

# Bharat Forge

Estimate change



TP change



Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	BHFC IN
Equity Shares (m)	466
M.Cap.(INRb)/(USDb)	147.3 / 2.2
52-Week Range (INR)	533 / 208
1, 6, 12 Rel. Per (%)	-11/-19/-18
12M Avg Val (INR M)	813

## Consol. Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	80.6	68.3	83.3
EBITDA	13.5	11.2	17.4
Adj. PAT	4.3	1.3	6.7
Cons. Adj. EPS (INR)	9.2	2.7	14.4
EPS Gr. (%)	-58.4	-70.4	427.4
BV/Sh. (INR)	112.1	114.8	126.5
<b>Ratios</b>			
Net D:E	0.7	0.7	0.6
RoE (%)	8.1	2.4	11.9
RoCE (%)	6.1	2.4	8.3
RoIC(%)	6.7	2.0	10.8
Payout (%)	30.4	0.0	19.0
<b>Valuations</b>			
P/E (x)	34.3	116.0	22.0
P/BV (x)	2.8	2.8	2.5
EV/EBITDA(x)	16.5	22.6	11.7
Div. Yield (%)	0.6	0.0	0.7
FCF Yield (%)	3.8	7.6	5.5

## Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	45.8	45.8	45.8
DII	15.9	15.4	13.0
FII	20.7	20.5	19.4
Others	17.6	18.4	21.9

FII Includes depository receipts

**CMP: INR 317 TP: INR385 (+22%)**
**Buy**
**Below est.; Op. deleverage hurts; Expect business to bottom out**
**Deep-down cycle to hurt all businesses, except PVs**

- Bharat Forge's (BHFC) 4QFY20 results were hit across segments, which led to sharp erosion in EBITDA margins. While the worst is expected in 1HFY21, leading indicators point toward possible sharp recovery in FY22E. We believe BHFC will emerge stronger from this down-cycle, strengthen its position in the global supply chain and possibly benefit from the potential diversification from China.
- We have cut EPS for FY21/FY22E by 79%/16% to factor in the weakness in all the key industries that BHFC serves. Maintain **Buy**.

**Pressure across geographies/businesses; Op. deleverage hurts margins**

- S/A revenue/EBITDA/PAT declined ~47%/69%/99% to ~INR8.8b/INR1.5b/INR17m YoY. FY20 revenue/EBITDA/PAT declined ~30%/45%/49% YoY.
- While tonnage declined 36% YoY, realizations dropped 18% YoY (-4% QoQ) to INR219.3k/t (v/s est. ~INR236.2k) due to the adverse mix.
- Auto segment revenues declined ~43% YoY, impacted by the decline across CVs/PVs – 57%/19% in domestic and ~39%/18% in exports. Non-auto segment revenue declined ~56% YoY, impacted by exports plunging ~68% and domestic revenue plummeting ~38% decline.
- EBITDA margins declined 1,220bp YoY (-540bp QoQ) to 16.8% (v/s est. 20.3%) due to operating deleverage. Lower other income, higher interest cost and forex loss of ~INR380m (v/s gain of ~INR323m in 4QFY19) resulted in 97% YoY decline in recurring PBT to ~INR156m (v/s est. ~INR1.2b).

**Highlights from management commentary**

- **Class 8 trucks:** Post COVID-19, CY20E forecast by ACT Research for Class-8 trucks is ~160k units (v/s 240k units earlier; 50% decline over CY19).
- **PVs to do better for BHFC:** As PVs have developed fairly unique products in chassis/structural components (in aluminum), it is expected to fare well for the company. The same is true for driveline and powertrain components, which are exported from India. Except for engine components, all other products are slotted into Hybrid and EVs.
- **Aerospace – high focus area:** It's the most impacted industry due to COVID-19. However, BHFC has won significant amount of business from a new customer. It is on track to achieve USD40-50m revenue in 2-3 years (from current USD3-4m).
- **Oil and Gas:** While BHFC has acquired 3 new customers for new products, business will still get affected. Current break-even of Shale oil is USD35/bbl.
- **Cost optimization initiatives:** BHFC is further targeting cost reduction of 25-30%, the benefit of which should be visible from 2QFY21. This will structurally reduce the break-even point further.

**Valuation and view**

- We estimate consol. revenue/EBITDA/PAT at 2%/15%/25% CAGR (FY20-22E). The stock trades at 22x FY22E consol. EPS and 11.7x EV/EBITDA. Maintain **Buy** with TP of ~INR385 (~25x Jun'22E consol. EPS).

