FORCE MOTORS

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FORCE MOTORS

- Force Motors Ltd is an Indian multinational automotive manufacturing company, based in Pune. From 1958 until 2005, the company was known as Bajaj Tempo motors because it originated as a joint venture between Bajaj Auto and Germany's Tempo for manufacturing auto component.
- Force motors Ltd was established in 1958, is the flagship company of the Abhay Firodia group The company is in the business of manufacturing fully vertically integrated small and light CVs. Multi-utility vehicles. and agricultural tractors, which it supplies to various countries in the middle east, Asia, Latin America, and Africa. It was known as Bajaj Tempo till 2005

Financial Performance

- Force Motors has demonstrated strong financial performance in recent periods, with significant growth in both revenue and net profit. The company has also shown improvements in key areas like debt reduction and cash flow management. However, some reports suggest potential overvaluation based on certain metrics.

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- Force Motors Ltd. is a holding company, which engages in the design, development, and manufacture of automotive components, aggregates, and vehicles. The company is headquartered in Pune, Maharashtra. The company went IPO on 2019- 08-19. The firm is engaged in the design, development, and manufacture of automotive components, aggregates and vehicles. The firm's range of products include Light Commercial Vehicles (LCV), Multi-Utility Vehicles (MUV), Small Commercial Vehicles (SCV), Special Utility Vehicles (SUV) and Agricultural Tractors. lts Agricultural Vehicles include Balwan 500, Orchard Mini, Sanman 5000 and Abhiman 4X4. lts Commercial vehicles include ambulances, school buses, passenger carriers and goods carriers. The company also has vehicles under the name Gurkha. The company provides solutions for transport-both goods, as well as passenger-rugged, transport solutions for rural or urban, long distance or local, over good roads or bad tracks. The firm exports its range of products to various countries in the Middle East, Asia, Latin America and Africa

Financial Performance

- Revenue Growth: Force Motors saw a 38-1% increase in revenue in FY24, reaching Rs 70,312 million compared to Rs 50,910 million in FY23.
- Profitability: Net profit surged by 190.3% in FY24, reaching Rs 3,882 million, compared to Rs 1,337 million in FY23.
- Margin Improvement: Net profit margins improved from 2.7% in FY23 to 5.6% in FY24.
- Debt Reduction: The company has significantly decreased its debt by 430.26 Cr.
- . Cash Flow: Force Motors exhibits strong cash flow management, with a CFO/PAT ratio of 4.65.

Key Strengths

- Profit and revenue growth: the company has demonstrated strong profit and revenue growth over the past three years.
- Debt Reduction: Force Motors has successfully reduced its debt burden.
- Efficient cash Management: The company,s cash conversion cycle is efficient, and it has a healthy interest coverage ratio.
- Strong Promoter Holding: Force Motors has a high promoter holding of 61.63.
- Operating Leverage: The company benefits from a strong degree of operating leverage

Potential Concerns

- Overvaluation:
- Marketsmojo suggests that Force Motors might be considered overvalued based on certain valuation metrics.
- Fluctuating Net profit:
- Trendlyne.com also mentions a decline in net profile in one instance due to a fall in other income and higher tax costs.
- Analyst Recommendations:
- Buy: Some research reports suggest a ‘Buy‘ rating for Force Motors.
- Hold: Other reports suggest ‘Hold’ rating.
- Target Price: several reports suggest a target price for Force Motors shares.

Overall

- Force motors has shown positive financial performance, particularly in recent years. However, potential investors should be aware of the mixed analyst recommendations and the possibility of overvaluation. lt is advisable to conduct thorough research and analysis before making any investment decisions. The Indian Auto Industry comes in the top 5 largest auto industries of the world. India is also a prominent auto exporter and has strong export growth expectations for the near future. The support from the government is providing the auto companies with a boost needed in their development. But will it sustain?

Analysis

- We can look into more details and dig a little deeper into the analysis of the stock of this sector. Force Motors stock price today is Rs 14800. Let's look at how Force Motors is performing and if it is the right time to buy the stock of Force Motors with detailed analysis.
- The mainstream of revenue for Auto Sector is their sales, Force Motors has reported outstanding sales growth of 39.04 % and in the latest quarter sales was Rs 2,355.89 Cr. To judge whether the company's inventory is being sold or not and the sales picture is true, inventory turnover ratio plays a major role, which is 7.03 limes for Force motors . It is managing its inventory poorly .

Growth and Roe

- Force motors reported Profit growth of 164.18 % over the year, where the latest year profit is Rs 401.69 Cr compared to the previous year of Rs 152.05 Cr. The new permits by governments and increasing demand will lead to an increase in profits in the coming year. The operating profit of Force Motors in the latest quarter is Rs 329.12 Cr. lt helps in measuring the company's operating performance which is used to make financing decisions.
- Force Motors has a average ROE of 18.87 %. The ROE is an important financial parameter because Auto companies work with high equity investments. Also, they have to take huge debt to incur the research and manufacturing work so their Debt to Equity ratio should be evaluated. Force motors has a low Debt to Equity ratio of 0.23.

HOLDING SHARE

- The share of promoter in Force Motors is high at 61.63 %, where the pledging Is 0%. What the market is willing to pay for the company for its earnings can be determined by PE multiple. Current PE of Force Motors is 24.38 compared to the 5 year average PE of 10.11 . Share Price: - The current share price of Force Motors is Rs 14800. One can use valuation calculators of ticker to know if Force Motors share price is undervalued or overvalued.