

Hero Motocorp

BSE SENSEX 38,980 S&P CNX 11,516



Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USDb)	611.6 / 8.3
52-Week Range (INR)	3180 / 1475
1, 6, 12 Rel. Per (%)	2/39/12
12M Avg Val (INR M)	3336
Free float (%)	65.2

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	288.4	310.6	373.9
EBITDA	39.6	42.4	55.5
Adj. PAT	30.6	31.2	40.7
EPS (INR)	153.0	155.9	203.5
EPS Gr. (%)	-9.7	1.9	30.5
BV/Sh. (INR)	707.7	747.5	818.5

Ratios

RoE (%)	22.6	21.4	26.0
RoCE (%)	22.0	21.0	25.5
Payout (%)	71.8	73.4	65.1

Valuations

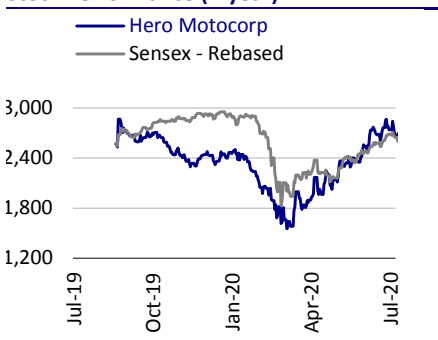
P/E (x)	20.0	19.6	15.1
P/BV (x)	4.3	4.1	3.7
Div. Yield (%)	2.9	3.1	3.6
FCF Yield (%)	6.6	4.7	6.6

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	34.8	34.6	34.6
DII	21.7	19.9	18.6
FII	32.7	34.3	35.2
Others	10.8	11.2	11.6

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR3,062 TP: INR3,900 (+27%) Upgrade to BUY

Increased volume visibility, with levers to drive upside

GST cut; focus on bolstering weak areas could drive growth, re-rating

- HMCL is in a sweet spot as strong rural-led recovery plays to its strength in the Economy–Executive category in the Motorcycles segment. With an apt product portfolio for the rural market, the highest brand recall, and a strong distribution network, it is best placed to benefit from low penetration and ongoing momentum in the rural economy.
- HMCL’s competitive positioning has improved in both the 100cc and 125cc categories post BS6. This is attributable to the narrowing of the price differential in the Economy segment (vis-à-vis BJAUTs CT100) and product upgrades in Executive 125cc. This would enable further recovery in market share in FY21 – signs of recovery are visible YTD.
- HMCL has a very weak presence in other segments such as Scooters, Premium Motorcycles and Exports, which contribute over 55% to the 2W industry. It has just 5% market share in these segments. Learning from its lack of success, it has course-corrected in each of these segments and is returning with renewed strategy. If HMCL turns second-time lucky in either of these segments, it could potentially add another volume driver, in turn supporting the core portfolio. We see initial signs of acceptance for HMCL’s products in the market in all these three segments.
- While there is no clarity on whether the GST cut would actually happen and whether it would be across 2W segments, we do believe that there is a case for GST cuts for commuter segment (100–125cc 2Ws). This augurs well for HMCL considering >95% of volumes come from <125cc segment (incl. Scooters). Anecdotal evidence suggests the biggest benefit could accrue to the <125cc segment, which would benefit HMCL the most.
- We estimate FY21 volumes to decline 7%, implying 24.5% growth for the remaining 7 months or a run-rate of 610k units. For FY22, we estimate 20% volume growth, which is effectively the benefit of normalization of volumes over Apr–Jul’21 and flattish volumes for the remaining 8 months. We estimate EBITDA margins to return to the 14.5–15% range in FY22/FY23E, from 13.7% in FY20/FY21E and 14.7% in FY19.
- We believe HMCL has multiple re-rating triggers including: 1) the return of volume growth, 2) a possible foothold in Premium Motorcycles, Scooters, and/or Exports, and 3) a speculated GST cut.
- We upgrade our FY21E/FY22E EPS estimates by 3%/15% to factor in for faster volume recovery. The stock trades at 15.1x/14.1x FY22/23E EPS, implying a 20–25% discount to 5-year average P/E of 18x. Unlike the last 5 years, we expect EPS to grow at a 12% CAGR over FY20–23E. Hence, we now value HMCL at 18x Sep’22 EPS (at 5-year average P/E v/s 16x earlier) to factor improved volume visibility. We upgrade to BUY (from Neutral), with TP of INR3,900 (18x Sep’22 EPS + INR100/share for NBFCs).