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## S/A Quarterly

(INR Million)

	FY19				FY20				FY19	FY20	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
<b>Tonnage</b>	<b>66,815</b>	<b>69,683</b>	<b>66,764</b>	<b>62,690</b>	<b>60,874</b>	<b>53,541</b>	<b>46,998</b>	<b>40,173</b>	<b>265,952</b>	<b>201,586</b>	<b>40,711</b>
Change (%)	21.3	18.8	2.6	-3.6	-8.9	-23.2	-29.6	-35.9	9.9	-24.2	-35.1
<b>Realization (INR '000/ton)</b>	<b>221.5</b>	<b>241.0</b>	<b>253.5</b>	<b>266.2</b>	<b>221.2</b>	<b>235.2</b>	<b>229.1</b>	<b>219.3</b>	<b>245.2</b>	<b>226.4</b>	<b>236.2</b>
Change (%)	1.6	12.4	18.6	18.1	-0.1	-2.4	-9.6	-17.6	11.7	-7.7	-11.3
<b>Net operating income</b>	<b>14,797</b>	<b>16,792</b>	<b>16,925</b>	<b>16,686</b>	<b>13,466</b>	<b>12,595</b>	<b>10,767</b>	<b>8,812</b>	<b>65,200</b>	<b>45,639</b>	<b>9,616</b>
Change (%)	23.2	33.5	21.7	13.8	-9.0	-25.0	-36.4	-47.2	22.6	-30.0	-42.4
<b>EBITDA</b>	<b>4,288</b>	<b>4,754</b>	<b>4,869</b>	<b>4,849</b>	<b>3,519</b>	<b>3,004</b>	<b>2,394</b>	<b>1,482</b>	<b>18,761</b>	<b>10,399</b>	<b>1,954</b>
EBITDA Margins (%)	29.0	28.3	28.8	29.1	26.1	23.9	22.2	16.8	28.8	22.8	20.3
Non-Operating Income	343	338	478	501	401	495	398	315	1,660	1,609	476
Interest	253	321	136	315	388	291	356	415	1,024	1,450	304
Depreciation	824	914	907	821	886	893	823	847	3,466	3,449	903
Fx loss/(gain)	2	410	-389	-323	24	-197	38	379	-300	244	0
<b>PBT after EO items</b>	<b>3,552</b>	<b>3,447</b>	<b>4,694</b>	<b>4,538</b>	<b>2,622</b>	<b>2,512</b>	<b>1,575</b>	<b>-783</b>	<b>16,231</b>	<b>5,926</b>	<b>1,223</b>
Eff. Tax Rate (%)	34.0	34.0	34.0	34.0	33.6	2.5	18.8	6.4	34.0	20.1	26.0
<b>Rep. PAT</b>	<b>2,345</b>	<b>2,275</b>	<b>3,098</b>	<b>2,995</b>	<b>1,741</b>	<b>2,449</b>	<b>1,278</b>	<b>-733</b>	<b>10,713</b>	<b>4,735</b>	<b>904</b>
Change (%)	33.9	11.7	35.8	198.5	-25.7	7.6	-58.7	-124.5	32.7	-55.8	-69.8
<b>Adj. PAT</b>	<b>2,345</b>	<b>2,275</b>	<b>3,098</b>	<b>2,995</b>	<b>1,741</b>	<b>2,449</b>	<b>1,278</b>	<b>17</b>	<b>10,713</b>	<b>5,486</b>	<b>904</b>
Change (%)	33.9	11.7	35.8	59.6	-25.7	7.6	-58.7	-99.4	19.7	-48.8	-69.8

## Key Performance Indicators

Segment Mix	FY19				FY20				FY19	FY20	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Auto	8,822	9,415	9,512	9,467	8,565	7,276	6,250	5,274	36,912	27,359	6,342
Growth (%)	34.1	30.3	15.0	2.3	-2.9	-22.7	-34.3	-44.3	21.4	-25.9	-33.0084
Contribution (%)	61.6	57.5	56.2	56.7	65.5	59.6	59.9	62.4	58.2	61.9	67.8
Non-Auto	5,492	6,970	7,413	7,219	4,519	4,929	4,182	3,176	26,565	16,811	3,010
Growth (%)	1.2	30.2	31.6	33.5	-17.7	-29.3	-43.6	-56.0	23.5	-36.7	-58.3028
Contribution (%)	38.4	42.5	43.8	43.3	34.5	40.4	40.1	37.6	41.8	38.1	32.2
<b>Total</b>	<b>14,314</b>	<b>16,385</b>	<b>16,925</b>	<b>16,686</b>	<b>13,084</b>	<b>12,205</b>	<b>10,432</b>	<b>8,450</b>	<b>63,477</b>	<b>44,170</b>	<b>9,352</b>
<b>Tonnage</b>	<b>66,815</b>	<b>69,683</b>	<b>66,764</b>	<b>62,690</b>	<b>60,874</b>	<b>53,541</b>	<b>46,998</b>	<b>40,173</b>	<b>265,952</b>	<b>201,586</b>	<b>40,711</b>
Change (%)	21.3	18.8	2.6	-3.6	-8.9	-23.2	-29.6	-35.9	9.9	-24.2	-35.1
Realization (INR '000/ton)	221	241	254	266	221	235	229	219	245	226	236
Change (%)	1.6	12.4	18.6	18.1	-0.1	-2.4	-9.6	-17.6	11.7	-7.7	-11.3
<b>Net operating revenues</b>	<b>14797</b>	<b>16792</b>	<b>16925</b>	<b>16686</b>	<b>13466</b>	<b>12595</b>	<b>10767</b>	<b>8812</b>	<b>65200</b>	<b>45639</b>	<b>9616</b>
Change (%)	23.2	33.5	21.7	13.8	-9.0	-25.0	-36.4	-47.2	22.6	-30.0	-42.4
RM/Sales %	36.1	39.1	36.8	37.3	37.0	40.1	39.0	36.9	37.4	38.3	38
Staff Cost (% of sales)	8.3	7.3	7.2	7.1	9.2	9.7	11.0	13.5	7.5	10.6	11
Other Cost (% of sales)	26.6	25.4	27.2	26.5	27.7	26.3	27.8	32.8	26.4	28.3	30.6
Gross Margin (%)	63.9	60.9	63.2	62.7	63.0	59.9	61.0	63.1	62.6	61.7	62.1
EBITDA Margins (%)	29.0	28.3	28.8	29.1	26.1	23.9	22.2	16.8	28.8	22.8	20.3
EBIT Margins (%)	23.4	22.9	23.4	24.1	19.6	16.8	14.6	7.2	23.5	15.2	10.9

