	
Adj PAT (Rs mn)	5,440	4,311	26.2	3,544	53.5	

Source: Company, BOBCAPS Research

Fig 16 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
CV (MHCV & LCV)	52,670	43,129	22.1	41,581	26.7
Bus	3,981	1,417	180.9	3,045	30.7
Domestic	56,651	44,546	27.2	44,626	26.9
Exports	3,046	4,173	(27.0)	2,936	3.7
Total	59,697	48,719	22.5	47,562	25.5

Source: Company, BOBCAPS Research

Fig 17 – ESCORTS

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	24,765	21,895	13.1	28,025	(11.6)	ESCORTS recorded overall volume growth of 13% YoY in Q4 collectively driven by domestic/export sales that grew by 14%/4%. Domestic retail demand across markets remained strong in January and February contributed by better <i>rabi</i> (winter crop) sowing, healthy crop prices and decent water levels. However, during the fag end of Q4FY23, retail sales were hindered by unseasonal rainfall and crop damage in certain regions.
Realisations/Vehicle (Rs mn)	0.82	0.85	(3.1)	0.81	2.0	
Sales (Rs mn)	20,404	18,614	9.6	22,637	(9.9)	
EBITDA (Rs mn)	1,949	2,434	(19.9)	2,003	(2.7)	
EBITDA margin (%)	9.5	13.1	(352bps)	8.8	70bps	
Gross Profit (Rs mn)	5,315	5,507	(3.5)	5,766	(7.8)	A price increase of 1.5-2% were taken in November, the benefits of which will reflect in Q4. In terms of commodity prices, steel only constitutes ~17% of the total material cost. Thus, a bulk of the costing comes from tires and casting, where prices have risen.
Gross margin (%)	26.0	29.6	(353bps)	25.5	58bps	
Adj PAT (Rs mn)	1,929	2,022	(4.6)	1,964	(1.8)	

Source: Company, BOBCAPS Research

Fig 18 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
Domestic	23,081	20,272	13.9	26,181	(11.8)
Exports	1,684	1,623	3.8	1,844	(8.7)
Total	24,765	21,895	13.1	28,025	(11.6)

Source: Company, BOBCAPS Research

Fig 19 – VSTT

Particulars	Q4FY23E	Q4FY22	YoY (%)	Q4FY23	QoQ (%)	Comment
Sales Volume	14,776	10,858	36.1	8,993	64.3	VSTT recorded strong volumes in both its segments of power tillers and tractors which grew by 38% and 25% YoY respectively in Q4 on the back of robust rural demand. In December, the company took price hikes in the range of Rs 5,000-Rs 9,000 in tractors, and management also expects better pricing for tillers, for which permissions for upward revision have been received in the states of Karnataka, Odisha and Tamil Nadu (contributing 40-50% of volumes). Marketing spend will likely be on the higher side in Q4 on account of penetration in the northern market.
Realisations/Vehicle (Rs mn)	0.24	0.20	20.5	0.20	20.5	
Sales (Rs mn)	3,581	2,184	64.0	2,137	67.6	
EBITDA (Rs mn)	570	302	89.2	233	144.6	
EBITDA margin (%)	15.9	13.8	212bps	10.9	502bps	
Gross Profit (Rs mn)	1,143	691	65.5	664	72.2	
Gross margin (%)	31.9	31.6	28bps	31.1	85bps	
Adj PAT (Rs mn)	432	221	95.3	194	122.2	

Source: Company, BOBCAPS Research

Fig 20 – Volume snapshot

Segment	Q4FY23	Q4FY22	YoY (%)	Q4FY23	QoQ (%)
Power Tillers	12,813	9,283	38.0	7,456	71.8
Tractors	1,963	1,575	24.6	1,537	27.7
Total	14,776	10,858	36.1	8,993	64.3

