

E-mobility business to drive future growth...

Recent announcement by Department of Heavy Industries (DHI) for modification of the scheme for Faster Adoption and Manufacturing of Electric Vehicles in India Phase II (FAME-II), including increasing the demand incentive to ₹15,000 per KWh from the earlier uniform subsidy of ₹10,000 per KWh for all EVs (including E-2W, E-3W) including plug-in hybrids and strong hybrids, except buses and the limit on the incentives for an E-2W is now capped at 40% of its price, twice the previous limit of 20%. Besides these incentives, various state governments are providing additional incentives to drive faster EV adoption, such as additional subsidies on EV purchase, increased outlay for EV infrastructure, promoting EV start-ups, and exemptions from registration and other fees that are applicable to normal internal combustion engine (ICE) vehicles. Ampere has passed on the benefits to the customers by reducing prices by 12% to 14% for its high speed Models like Zeal and Magnus E-2W vehicles which will further aid penetration and propel growth for EV business of Greaves Cotton (GCL).

Focus on EV product mix, New EV launches to gain market...

The management has shared a ₹ 700 crore capex plan for 10 years (capex + working capital) on a proportionate basis. Further, the company is continuously working on increasing localisation with the only major import being lithium ion cells. Going ahead, increasing dealer network, Ampere Vehicle Finance along with continuous innovation and product improvement should propel future growth in e-mobility segment. GCL is targeting to focus on new product launches under Ampere (E-2W) and Bestway (E-3W) to expand its product portfolio of towards high speed vehicles, increasing distribution reach and tapping more cities to tap EV demand. Post FAME –II modifications, Ampere pass on the benefits to customer by reducing prices by 12% to 14% for its high speed, Zeal and Magnus E-2W vehicles which will further aid penetration and propel growth for these Models.

Valuation & Outlook

The revision in the FAME (II) policy, increasing the subsidy by 50% per KWh, likely to accelerate electric two-wheelers sales for Ampere Vehicles, a subsidiary of Greaves cotton. Ampere has more than half a dozen electric two-wheelers in its portfolio and with product for every customer price point in the affordable mobility and it could further gain market share with new launches at varied price points. Electric mobility and new initiatives business of Greaves Cotton may provide much need growth uptick in long term amid languishing auto engine volumes. Consequently, we value GCL's base business at 19x FY23E EPS and Ampere, Bestway at 5x FY23E Sales and maintain **BUY** rating on the stock with a revised target price of ₹ 210 (earlier TP ₹ 160).

Key Financial Summary

Particulars (₹ crore)	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY20-FY23E)
Net Sales	1,987.9	1,821.1	1,329.1	1,792.4	2,027.5	3.6%
EBITDA	274.7	228.1	96.9	194.7	249.5	3.0%
EBITDA Margin (%)	13.8	12.5	7.3	10.9	12.3	
Net Profit	169.3	147.5	10.4	114.0	151.4	0.9%
EPS (₹)	7.3	6.4	0.4	4.9	6.5	
P/E (x)	24.6	28.2	401.7	36.5	27.5	
RoNW (%)	18.7	16.3	3.3	12.4	16.0	
RoCE (%)	27.4	22.2	6.5	17.0	21.8	

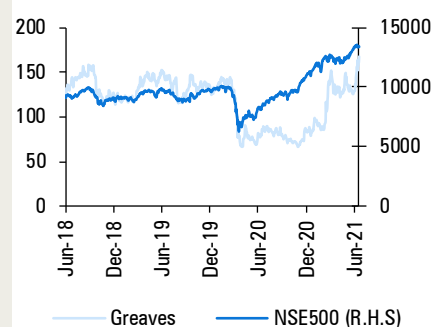
Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalization	₹ 4046 Crore
Total Debt (FY21)	₹ 0 Crore
Cash and Inv. (FY21)	₹ 168 crore
EV	₹ 3878 Crore
52 week H/L	₹ 184 / ₹ 66
Equity capital	₹ 46.2 Crore
Face value	₹ 2

Price Graph



Key risk to our call

- Inability to sustain growth in EV-Mobility segment.
- Sustained slowdown in Auto engine sales, adverse raw material prices and headwinds in new initiatives may impact growth and profitability.