E:MOFSL Estimates

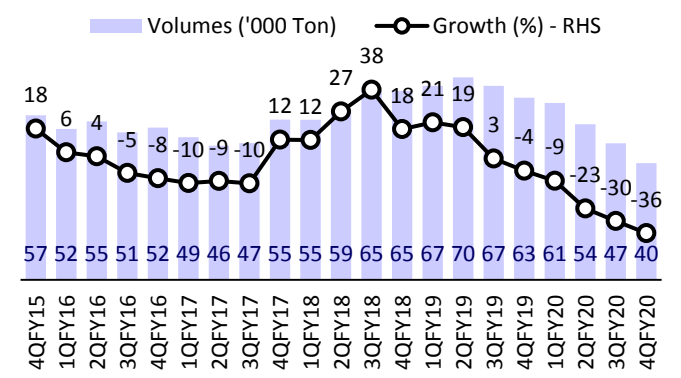


## Management call highlights

- **COVID-19 impact:** Estimated sales loss due to the COVID-19 led lockdown stood at INR2b, which impacted profitability by ~INR900m.
- Despite cost reduction initiatives and aid from various governments globally to take care of the partial wage cost, overseas operations are expected to post cash loss of ~EUR5m during 1HCY20.
- **Status of production:** No production during Apr-May'20. Production started in Jun'20 at 60-70% capacity utilization.
- **Overseas operations:** The US/Europe are operating at 50%/40% capacity utilization. PVs in the US/Europe are operating at 70%/~55%.
- **Class 8 truck's outlook:** Post COVID-19, CY20E forecast by ACT Research for Class 8 trucks is ~160k units (v/s 240k units earlier; 50% decline over CY19).

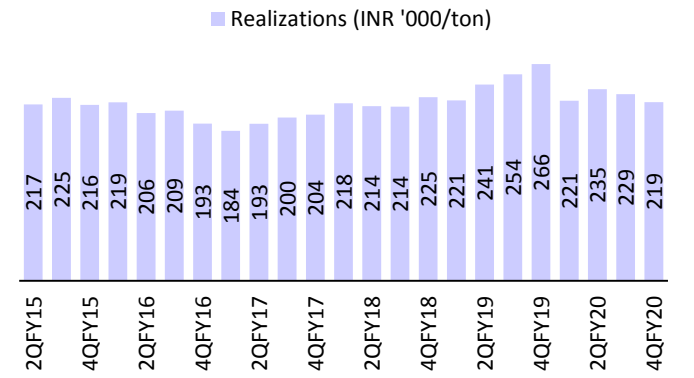
- **PVs to do better for BHFC:** As PVs have developed fairly unique products in chassis/structural components (in aluminum), BHFC is expected to fare well. The same is true for driveline and powertrain components, which are exported from India. Except for engine components, all other products are slotted into Hybrid and EVs.
- **Aerospace – high focus area:** It’s the most impacted industry due to COVID-19. However, BHFC has won significant amount of business from a new customer. It is on track to achieve USD40-50m revenue in 2-3 years (from current USD3-4m).
- **Oil and Gas:** Despite BHFC acquiring 3 new customers for new products, business will be affected. Current break-even for Shale oil is USD35/bbl.
- **Cost optimization initiatives:** BHFC is further targeting cost reduction of 25-30%, the benefit of which should be visible from 2QFY21. This will structurally reduce the break-even point further.
- **Exceptional items** of INR939m consists INR890m toward (a) impairment of investments in Tevva Motors, and (b) INR49 for VRS.
- **Tevva Motors’ impairment:** Took one-time impairment loss of INR890m investments in Tevva Motors due to uncertainty. However, BHFC has access to the technology. Currently, a team is working on technology transfer to India to ensure BHFC is part of the EV supply chain and supports local customers.
- **Capex:** There will be no capex in FY21 except for maintenance capex of INR1-1.2b. However, cash flow will be stronger on the back of higher receivables (v/s payables from previous orders). The company is also reassessing its plans to put up an aluminum forging plant in the US, which could service business from EU plants.
- BHFC is focused on filling up capacities added over the last 3 years and generate free cash flows, which will be utilized to bring down gross debt levels over the next 3-5 years.

