

VALUATION MULTIPLE SERIES INDUSTRY FOCUS - AUTOMOBILE 1ST EDITION

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This Report is providing the information of the Representative Companies namely:



Established in 1945, Tata Motors Group is a \$37 billion auto giant and a leading global automobile manufacturing company which manufactures both passenger & commercial vehicles. It has 17 production units across the globe, 5 in the UK, 10 in India, 2 in Europe and 1 joint facility in China. Tata further bolstered its offerings by acquiring Jaguar Land Rover (JLR) from Ford Motors in 2008. This acquisition allowed Tata access to international markets and a state-of-the-art facility. Tata Motors have an exceptional volume of sales for different models, approx. 1.089 million units in the previous year with exports to 125 countries. Tata Motors has, in recent times, remodeled its operations by launching products that cater to mass Indian market, i.e. Nexon, Tiago, Tigor, Safari, Harrier, etc.



Maruti Suzuki, established in 1981, launched its first car 'Maruti 800' in 1983 which is one of the iconic cars in the Indian automobile history. Maruti Suzuki has an annual production capacity of approx. 2.25 million units in passenger & commercial segment with a total of 2 production plants in India - Gurugram and Manesar. Maruti Suzuki exports to 100 countries and with an annual volume sales of approx. 1.6 million units. Maruti is shifting the entire countries needs for driving as per the taste and demand of each generation. Some of the recent models launched by Maruti Suzuki are Fronx, Jimny.



Established in 1984, Hero Motocorp is the world's largest manufacturer of 2 wheelers - motorcycles & scooters. It commands annual sales of approx. 4.6 million units. Hero has a production capacity of 9.5 million+ units with 8 production plants across the globe and exports to 40+ countries. Since the establishment, Hero has rapidly expanded its production capacity, geographical footprint, R&D capabilities and has emerged as a global brand. Hero Motorcorp's upcoming models are XPluse, Xtreme.



TVS Motor was established in 1978 and is one of the most reputed two & three wheeler manufacturer which has 4 production plants, 3 in India and 1 in Indonesia with a global sales volume of 4.809 million units being exported to 80 countries and a production capacity of approx. 5 million units annually. With legacy of Trust, Value and Passion for customers with highest quality of products through innovative, durability and sustainable processes. Some of the upcoming models of TVS are Fiero, Creon, Zeppeline R & TVS ADV.



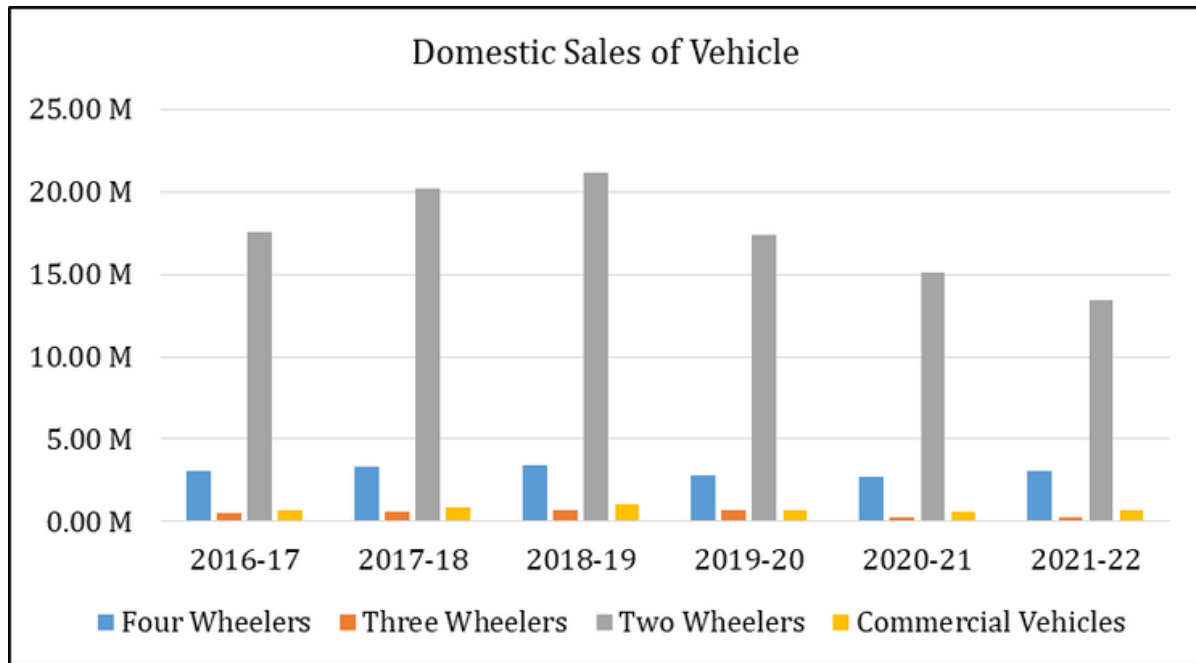
Ashok Leyland is the flagship brand of Hinduja group, established in 1948 and is the 2nd largest manufacturer of commercial vehicles in India, 4th largest manufacturer of buses in the world and 19th largest manufacturer of trucks. It has production plants all over the globe- 7 plants in India, a bus manufacturing facility in UAE, 1 in the United Kingdom and a joint venture with Alteams. Ashok Leyland has a sales volume of approx. 150K units and exports to 50 countries worldwide. It also manufactures high-pressure die-casting extruded aluminum components for the automotive. Some of the models of Ashok Leyland are Ecomet Viking Diesel, Bada Dost, PPC etc.