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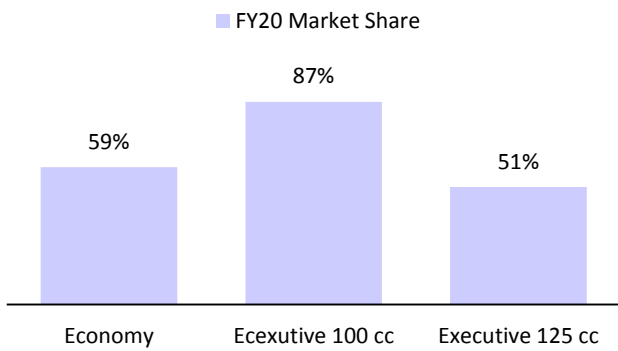
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Best positioned portfolio for rural market

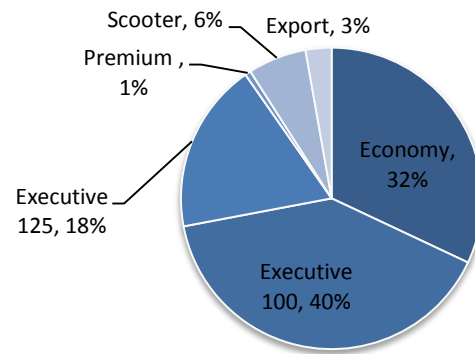
- Hero leads the market in the Entry and Executive segments, with very strong brand equity in the rural markets, resulting in premium pricing.
- It has the best positioned portfolio, with HF Deluxe in the Economy segment, Splendor in Executive 100cc, and Super Splendor / Glamour in Executive 125cc, covering all the price points with multiple variants.
- It enjoys market leadership in these rural-focused segments, with FY21 YTD market share of 60%/90%/53% in the Economy / Executive 100 / Executive 125cc segment.
- With an apt product portfolio for the rural market, the highest brand value, and a strong distribution network, Hero is best placed to benefit from low penetration and ongoing momentum in the rural economy.

Exhibit 1: HMCL is undisputed market leader in <125cc Motorcycles (FY20 market share; %)...



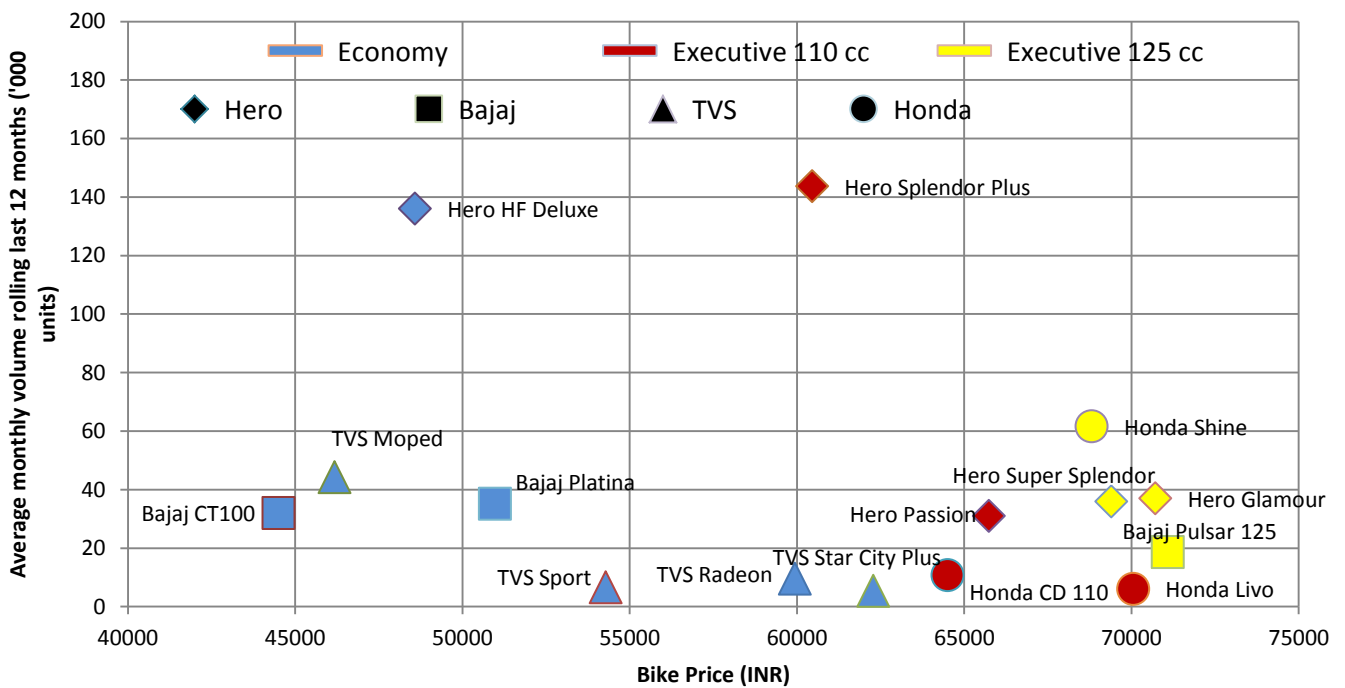
Source: SIAM; MOFSL

Exhibit 2: ...and these segments contribute over 90% to HMCL's FY20 volumes (% of domestic volumes)



Source: SIAM, MOFSL

Exhibit 3: Model-wise price v/s volumes: Hero has complete entry-level portfolio covering all pricing points