Exhibit 1: Volume trend



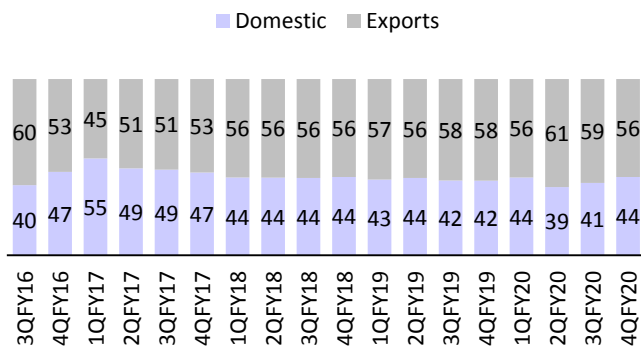
Source: Company, MOFSL

Exhibit 2: Trend in realizations



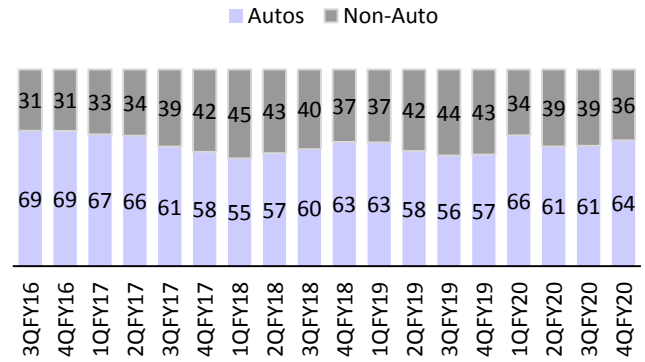
Source: Company, MOFSL

**Exhibit 3: Market mix trend**



Source: Company, MOFSL

**Exhibit 4: Trend in product mix**



Source: Company, MOFSL

**Exhibit 5: Revenue break-up**

INR m	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
India	6,518	6,354	7,358	7,170	7,060	5,939	4,870	4,414	3,916
Growth (%)	23	20	33	18	8	-7	-34	-38	-45
Contribution (%)	44	43	44	42	42	44	39	41	44
US	5,614	5,739	6,618	6,590	7,075	5,302	5,475	4,508	3,396
Growth (%)	57	31	39	21	26	-8	-17	-32	-52
Contribution (%)	38	39	39	39	42	39	43	42	39
EU	2,334	2,503	2,537	2,654	2,233	1,853	1,896	1,652	1,426
Growth (%)	13	34	32	38	-4	-26	-25	-38	-36
Contribution (%)	16	17	15	16	13	14	15	15	16
Others	200	201	280	511	318	372	354	193	73
Growth (%)	-38	-56	-21	22	59	85	26	-62	-77
Contribution (%)	1	1	2	3	2	3	3	2	1
<b>Total</b>	<b>14,666</b>	<b>14,797</b>	<b>16,793</b>	<b>16,925</b>	<b>16,686</b>	<b>13,466</b>	<b>12,595</b>	<b>10,767</b>	<b>8,811</b>
Growth (%)	30	23	33	22	14	-9	-25	-36	-47

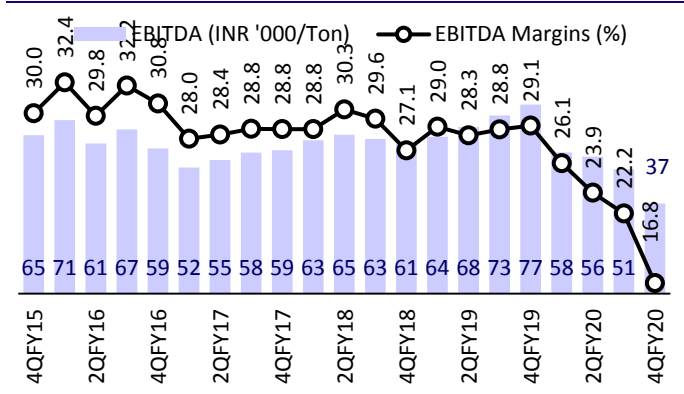
Source: Company, MOFSL

**Exhibit 6: Revenue break-up**

INR M	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)
<b>Domestic</b>	<b>3,916</b>	<b>7,060</b>	<b>-44.5</b>	<b>4,414</b>	<b>-11.3</b>
% of total revenues	44.4	42.3		41.0	
<b>Autos</b>	<b>1,525</b>	<b>2,950</b>	<b>-48.3</b>	<b>1,719</b>	<b>-11.3</b>
% of total revenues	17.3	17.7		16.0	
CVs	983	2,278	-56.8	1,109	-11.4
% of total revenues	11.2	13.7		10.3	
PVs	542	672	-19.3	610	-11.1
% of total revenues	6.2	4.0		5.7	
Industrial	1,773	2,873	-38.3	1,934	-8.3
% of total revenues	20.1	17.2		18.0	
Others	618	1,237	-50.0	761	-18.8
% of total revenues	7.0	7.4		7.1	
<b>Exports</b>	<b>4,896</b>	<b>9,626</b>	<b>-49.1</b>	<b>6,353</b>	<b>-22.9</b>
% of total revenues	55.6	57.7		59.0	
<b>Autos</b>	<b>3,493</b>	<b>5,280</b>	<b>-33.8</b>	<b>4,105</b>	<b>-14.9</b>
% of total revenues	39.6	31.6		38.1	
CVs	2,388	3,925	-39.2	2,956	-19.2
% of total revenues	27.1	23.5		27.5	
PVs	1,105	1,355	-18.5	1,149	-3.8
% of total revenues	12.5	8.1		10.7	
Industrial	1,403	4,346	-67.7	2,248	-37.6
% of total revenues	15.9	26.0		20.9	
<b>Total Revenues</b>	<b>8,812</b>	<b>16,686</b>	<b>-47.2</b>	<b>10,767</b>	<b>-18.2</b>