Bajaj, established in 1945, is a manufacturer of 2 & 3 wheeler and is India's No. 1 motorcycle exporter with every 2 two out of 3 bikes sold internationally. Bajaj exports approx. 2.5 million units annually to 70 countries worldwide. It has a total of 3 production plants in India, namely Waluj, Chakan and Pant Nagar. Bajaj has a production capacity of approx. 6.6 million units and sales volume of 4.3 million units annually. It is also world's largest manufacturer of three wheelers. Bajaj Auto is the first two and three wheeler company in the world to have reached a market capitalization of INR 1 trillion mark. Some of the recent model of Bajaj are Bajaj Pulsar 220 F, Avenger 400, RE, Qute etc.



Domestic Sales of Vehicles during the past 6 years



- In the above representation - four wheelers consists of only Passenger Vehicles - SUVs, Sedans, Hatchback, etc.
- Two Wheelers consists of Scooters and Bikes.
- Three Wheelers consists of autos and small tempo.
- Commercial Vehicles consists of mini trucks, trucks, buses etc.

The domestic sales increases from INR 21.8 million in FY17 to INR 26.2 million in FY19 and declines going forward due to the COVID-19 impact and shortage of semiconductors to INR 17.5 million in FY22.

With a rising population as that of India and majority being young & middle class, the sale of two wheeler segment accounts for the highest sales among all other segments followed by four wheeler. Furthermore, two wheeler sales accounted for almost 80% of the total domestic sales over the past 6 years.

Financial Performance of Representative Companies

Revenue

Revenue is the money generated from normal business operations, calculated as the average sales price times the number of units sold.