Source: Company, BOBCAPS Research

Fig 21 – Commodity and Currency trends

Particulars	Q4FY23	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22	Q2FY22	Q1FY22	Q4FY21	Q3FY21	Q2FY21	Q1FY21
Key Commodities												
Aluminium (USD)	2,400	2,336	2,356	2,882	3,255	2,756	2,646	2,396	2,094	1,920	1,707	1,498
QoQ (%)	2.7	(0.8)	(18.3)	(11.5)	18.1	4.2	10.4	14.4	9.1	12.5	14.0	(11.5)
Lead (USD)	2,140	2,110	1,967	2,200	2,326	2,325	2,334	2,125	2,011	1,904	1,874	1,678
QoQ (%)	1.4	7.3	(10.6)	(5.4)	0.0	(0.4)	9.8	5.7	5.6	1.6	11.7	(9.0)
Brent oil (USD)	82	84	88	96	83	71	65	62	55	48	50	46
QoQ (%)	(3.3)	(3.7)	(8.3)	15.8	15.9	9.5	5.3	13.2	14.0	(3.4)	8.6	(14.4)
Rubber (RS4) (INR)	14,277	14,681	16,268	17,338	16,703	17,651	17,338	16,869	15,857	15,233	13,108	12,505
QoQ (%)	(2.8)	(9.8)	(6.2)	3.8	(5.4)	1.8	2.8	6.4	4.1	16.2	4.8	(6.3)
Hot rolled steel (INR)	58,823	56,100	57,008	69,054	66,867	67,538	66,223	64,308	55,609	45,782	39,208	37,222
QoQ (%)	4.9	(1.6)	(17.4)	3.3	(1.0)	2.0	3.0	15.6	21.5	16.8	5.3	(1.7)
Cold rolled steel (INR)	63,915	61,515	64,205	77,008	73,719	74,227	77,379	75,169	65,594	54,720	44,412	40,754
QoQ (%)	3.9	(4.2)	(16.6)	4.5	(0.7)	(4.1)	2.9	14.6	19.9	23.2	9.0	(3.6)
Key Currencies												
USD/INR	82.3	82.2	79.8	77.2	75.2	74.9	74.1	73.7	72.9	73.8	74.4	75.9
QoQ (%)	0.1	3.0	3.4	2.7	0.4	1.1	0.5	1.1	(1.2)	(0.8)	(2.0)	4.8
EUR/INR	88.3	83.9	80.4	82.3	84.4	85.7	87.4	88.9	87.9	88.0	86.9	83.5
QoQ (%)	5.2	4.4	(2.3)	(2.5)	(1.5)	(1.9)	(1.7)	1.1	(0.1)	1.3	4.1	4.5
GBP/INR	99.9	96.5	93.9	97.0	100.9	101.0	102.1	103.1	100.5	97.5	96.0	94.2
QoQ (%)	3.5	2.7	(3.2)	(3.9)	(0.1)	(1.0)	(1.0)	2.6	3.1	1.5	1.9	1.6
JPY/INR	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
QoQ (%)	6.8	0.9	(3.1)	(8.0)	(1.8)	(2.1)	(0.1)	(2.0)	(2.6)	0.9	(0.7)	6.9
USD/EUR	1.1	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.1
QoQ (%)	5.0	1.5	(5.4)	(5.1)	(1.9)	(3.0)	(2.2)	0.1	1.0	2.0	6.2	(0.1)
USD/GBP	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.3	1.3	1.2
QoQ (%)	3.4	(0.1)	(6.3)	(6.3)	(0.5)	(2.2)	(1.5)	1.4	4.3	2.3	4.0	(1.3)

Source: Company, BOBCAPS Research

Fig 22 – Valuation summary

Company	Rating	Market Cap		CMP (Rs)	TP (Rs)	Upside (%)	EV/EBITDA (x)			P/E (x)		
		Rs mn	US\$ mn				FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
AL	BUY	398,086	4,808	136	169	24.3	19.3	11.7	9.7	42.2	19.6	15.8
BJAUT	HOLD	1,253,538	15,139	4,332	3,636	(16.1)	19.9	17.3	15.2	22.9	20.3	18.1
EIM	HOLD	869,882	10,506	3183	3,543	11.3	23.8	19.6	16.6	32.7	26.5	22.4
ESC	SELL	263,669	3,184	1956	1,742	(10.9)	26.7	19.7	16.9	37.8	28.0	23.8
HMCL	HOLD	499,418	6,032	2501	2,712	8.4	13.2	10.1	8.8	18.8	14.4	12.5
MM	BUY	1,500,397	18,121	1208	1,496	23.8	14.8	11.5	10.2	23.0	17.4	15.9
MSIL	HOLD	2,557,410	30,887	8466	9,989	18.0	24.3	17.8	14.8	36.4	25.6	20.8
TVS	HOLD	523,560	6,323	1102	1,252	13.6	20.0	15.7	13.6	36.1	26.6	22.6
VSTT	BUY	20,890	252	2418	2,802	15.9	15.0	11.7	9.5	21.2	17.3	14.7

Company	Rating	Gross margin (%)			EBITDA margin (%)			ROE (%)			ROCE (%)		
		FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
AL	BUY	22.5	25.0	24.6	6.9	9.8	9.8	12.3	22.7	22.9	10.8	19.2	19.8
BJAUT	HOLD	28.1	28.5	28.6	16.4	16.8	16.9	19.6	20.9	21.8	19.5	20.8	21.7
EIM	HOLD	42.5	43.0	43.0	24.5	25.7	26.7	22.5	23.3	22.8	22.6	23.4	22.9
ESC	SELL	27.6	29.1	29.2	10.2	12.3	12.9	8.6	10.7	11.4	8.8	10.8	11.5
HMCL	HOLD	28.0	29.5	29.0	11.4	12.8	12.9	16.4	20.1	21.0	16.5	20.2	21.1
MM	BUY	24.6	25.4	25.3	12.4	13.8	13.9	15.4	17.3	16.3	13.8	15.9	15.3
MSIL	HOLD	25.8	27.2	27.2	9.2	10.8	11.3	12.5	16.0	17.2	12.0	15.4	16.6
TVS	HOLD	24.5	25.0	25.0	10.3	11.2	11.3	27.2	29.9	28.5	21.4	24.6	24.5
VSTT	BUY	30.4	31.2	30.8	12.1	13.2	13.4	12.6	14.1	14.9	12.7	14.2	15.1

Source: Company, BOBCAPS Research

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