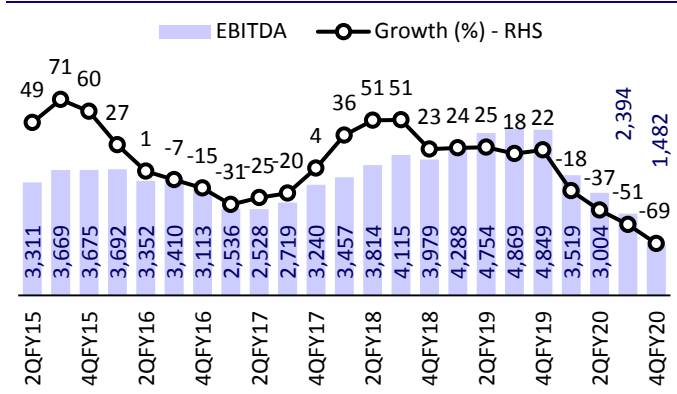
Source: Company, MOFSL

**Exhibit 7: Trend in EBITDA margins**



Source: Company, MOFSL

**Exhibit 8: EBITDA growth trend**



Source: Company, MOFSL

**Valuation and view**

**Continued focus on de-risking business and increasing value-adds**

In the last decade, BHFC broadened its revenue stream by entering new segments (non-auto) and global markets, resulting in auto business’ share declining from ~80% in FY07 to ~62% in FY20. Further, it has increased value-addition by focusing on machined components, the contribution of which has increased to ~50%, boosting realizations and margins. Now, it is focused on adding new lines of businesses beyond steel forgings in the form of (a) aluminum forging, (b) non-metal materials, and, (c) electronic components for EVs. The benefit of these initiatives will start reflecting from FY21, driving not just revenue growth but aiding improvement in profitability and capital efficiencies.

**Auto business: Near term challenges in CVs; PVs to witness ramp-up**

While the worst cyclical pressures in domestic CVs have been elongated due to the impact of COVID-19, outlook for the US and EU is weak for CY20. In the last 1.5 years, BHFC has developed capabilities in truck transmission parts, which should improve its content per truck considerably and drive growth in the CV segment over the next 3-5 years. The PV segment is a focus area as this segment offers an opportunity size of 4x that of CVs. To tap this opportunity, BHFC is focusing on increasing customer penetration and moving up the value chain, and is already making in-roads. BHFC expects current contribution from the PV segment of ~12% to double over the next 2-3 years.

**Non-auto: Aerospace and Defense ramp up to dilute weakness in Oil and Gas**

The Oil and Gas segment is expected to remain under pressure due to weak oil prices. Aerospace, despite near-term challenges, is on track to see ramp-up to revenues of USD40-50m over the next 2-3 years, driven by new customer wins. Defense is another large opportunity where BHFC is very well prepared, but visibility on ramp-up is poor due to elongated timelines. Over the next 3-5 years, Defense has the potential to drive strong growth for BHFC.

**BHFC to come out stronger; Benefit from possible diversification from China**

BHFC will come out stronger from this down-cycle, strengthen its position in global supply chain and possibly benefit from the possible diversification from China. Unlike previous down-cycles, BHFC is more resilient with diversified revenue stream,

more value-added content, methodical reduction in break-even points and leverage on books. For the next decade, it has seeded many new segments (Aerospace, Defense, PVs, etc.) and new technology (aluminum forging, other lightweight materials, electrical components, etc.). This is particularly exciting due to the possible (a) consolidation driven by the ongoing COVID-19 challenges, and (b) diversification and realignment of global supply chains.

**Valuation and view**

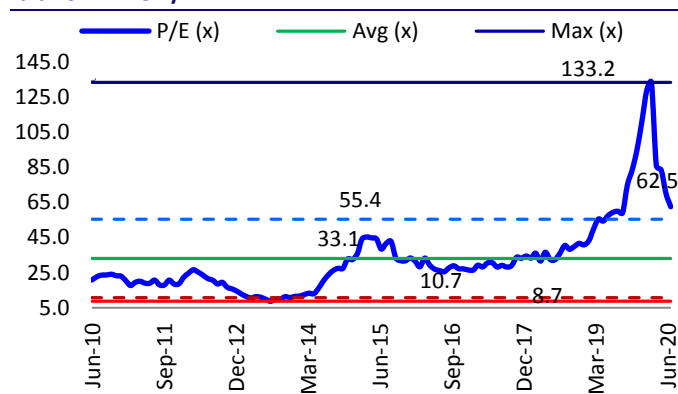
We have lowered our EPS for FY21/FY22E EPS by 79%/16% to factor in the weakness in all key industries served. After the last two years of strong performance in all its core businesses and the ramp-up in nascent businesses, the cycle has turned negative for BHFC’s core business of CVs and Oil and Gas. While near-term outlook is challenging, we believe BHFC is much better placed than that in the previous cycles. We believe it would emerge stronger with more diversified revenue streams. We estimate consol. revenue/EBITDA/PAT to grow at CAGR of 2%/17%/26% (FY20-23E). This would be driven by the continued ramp-up in PVs/Aerospace, strong growth in the aluminum forging business (global and India), recovery in CVs/Oil and Gas in FY22E as well as cost-cutting initiatives. The stock trades at 22x FY22E consol. P/E and 11.7x EV/EBIDTA of FY22E. We are increasing our target P/E multiple to 25x Jun’22E consol. EPS (in line with 10-year average P/E of 24.8x) due to early recovery cycle in FY22E. Maintain **Buy** with TP of ~INR385.