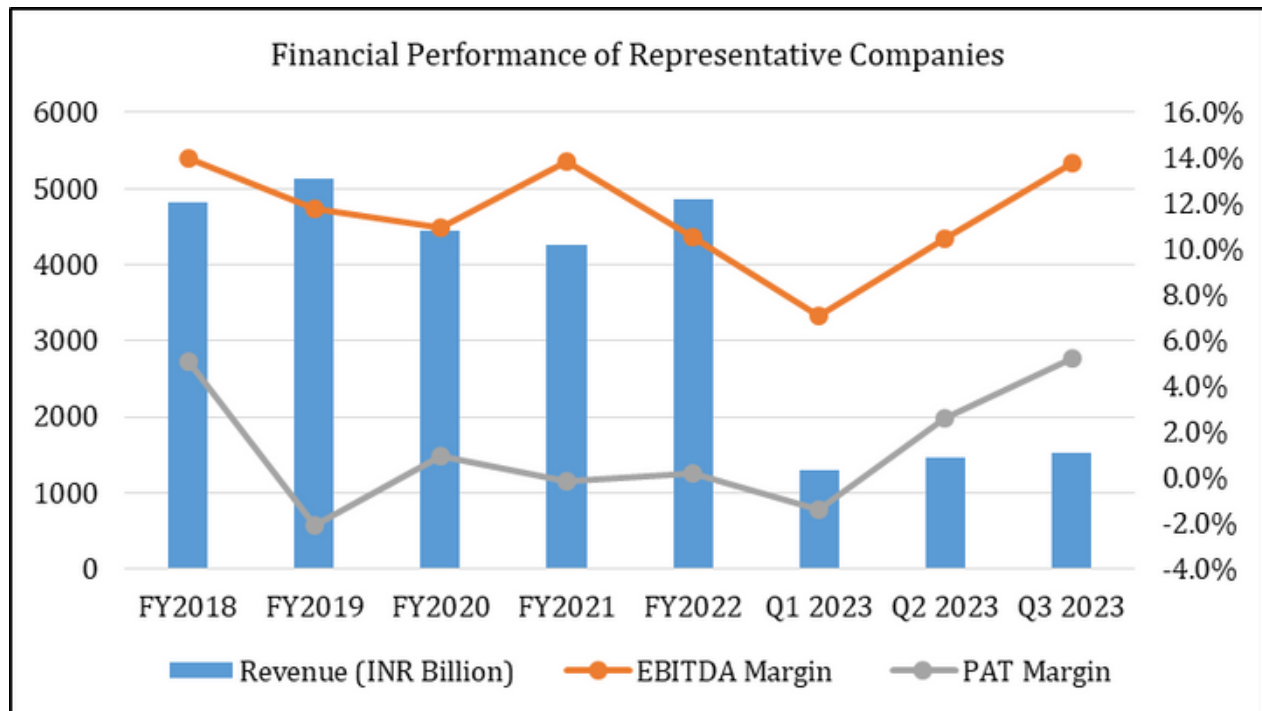
EBITDA Margin

EBITDA margin is a profitability ratio that measures how much earnings a company is generating before interest, taxes, depreciation, and amortization, as a percentage of revenue.

EBITDA Margin = EBITDA / Revenue. It is also referred to as 'Cash Operating margin'.

PAT Margin

Profit After Tax refers to the amount that remains after a company has paid off all of its operating and non-operating expenses, interest and taxes. PAT Margin = PAT/Revenue.



- The auto sector shows a negative growth of 0.23% over the last 5 years i.e FY18 to FY22.
- Whereas, there has been rapid growth in the last 3 quarters of FY23 of approx. 8.95%.
- The EBITDA margin decreases from 13.97% to 10.93% in FY18 to FY20 and stabilizes in FY20 but falls excessively to 7.09% in Q1 of FY23. This shrink in the EBITDA margin is due to the increasing cost of raw materials over the period, the COVID-19 outburst & shortage of semiconductors.
- But with the increase in sales in Q2 & Q3, the EBITDA Margin also starts to recover by Q3 and the EBITDA Margin rises to 13.82%.
- PAT margin also decreases from 5.10% to -2.05% in FY18 to FY19 which stabilizes in FY20 but further decline to -1.42% in Q1 FY23. After which it shows a rising trend in Q2 & Q3 by approx. 6% registering 5.26% in Q3.



Analysis of Auto Industry's Q1, Q2 & Q3 of FY2023

The sale of 2 wheelers during Q2 was 4.673 million units as compared to Q1 when there were only 3.724 million units sold, which is about 25.48% increase from Q1. Q3 shows a rise of 19% as compared to Q3 of the previous year.

The sale of 4 Wheeler during Q2 of FY23 was 1.026 millions units which is highest in a quarter as compared to 910K units sold in Q1 showing an increase of 12.7% 'QoQ' and an increase of 38.46% from Q2 of FY22.