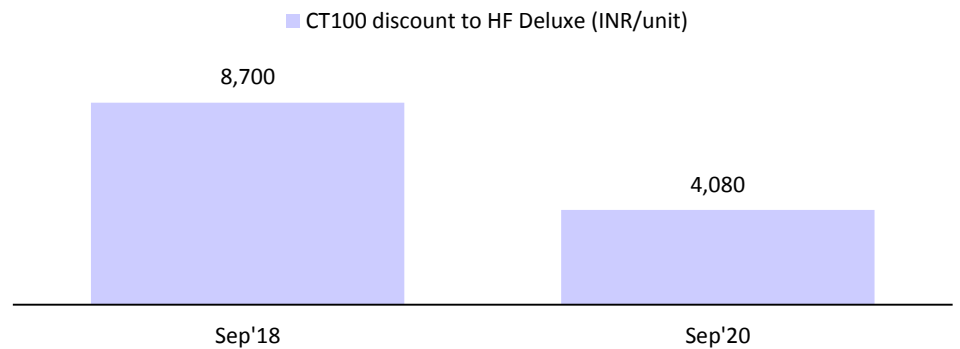


Source: SIAM; MOFSL

Improved competitive positioning in 100cc/125cc segment

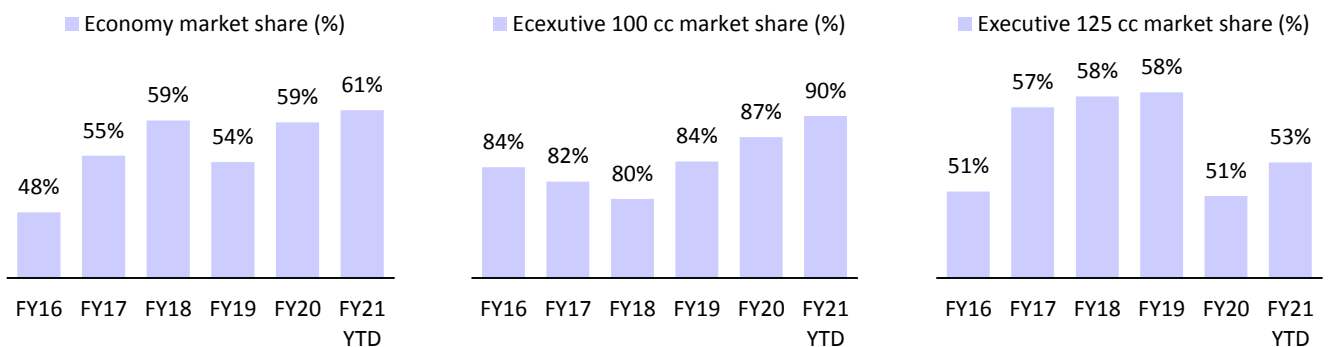
- HMCL ended FY20 with ~59% market share in the 100cc Economy segment (v/s ~54% in FY19) despite the high price differential with CT100. Now, with substantial decline in the price differential, it is expected to gain further market share.
- In Sep'18, the price differential between Hero's entry-level model HF Deluxe and Bajaj CT100 was ~INR8.7k; this has contracted to ~INR4k post BS6 in favor of HF Deluxe.
- HMCL's market share in Executive 100cc was at ~87% in FY20 (v/s 84% in FY19), and with the launch of the new Passion, it has gained further market share to 90% in FY21YTD.
- The Executive 125cc segment's contribution increased to 17.3% FY21YTD (v/s 13.3% in FY20). This momentum is expected to continue with: 1) upgrades as the price differential has decreased between the Economy and Executive segments post BS6 and 2) uptrading, driven by good liquidity in the agri-economy.
- HMCL's market share declined by 700bp to ~51% in FY20 in the 125cc segment post the launch of the Bajaj Pulsar 125. However, post the launch of the new Super Splendor and Glamour, it regained market share by 225bps FY21YTD. It is well-positioned in the segment with the Super Splendor and Glamour products.
- Our feedback from the rural areas confirms upgrades as it is seeing a multifold increase in the sale of 125cc models, against only minimal sales earlier, supported by higher rural income.

Exhibit 4: HMCL's HF Deluxe pricing has got more competitive post-BS6



Source: Company, MOFSL

Exhibit 5: HMCLs has further fortified its presence in its area of strength

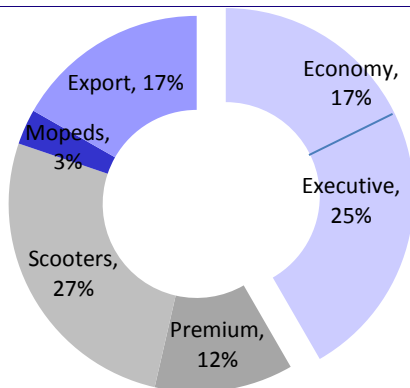


Source: Company, MOFSL

Focus on addressing >55% of 2W market, wherein it has 5% share...