**Exhibit 9: Revised Forecast (Consol.)**

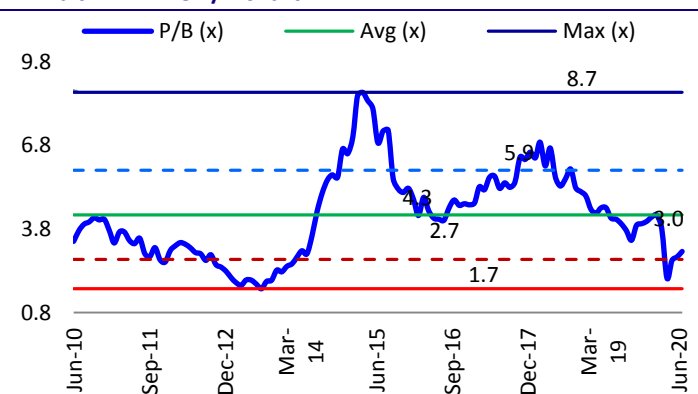
(INR M)	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	68,287	78,247	-12.7	83,276	88,932	-6.4
EBITDA (%)	11.2	15.6	-440bp	17.4	17.3	0bp
Net Profit	1,262	5,949	-78.8	6,691	7,968	-16.0
EPS (INR)	2.7	12.8	-78.6	14.4	17.1	-15.9

Source: MOFSL

**ibit 10: BHFC P/E**



**Exhibit 11: BHFC P/B chart**



Source: MOFSL

## Key Operating Metrics

INR M	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Autos	22,434	25,058	21,796	28,525	34,148	25,194	18,431	22,885
% of total revenues	54	63	60	57	56	60	57	57
CV	19,277	21,448	18,016	23,419	26,900	17,884	10,756	12,907
% of total revenues	46	54	50	47	44	43	33	32
PV	3,157	3,610	3,780	5,106	7,248	7,310	7,676	9,978
% of total revenues	8	9	10	10	12	17	24	25
Non-Autos	19,461	14,929	14,366	21,505	26,565	16,811	13,782	17,534
% of total revenues	46	37	40	43	44	40	43	43
<b>Total Net Op Revenues</b>	<b>45,481</b>	<b>43,054</b>	<b>38,647</b>	<b>53,160</b>	<b>65,200</b>	<b>45,639</b>	<b>35,006</b>	<b>43,617</b>
Growth (%)	34	-5	-10	38	23	-30	0	0
Subsidiary Revenues	30,742	25,037	25,315	30,417	36,257	34,919	33,280	39,659
Growth (%)	-7	-19	1	20	19	-4	-5	19
<b>Net Consolidated Revenues</b>	<b>76,222</b>	<b>68,092</b>	<b>63,962</b>	<b>83,577</b>	<b>101,457</b>	<b>80,558</b>	<b>68,287</b>	<b>83,276</b>
Growth (%)	13	-11	-6	31	21	-21	-15	22
S/A EBITDA margins (%)	29.8	31.0	28.5	31.5	28.8	22.8	18.5	23.3
Consol EBITDA margins (%)	18.9	20.7	19.6	20.6	20.3	13.5	11.2	17.4
<b>Consol EPS (INR)</b>	<b>15.8</b>	<b>14.1</b>	<b>13.1</b>	<b>18.4</b>	<b>22.2</b>	<b>9.2</b>	<b>2.7</b>	<b>14.4</b>
Growth (%)	64.0	-10.8	-7.0	40.7	20.3	-58.4	-70.4	427.4