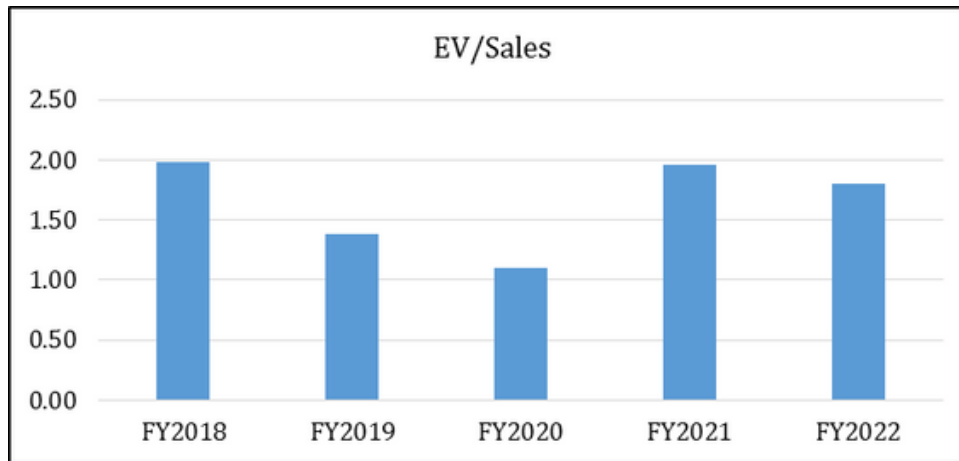
The shortage of semiconductors in Q1 was one of the major challenges faced by the auto industry which to some extent eased in Q2 resulting in record production in a quarter. In Q3, India surpassed Japan in auto sales and became the 3rd largest auto market in the world. As the crunch of semiconductors eases in 2022, the auto sales recovered during the last 2 quarters.



Multiples - Auto Industry

EV/Sales

Enterprise value-to-sales (EV/sales) is a financial valuation measure that compares the enterprise value (EV) of a company to its annual sales. The EV/sales multiple gives a quantifiable metric of how to value a company based on its sales while taking account of both the company's equity and debt.

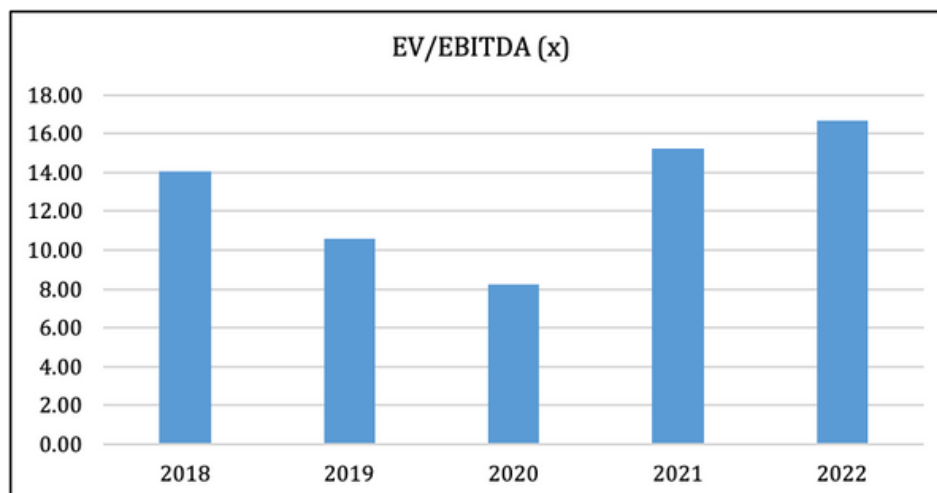


| Particulars | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| EV/Sales (x) | 1.98 | 1.38 | 1.10 | 1.96 | 1.80 |

EV/Sales falls sharply from 1.98x to 1.10x in FY18 to FY20 respectively and stabilizes in FY21 & FY22 but doesn't surpass FY18 levels.

EV/EBITDA (x)

The EV/EBITDA multiple is used to project the Enterprise Value (EV) of a company in terms of the EBITDA.