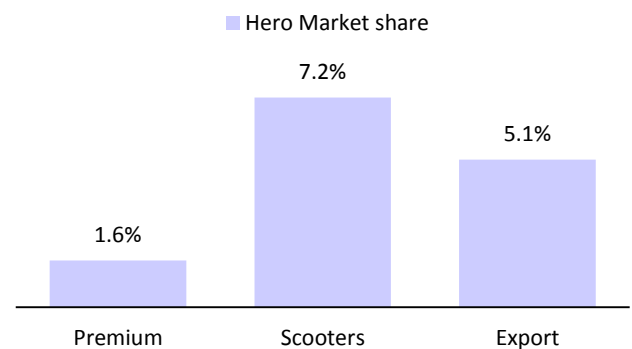
- HMCL has a stronghold in the Entry/Executive Motorcycles segment, which contributes over 90% to HMCL’s volumes. On the other hand, it has a very weak presence in other segments such as Scooters, Premium Motorcycles, and Exports. These weak segments for HMCL comprise over 55% of the 2W industry, and HMCL holds just 5% market share in them.
- HMCL has been working on its weak areas over the last several years and has thus far met with limited success. Learning from its lack of success, it has course-corrected in each of these segments and is returning with renewed strategy.
- In Premium Motorcycles, it is focusing on getting the entire product portfolio in place in the 150–400cc segments (implying 1–2 new launches over the next few years). In Scooters, it is focusing on the 125cc Scooters segment to start with. Conversely, in Exports, it has focused on getting distribution in place over the last few years and is now concentrating on getting market-specific products in place.
- HMCL’s lack of success in any segment beyond Entry/Executive has been our biggest concern. If the company turns second-time lucky in either of these segments, it could potentially add another volume driver, in turn supporting the core portfolio.

Exhibit 6: HMCL barely has presence in over 55% of 2W industry volumes...



Source: SIAM, MOFSL

Exhibit 7: ...as it has ~5% market share in these segments



Source: SIAM, MOFSL

...with initial signs of acceptance visible in all three areas of opportunity

- With the launch of Xtreme 160R, HMCL marked its entry in the 150–200cc segments, which contribute ~70% to the total Premium volumes. Features such as the naked-sports look, all-LED lights, the lowest kerb weight, best fuel economy in the segment, and on par performance specs make it a complete package. Our channel checks suggest initial inquiries are exciting as the model is creating quite a buzz. Its plans to launch 1–2 new models annually would further help sustain momentum, recreate its brand value, and gain market share.
- In Scooters, HMCL’s Destini 125 has captured respectable market share in the segment, although the company still lacks a sporty model such as TVS Ntorq, Honda Grazia, or Suzuki Burgman. HMCL’s pricing in Scooters is the lowest in the respective categories, without any compromise on specifications. Moreover, with new launches, it has higher upside potential in market share gains than downside.

- HMCL expanded its global footprint to more than 40 countries in FY20, up from just four countries in FY12. To achieve this, it adopted market-specific strategies viz: a) premiumization in Asian countries and the LATAM region through 150–160cc models, b) ‘Africanization’ through bespoke strategy in Africa’s taxi segment, c) ‘Scooterization’ in Asia with the new Pleasure 110 and Destini 125 models, d) the strengthening of retail finance, and e) digitalization for generating sales leads. HMCL has tasted initial success in the Bangladesh market through its differentiated strategy of having local assembly, resulting in the company achieving the #2 position in this market.

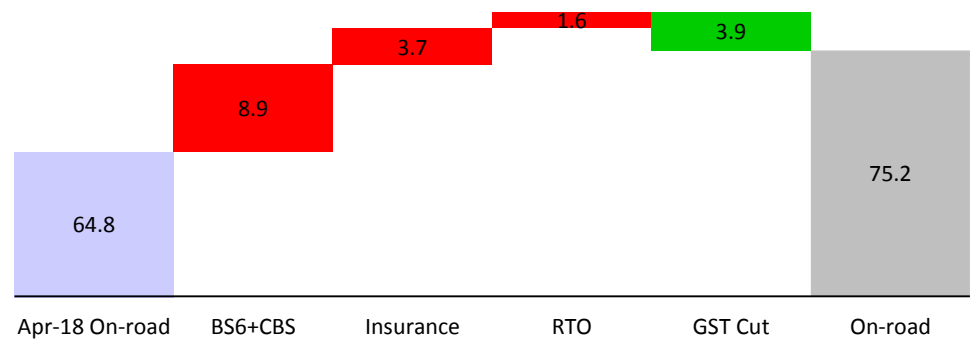
Exhibit 8: HMCL’s Xtreme 160R seems to offer well-rounded package