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Exhibit 1: Valuations

	Basis of Valuation	Multiple	Total Value (₹ crore)	Per share value(₹)	Comments
Base Business	P/E	19.0x	2,876	124	
Ampere (100% Stake), Bestway	P/Sales	5x	2000	87	FY23E sales at ₹ 400 crore
Total			4,876	212	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating income	1,821.1	1,329.1	1,792.4	2,027.5
Growth (%)	-8.4	-27.0	34.9	13.1
Raw Material Expenses	1,249.2	941.4	1,272.6	1,401.8
Employee Expenses	158.1	127.1	138.7	173.2
Other Operating Expenses	185.8	163.7	186.4	203.0
Administrative Expenses	0.0	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0	0.0
Total Operating Expenditure	0.0	0.0	0.0	0.0
EBITDA	228.1	96.9	194.7	249.5
Growth (%)	196.1	-57.5	100.8	28.2
Depreciation	52.2	48.4	57.6	66.0
Interest	3.8	5.6	4.8	5.1
Other Income	19.8	10.0	20.0	24.0
PBT	196.6	18.5	152.3	202.3
Others	0.0	0.0	0.0	0.0
Total Tax	49.2	8.1	38.3	50.9
PAT	147.5	10.4	114.0	151.4
Growth (%)	-12.9	-93.0	1,000.4	32.8
EPS (₹)	6.4	0.4	4.9	6.5

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	147.5	10.4	114.0	151.4
Add: Depreciation	52.2	48.4	57.6	66.0
(Inc)/dec in Current Assets	-1.8	82.4	-138.6	-59.9
Inc/(dec) in CL and Provisions	-47.9	33.8	40.9	57.8
Others	0.0	0.0	0.0	0.0
CF from operating act	153.7	180.6	78.7	220.4
(Inc)/dec in Investments	419.3	0.0	-5.0	-5.0
(Inc)/dec in Fixed Assets	-94.3	-15.4	-78.4	-62.0
Others	0.0	0.0	0.0	0.0
CF from investing act	194.4	-161.1	-35.0	-69.5
Issue/(Buy back) of Equity	-2.6	0.0	0.0	0.0
Inc/(dec) in loan funds	-7.0	0.0	2.0	2.0
Dividend paid & dividend tax	0.0	0.0	-111.3	-125.3
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	0.0	7.6	0.0	0.0
CF from financing act	-239.8	-0.9	-94.7	-130.4
Net Cash flow	111.0	18.5	-50.9	20.5
Opening Cash	38.4	149.4	168.0	117.0
Closing Cash	149.4	168.0	117.0	137.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	46.2	46.2	46.2	46.2
Reserve and Surplus	837.1	852.1	876.2	902.3
Total Shareholders funds	883.3	898.4	922.4	948.6
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	0.0	0.0	2.0	4.0
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	919.2	926.6	957.7	990.8
Assets				
Gross Block	581.3	628.3	690.3	752.3
Less: Acc Depreciation	219.2	270.7	328.3	394.4
Net Block	362.1	357.5	361.9	357.9
Capital WIP	0.0	0.0	0.0	0.0
Total Fixed Assets	374.2	341.1	361.9	357.9
Investments	210.5	281.9	286.9	291.9
Inventory	171.2	154.8	181.7	194.4
Debtors	238.9	203.0	270.1	305.5
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	20.6	24.7	30.2	34.2
Cash	149.4	168.0	117.0	137.6
Total Current Assets	634.6	570.8	658.4	738.9
Creditors	279.1	317.5	321.6	363.8
Provisions	20.6	24.7	30.2	34.2
Total Current Liabilities	365.8	399.7	440.6	498.4
Net Current Assets	268.8	171.1	217.8	240.5
Others Assets	0.0	0.0	0.0	0.0
Total Assets	919.2	926.6	957.7	990.8

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	6.4	0.4	4.9	6.5
Cash EPS	8.6	2.5	7.4	9.4
BV	38.2	38.9	39.9	41.0
DPS	0.0	0.0	4.0	4.5
Cash Per Share	6.5	7.3	5.1	5.9
Operating Ratios (%)				
EBITDA Margin	12.5	7.3	10.9	12.3
PBT / Total Operating income	8.1	0.8	6.4	7.5
PAT Margin	8.1	0.8	6.4	7.5
Inventory days	34.3	42.5	37.0	35.0
Debtor days	47.9	55.7	55.0	55.0
Creditor days	55.9	87.2	65.5	65.5
Return Ratios (%)				
RoE	16.3	3.3	12.4	16.0
RoCE	22.2	6.5	17.0	21.8
RoIC	25.4	7.6	18.4	24.7
Valuation Ratios (x)				
P/E	28.2	401.7	36.5	27.5
EV / EBITDA	17.6	41.2	20.8	16.1
EV / Net Sales	2.2	3.0	2.3	2.0
Market Cap / Sales	2.3	3.1	2.3	2.1
Price to Book Value	4.7	4.6	4.5	4.4
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.3	1.0	1.2	1.2
Quick Ratio	0.9	0.6	0.8	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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