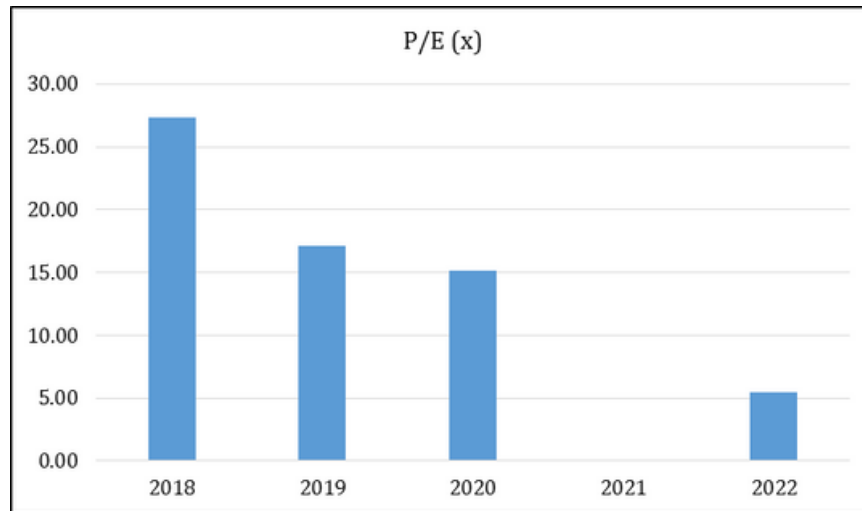


| Particulars | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------------|--------------|--------------|-------------|--------------|--------------|
| EV/EBITDA (x) | 14.04 | 10.56 | 8.23 | 15.20 | 16.67 |

EV/EBITDA decreases from 14.04x to 8.23x in FY18 to FY20 respectively, going forward it shows a sharp rise to 15.20x in FY21, surpassing FY18 levels and further, rises to 16.67x in FY22.

P/E (x)

The price-to-earnings ratio measures the company's current share price relative to its earnings per share (EPS). P/E ratios are used to determine the relative value of a company's shares.

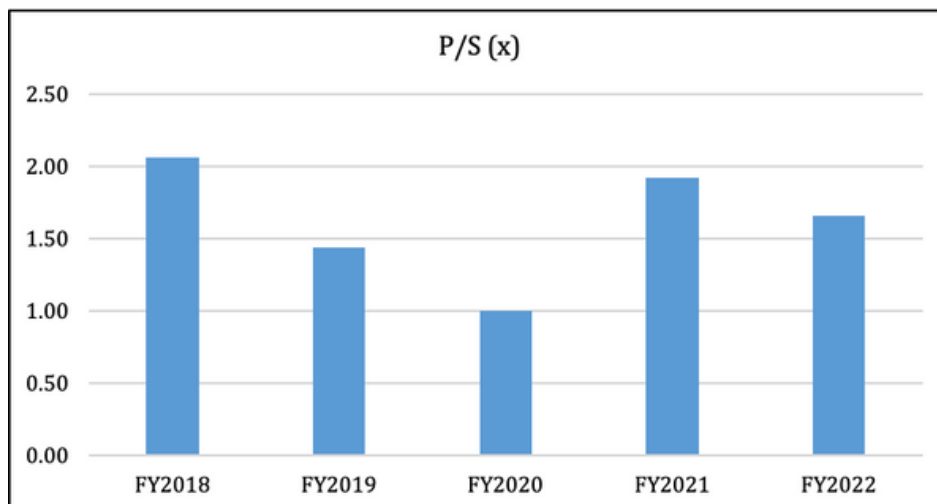


| Particulars | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------|--------------|--------------|--------------|-------------|-------------|
| P/E (x) | 27.30 | 17.09 | 15.15 | 0.00 | 5.49 |

P/E begins falling from 27.30x in FY18 showing an extreme downward trend for 4 consecutive years and finally, begins to recover in FY22.

P/S

The P/S ratio shows a company's market capitalization divided by the company's sales for the previous 12 months. It is a measure of the value investors are receiving from a company's stock by indicating how much equity is required to generate \$1 of revenue.