	Hero Xtreme 160R	TVS Apache RTR 160 4V	Bajaj Pulsar NS160	Honda X-Blade
Ex-Showroom Price Mumbai	103,500	104,000	107,002	112,629
Max Power	15 bhp @ 8,500 rpm	15.6 bhp @ 8,250 rpm	17.03 bhp @ 9,000 rpm	13.67 bhp @ 8,000 rpm
Max Torque	14 Nm @ 6,500 rpm	14.12 Nm @ 7,250 rpm	14.6 Nm @ 7,250 rpm	14.7 Nm @ 5,500 rpm
Cooling System	Air Cooled	Oil Cooled	Oil Cooled	Air Cooled
Mileage (Kmpl)	50	45	42	50
Kerb Weight (kg)	139	149	151	144
Braking System	Single Channel ABS	Single Channel ABS	Single Channel ABS	Single Channel ABS
Front Suspension	Telescopic with Anti-friction bush	Telescopic Forks	Telescopic with Anti-friction Bush	Telescopic
Rear Suspension	7 step Rider-adjustable Monoshock	Mono Shock	Nitrox mono shock absorber with Canister	Hydraulic, Monoshock
Tachometer	Digital	Digital	Analogue	Digital
Headlight Type	LED	LED With AHO	Halogen	LED
Turn Signal	LED	LED	Bulb	LED
Starting	Kick and Self Start	Self Start Only	Kick and Self Start	Kick and Self Start

Source: Company, MOFSL

Possible GST cut – HMCL the biggest beneficiary

- The finance minister had indicated the possibility of a GST cut in 2Ws, currently at the highest rate of 28%. Assuming no GST cut on components (resulting in an inverted duty structure), a 10pp cut in GST in 2Ws would lower cost to customer by 4–6%, as per our estimates.
- While there is no clarity on whether the GST cut would actually happen and whether this would be across 2W segments, we believe there is a case for GST cut for mass commuter 2W segments (100–125cc 2Ws). This augurs well for HMCL considering >95% of volumes come from the <125cc segment (incl. Scooters).
- Anecdotal evidence suggests any reasonable cut in indirect taxes has the potential to substantially boost 2W demand. During FY08–12, excise duty was reduced from 16.5% for FY08 to 12.4% (in Feb’08) and later to 8.4% (in Dec’08), and gradually raised to 12.4% (by Mar’12). Coincidentally, during this period of FY08–12, agricultural GDP also grew at a CAGR of 15.7%. As a result, <125cc Motorcycles/Scooters benefitted the most with a CAGR of 18%/25%.
- Interestingly, if the GST cut actually happens, it would be under similar circumstances – a low base due to the global crisis (GFC then and COVID-19 now) and strong momentum in agriculture, with the possibility of a repeat of strong double-digit growth in the <125cc segment.

Exhibit 9: GST cut, if implemented, would partly dilute sharp cost inflation for 2Ws

Source: Company, MOFSL

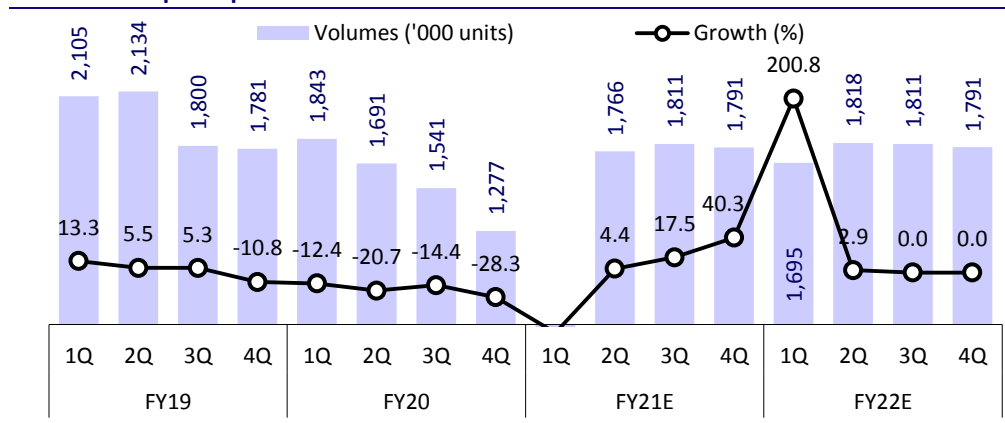
Exhibit 10: <125cc segment (incl. Scooters' volumes) boosted majorly post excise duty cut, which may also have benefitted from strong agri-GDP growth

	FY08	FY09	FY10	FY11	FY12	FY08-12 CAGR (%)
Excise duty on 2Ws (%)	16.48	12.36	8.36	10.36	10.36	
Nom Agri GDP/GVA Gr (%)	15.7	12.6	15.0	21.9	13.5	15.7
Dom. 2W ('000 units)						
<125cc M/C	4,256	4,158	5,479	6,510	8,170	17.7
>125cc M/C	1,513	1,674	1,862	2,506	1,891	5.7
Total M/C	5,768	5,832	7,341	9,016	10,061	14.9
Scooters	1,050	1,148	1,463	2,028	2,559	24.9
Mopeds	414	431	565	697	777	17.1
Total Dom. 2W	7,232	7,411	9,368	11,741	13,397	16.7
Dom. 2W Gr (%)	-7.8	2.5	26.4	25.3	14.1	