Source: MOFSL

## Financials and Valuations

### Consolidated - Income Statement

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Net Sales</b>	<b>76,222</b>	<b>68,092</b>	<b>63,962</b>	<b>83,577</b>	<b>101,457</b>	<b>80,558</b>	<b>68,287</b>	<b>83,276</b>
Change (%)	13.5	-10.7	-6.1	30.7	21.4	-20.6	-15.2	22.0
<b>EBITDA</b>	<b>14,390</b>	<b>14,081</b>	<b>12,511</b>	<b>17,230</b>	<b>20,556</b>	<b>10,905</b>	<b>7,639</b>	<b>14,477</b>
Margin (%)	18.9	20.7	19.6	20.6	20.3	13.5	11.2	17.4
Depreciation	3,623	4,530	4,521	4,669	5,208	5,477	5,641	6,069
<b>EBIT</b>	<b>10,766</b>	<b>9,551</b>	<b>7,990</b>	<b>12,561</b>	<b>15,348</b>	<b>5,428</b>	<b>1,998</b>	<b>8,408</b>
Int. and Finance Charges	1,356	1,160	1,000	1,065	1,272	1,713	1,477	1,267
Other Income - Rec.	1,367	1,321	1,193	1,420	2,028	1,879	1,596	1,509
<b>PBT bef. EO Exp.</b>	<b>10,777</b>	<b>9,713</b>	<b>8,183</b>	<b>12,916</b>	<b>16,104</b>	<b>5,593</b>	<b>2,117</b>	<b>8,650</b>
EO Expense/(Income)	-428	55	-1,284	955	0	789	0	0
<b>PBT after EO Exp.</b>	<b>11,205</b>	<b>9,658</b>	<b>9,468</b>	<b>11,961</b>	<b>16,104</b>	<b>4,804</b>	<b>2,117</b>	<b>8,650</b>
Current Tax	3,587	3,165	2,492	4,418	5,664	1,125	855	1,959
Deferred Tax	0	0	0	0	0	0	0	0
Tax Rate (%)	32.0	32.8	26.3	36.9	35.2	23.4	40.4	22.6
<b>Reported PAT</b>	<b>7,618</b>	<b>6,493</b>	<b>6,976</b>	<b>7,544</b>	<b>10,440</b>	<b>3,680</b>	<b>1,262</b>	<b>6,691</b>
<b>PAT Adj for EO items</b>	<b>7,327</b>	<b>6,530</b>	<b>6,030</b>	<b>8,498</b>	<b>10,440</b>	<b>4,284</b>	<b>1,262</b>	<b>6,691</b>
Change (%)	64.4	-10.9	-7.7	40.9	22.8	-59.0	-70.6	430.4
Margin (%)	9.6	9.6	9.4	10.2	10.3	5.3	1.8	8.0
Less: Minority Interest	-30	-31	-70	-81	118	-9	-9	-9
<b>Net Profit</b>	<b>7,357</b>	<b>6,561</b>	<b>6,100</b>	<b>8,579</b>	<b>10,322</b>	<b>4,293</b>	<b>1,270</b>	<b>6,700</b>

### Consolidated - Balance Sheet

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	466	466	466	931	931	931	931	931
Total Reserves	32,039	33,667	40,698	45,586	52,829	51,266	52,536	57,965
<b>Net Worth</b>	<b>32,504</b>	<b>34,132</b>	<b>41,164</b>	<b>46,517</b>	<b>53,761</b>	<b>52,197</b>	<b>53,468</b>	<b>58,896</b>
Minority Interest	-35	-43	100	294	298	320	320	320
Deferred Liabilities	2,754	1,628	2,606	2,147	2,062	507	507	507
Total Loans	33,619	34,445	31,241	32,570	37,728	38,784	36,784	34,784
<b>Capital Employed</b>	<b>68,843</b>	<b>70,162</b>	<b>75,111</b>	<b>81,528</b>	<b>93,850</b>	<b>91,807</b>	<b>91,078</b>	<b>94,506</b>
Gross Block	57,108	66,569	72,328	80,211	54,985	64,236	76,863	79,863
Less: Accum. Deprn.	30,697	35,227	39,560	45,217	18,739	24,216	29,857	35,926
<b>Net Fixed Assets</b>	<b>26,411</b>	<b>31,343</b>	<b>32,768</b>	<b>34,994</b>	<b>36,246</b>	<b>40,020</b>	<b>47,005</b>	<b>43,937</b>
Capital WIP	4,008	4,088	4,532	3,438	8,307	11,427	1,000	1,000
<b>Total Investments</b>	<b>5,624</b>	<b>8,854</b>	<b>11,916</b>	<b>15,011</b>	<b>15,237</b>	<b>16,180</b>	<b>18,180</b>	<b>20,180</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>45,156</b>	<b>38,299</b>	<b>39,192</b>	<b>46,324</b>	<b>55,993</b>	<b>47,197</b>	<b>46,889</b>	<b>56,214</b>
Inventory	8,664	9,968	10,752	13,599	18,447	17,347	11,225	13,689
Account Receivables	15,967	14,038	13,419	19,605	21,478	14,938	15,341	18,709
Cash and Bank Balance	6,261	4,493	3,361	3,041	4,755	5,751	11,530	13,093
Loans and Advances	14,265	9,800	11,661	10,080	11,314	9,161	8,793	10,723
<b>Curr. Liability &amp; Prov.</b>	<b>12,356</b>	<b>12,422</b>	<b>13,296</b>	<b>18,240</b>	<b>21,933</b>	<b>23,017</b>	<b>21,997</b>	<b>26,825</b>
Creditors	9,026	8,372	8,463	13,268	13,664	10,309	11,225	13,689
Other Current Liabilities	1,759	2,394	2,980	3,019	6,200	10,000	8,477	10,338
Provisions	1,571	1,656	1,853	1,953	2,069	2,707	2,295	2,798
<b>Net Current Assets</b>	<b>32,800</b>	<b>25,877</b>	<b>25,896</b>	<b>28,085</b>	<b>34,060</b>	<b>24,181</b>	<b>24,892</b>	<b>29,389</b>
<b>Appl. of Funds</b>	<b>68,842</b>	<b>70,162</b>	<b>75,111</b>	<b>81,528</b>	<b>93,850</b>	<b>91,807</b>	<b>91,078</b>	<b>94,506</b>