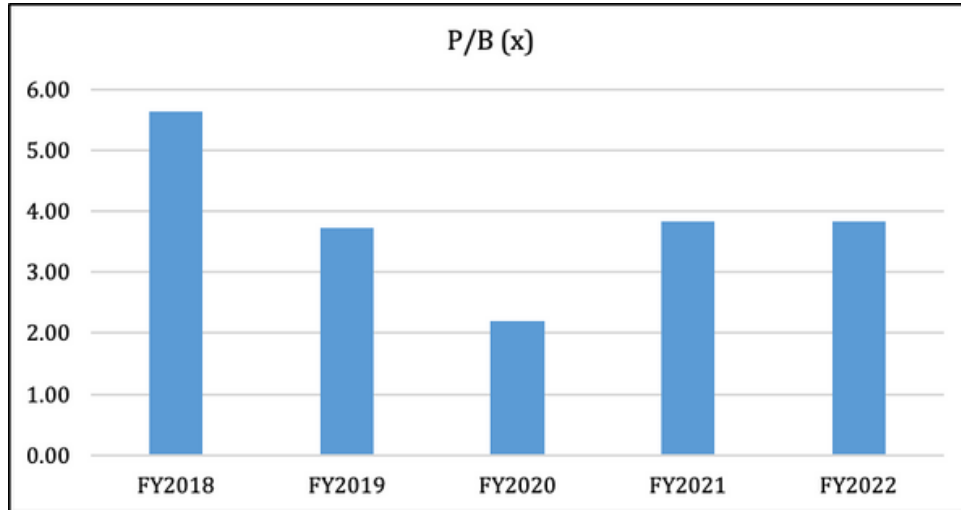


| Particulars | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| P/S (x) | 2.06 | 1.43 | 1.00 | 1.92 | 1.66 |

P/S falls from 2.06x to 1x in FY18 to FY20 respectively, further it shows a positive trend and starts to recover, registering 1.92x in FY21 but again falls to 1.66x in FY22.

P/B (X)

Price-to-book ratio compares a firm's market capitalization to its book value and is usually used to locate undervalued companies. This multiple is calculated by dividing the company's current stock price per share by its book value per share (BVPS).



| Particulars | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| P/B (x) | 5.64 | 3.72 | 2.21 | 3.84 | 3.82 |

P/B also shows a falling trend from 5.64x to 2.21x in FY18 to FY20 respectively and further recovers at 3.84x in FY21, finally stabilizing at 3.82x in FY22.



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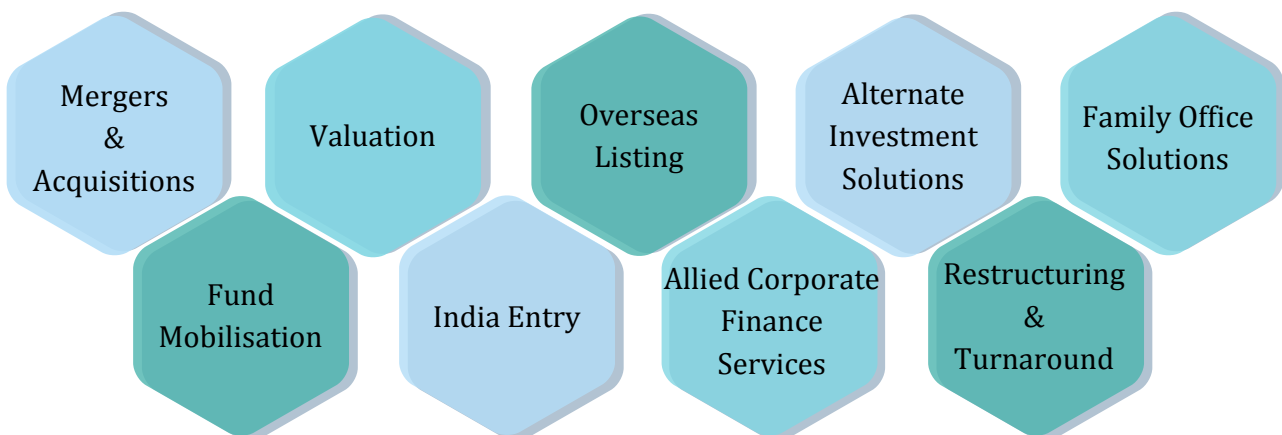
Established in year 2009, RNM is a mid - market focused boutique investment banking firm with head office in Janpath, Connaught Place, New Delhi. RNM Capital also operates from its branch office in Bangalore and Gurugram.

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RNM's has strong relationship with most of the active PE/VC Funds, Banks, NBFCs and Financial Institutions and experience of closing multiple fund raise assignments under most challenging situations.

Our Services



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