Source: SIAM, MOFSL

EBITDA margins to remain stable

- We estimate FY21 volumes to decline ~7%, implying 24.5% growth over the remaining seven months or a run-rate of ~610k units. For FY22, we estimate 20% volume growth, which is effectively the benefit of normalization of volumes during Apr–Jul'21 and implied 0% growth for the remaining eight months.
- Contrary to expectations of possible downtrading toward the Entry segment, the product mix has been fairly stable due to strength in the agri-economy. Also, no discounts are being offered currently owing to greater demand v/s supply. This has enabled the pass-through of cost inflation and is supporting dealer margins (INR1250/unit increase FY21YTD).
- An increase in core commodity prices, along with sharp inflation in precious metal prices, would pressure margins, which we estimate to have an impact of 100–150bp based on current spot prices. This would be offset by HMCL's cost-cutting program LEAP-II (target of 100bps of cost cuts) as well as operating leverage benefits.
- Hence, we estimate HMCL's EBITDA margins to return to the 14.5–15% range in FY22/FY23E, from 13.7% for FY20/FY21E and 14.7% in FY19.

Exhibit 11: HMCLs FY22 volumes are expected to grow 20% just due to normalization of volumes for Apr-Jul period

Source: Company, MOFSL

Valuation and view

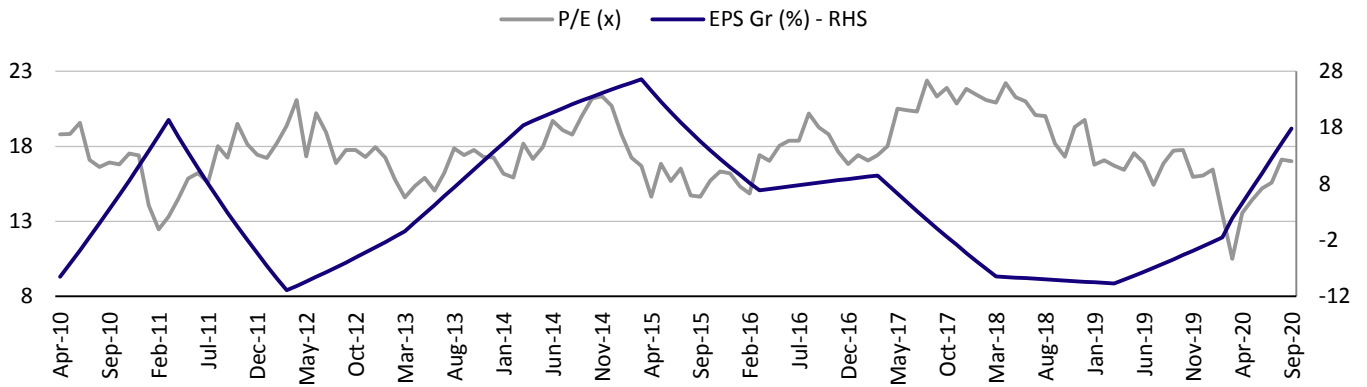
- We upgrade our FY21/FY22E EPS estimates by 3%/15% to factor faster volume recovery. We now build in volume growth of -7%/20% for FY21/FY22E.
- HMCL's revenues have been flat over FY15–20, and EPS has grown at a meager 2% CAGR. This is primarily due to value migration from its core Executive segment (near-monopoly and high margins) to Entry Motorcycles (strong presence, but low margins), Scooters (weak presence), and Premium (near-zero presence).
- We expect this value migration to arrest for the time being as rural prosperity augurs well for its strength in the Executive segment, while weak urban restricts uptrading.
- These factors, coupled with the optionality of GST cuts, as well as the possibility of HMCL acquiring a foothold in other segments, could increase growth visibility in the medium term. In fact, HMCL regaining a respectable presence in Premium Motorcycles, Scooters, and/or Exports would also lead to a re-rating as it would add additional growth streams.
- The stock trades at ~15.1x/14.1x FY22/23E EPS, implying a 20–25% discount to five-year average P/E of 18x. Unlike the last five years, we expect EPS to grow at a 12% CAGR over FY20–23E. Hence, we now value HMCL at 18x Sep'22 EPS (in line with five-year average PE v/s 16x earlier) to factor improved volume visibility and lower risk of value outflow from HMCL's strength areas.
- We upgrade HMCL to **BUY** (from Neutral), with TP of INR3,900, implying 27% upside (18x Sep'22 EPS + INR100/share for NBFCs post 20% Holdco discount).