E: MOFSL Estimates



## Financials and Valuations

### Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR) *</b>								
EPS	15.8	14.1	13.1	18.4	22.2	9.2	2.7	14.4
Cash EPS	23.5	23.7	22.7	28.3	33.6	21.0	14.8	27.4
BV/Share	69.8	73.3	88.4	99.9	115.5	112.1	114.8	126.5
DPS	3.7	3.7	3.8	4.5	5.0	2.0	0.0	2.2
Payout (%)	27.6	32.4	30.1	33.4	26.8	30.4	0.0	19.0
<b>Valuation (x) *</b>								
P/E	20.0	22.5	24.2	17.2	14.3	34.3	116.0	22.0
P/BV	4.5	4.3	3.6	3.2	2.7	2.8	2.8	2.5
EV/Sales	2.3	2.6	2.7	2.1	1.8	2.2	2.5	2.0
EV/EBITDA	12.1	12.6	14.0	10.3	8.8	16.5	22.6	11.7
Dividend Yield (%)	1.2	1.2	1.2	1.4	1.6	0.6	0.0	0.7
FCF per share	16.2	28.7	17.5	8.6	-4.7	12.0	24.2	17.4

### Return Ratios (%)

RoE	24.8	19.7	16.2	19.6	20.6	8.1	2.4	11.9
RoCE (Post-tax)	13.9	10.9	9.6	11.6	13.2	6.1	2.4	8.3
RoIC	16.4	12.2	10.9	13.7	15.8	6.7	2.0	10.8

### Working Capital Ratios

Fixed Asset Turnover (x)	1.3	1.0	0.9	1.0	1.8	1.3	0.9	1.0
Inventory (Days)	41	53	61	59	66	79	60	60
Debtor (Days)	76	75	77	86	77	68	82	82
Creditor (Days)	43	45	48	58	49	47	60	60
Working Capital Turnover (Days)	127	115	129	109	105	84	71	71

### Leverage Ratio (x)

Debt/Equity	1.0	1.0	0.8	0.7	0.7	0.7	0.7	0.6
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\* Adjusted for treasury stocks

### Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Operating PBT	11,223	9,551	9,468	11,961	16,104	5,046	1,998	8,408
Depreciation	3,624	4,530	4,520	4,669	5,208	5,477	5,641	6,069
Other income	1,358	1,328	-536	1,902	52	3,208	1,604	1,518
Direct Taxes Paid	-4,088	-4,291	-2,729	-3,925	-5,502	-2,331	-855	-1,959
(Inc)/Dec in WC	-1,240	5,156	-214	-3,979	-6,747	4,607	5,067	-2,933
<b>CF from Operations</b>	<b>10,877</b>	<b>16,273</b>	<b>10,510</b>	<b>10,628</b>	<b>9,115</b>	<b>16,008</b>	<b>13,455</b>	<b>11,103</b>
<b>CF from Operating incl EO</b>	<b>10,877</b>	<b>16,219</b>	<b>10,517</b>	<b>9,674</b>	<b>9,115</b>	<b>15,219</b>	<b>13,455</b>	<b>11,103</b>
(inc)/dec in FA	-7,113	-9,526	-6,439	-5,684	-11,318	-9,618	-2,200	-3,000
<b>Free Cash Flow</b>	<b>3,764</b>	<b>6,693</b>	<b>4,078</b>	<b>3,990</b>	<b>-2,203</b>	<b>5,601</b>	<b>11,255</b>	<b>8,103</b>
(Pur)/Sale of Investments	1,913	-3,231	-405	-2,458	-433	-1,705	-2,000	-2,000
<b>CF from Investments</b>	<b>-5,201</b>	<b>-12,756</b>	<b>-6,844</b>	<b>-8,142</b>	<b>-11,751</b>	<b>-11,322</b>	<b>-4,200</b>	<b>-5,000</b>
Inc/(Dec) in Debt	-621	825	-2,118	-38	7,521	1,082	-2,000	-2,000
Interest Paid	-1,460	-1,160	-1,048	-875	-1,038	-1,380	-1,477	-1,267
Dividend Paid	-1,519	-2,101	-841	-2,522	-2,806	-3,335	0	-1,272
<b>CF from Fin. Activity</b>	<b>-3,599</b>	<b>-5,230</b>	<b>-4,007</b>	<b>-3,144</b>	<b>3,676</b>	<b>-3,633</b>	<b>-3,477</b>	<b>-4,539</b>
<b>Inc/Dec of Cash</b>	<b>2,077</b>	<b>-1,768</b>	<b>-334</b>	<b>-1,612</b>	<b>1,040</b>	<b>263</b>	<b>5,779</b>	<b>1,564</b>
Add: Beginning Balance	2,397	0	3,579	2,723	2,030	2,862	5,751	11,530
<b>Closing Balance</b>	<b>4,474</b>	<b>-1,768</b>	<b>3,245</b>	<b>1,111</b>	<b>3,070</b>	<b>3,126</b>	<b>11,530</b>	<b>13,093</b>

E: MOFSL Estimates; \* Adjusted for treasury stocks

NOTES