Exhibit 12: Revised estimates

(INR b)	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	5,932	5,806	2.2	7,115	6,475	9.9
Net Sales	310.6	301	3.2	373.9	338	10.6
EBITDA	42.4	41	2.6	55.5	49	14.0
EBITDA Margins (%)	13.7	13.7	-10	14.9	14.4	40
Net Profit	31.2	30	2.6	40.7	35	15.4
EPS (INR)	155.9	151.9	2.6	203.5	176.2	15.4

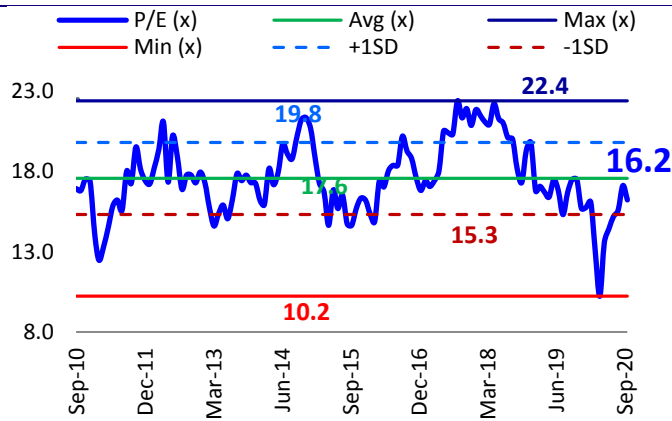
Source: MOFSL

Exhibit 13: HMCLs PE has got re-rated with earnings growth

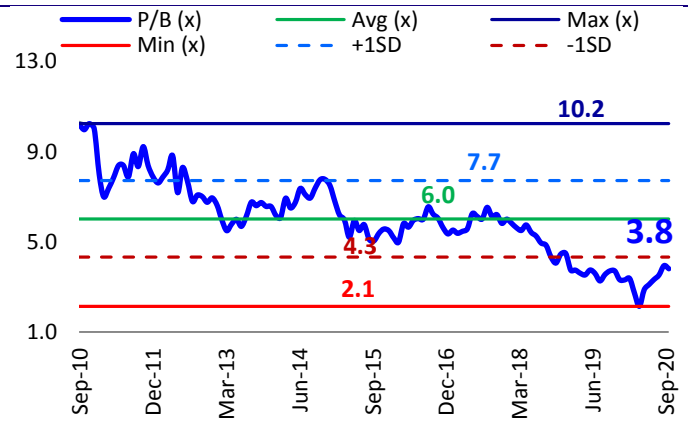


Source: Company, MOFSL

Exhibit 14: P/E and P/B band



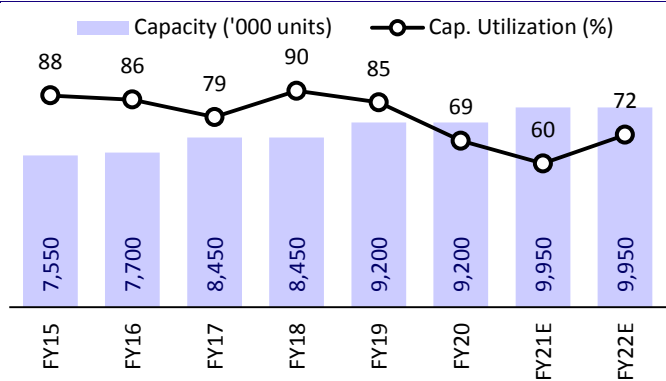
Source: MOFSL



Source: MOFSL

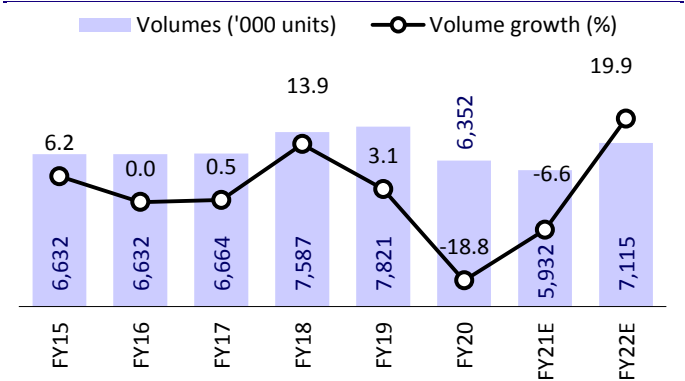
Story in charts

Exhibit 15: Adding capacity ahead of growth



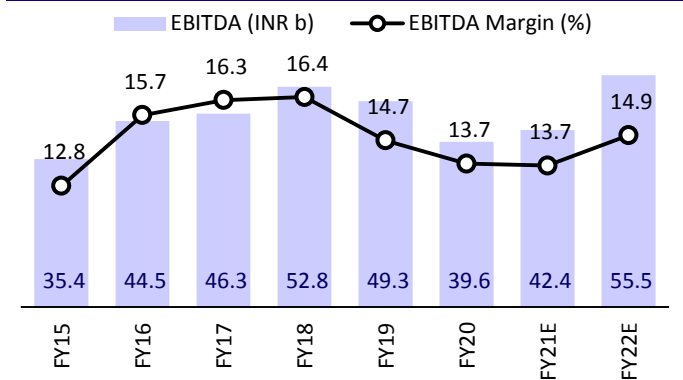
Source: Company, MOFSL

Exhibit 16: Volume recovery led by rural recovery, low base



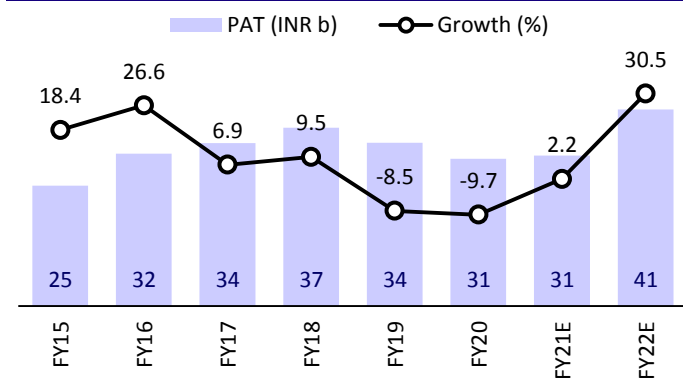
Source: Company, MOFSL

Exhibit 17: Operating leverage to expand EBITDA margin



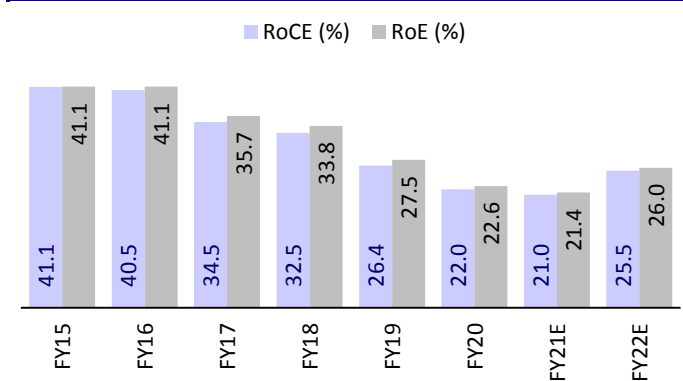
Source: Company, MOFSL

Exhibit 18: Volume growth translates to PAT growth



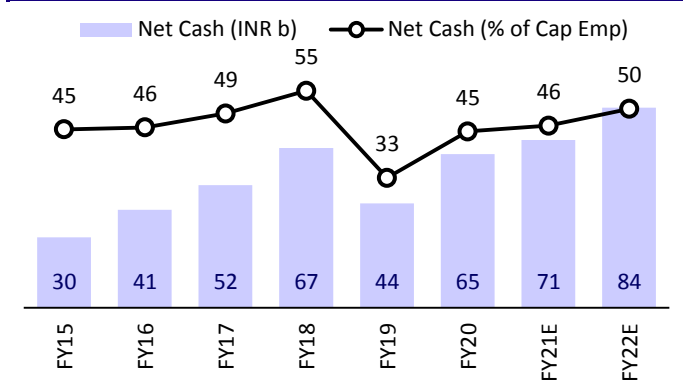
Source: Company, MOFSL

Exhibit 19: Trend in return ratios



Source: Company, MOFSL

Exhibit 20: Trend in cash levels



Source: Company, MOFSL

Exhibit 21: Snapshot of revenue model

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
'000 units								
Total M/Cycles	5,800	5,736	5,834	6,677	7,081	5,990	5,624	6,749
Growth (%)	4.7	-1.1	1.7	14.4	6.0	-15.4	-6.1	20.0
% of total volumes	87.5	86.5	87.5	88.0	90.5	94.3	94.8	94.9
Total Scooters	832	896	830	910	740	361	307	366
Growth (%)	17.6	7.7	-7.4	9.7	-18.7	-51.1	-15.0	19.0
% of total volumes	12.5	13.5	12.5	12.0	9.5	5.7	5.2	5.1
Total volumes	6,632	6,632	6,664	7,587	7,821	6,352	5,932	7,115
Growth (%)	6.2	0.0	0.5	13.9	3.1	-18.8	-6.6	19.9
- of which Exports	120	133	141	178	187	162	145	174
% of total volumes	2.0	2.2	2.3	2.6	2.6	2.8	2.7	2.7
Net Realizations (INR/unit)	41,596	42,886	42,768	42,480	43,027	45,398	52,358	52,550
Growth (%)	2.5	2.4	-0.5	-1.6	0.6	5.3	15.4	0.5
Net Revenues (INR b)	276	284	285	322	337	288	311	374
Growth (%)	9.1	3.1	0.2	13.1	4.4	-14.3	7.7	20.4

Source: SIAM, Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
Volumes ('000)	6,632	6,664	7,587	7,821	6,352	5,932	7,115	
Volume Growth (%)	0.0	0.5	13.9	3.1	-18.8	-6.6	19.9	
Net Revenues	284,427	285,005	322,305	336,505	288,360	310,571	373,891	
Change (%)	3.1	0.2	13.1	4.4	-14.3	7.7	20.4	
EBITDA	44,550	46,348	52,802	49,301	39,579	42,398	55,549	
EBITDA Margin (%)	15.7	16.3	16.4	14.7	13.7	13.7	14.9	
Depreciation	4,376	4,927	5,556	6,020	8,180	7,006	7,450	
EBIT	40,174	41,421	47,246	43,281	31,400	35,392	48,099	
Interest cost	49	61	63	86	220	230	250	
Other Income	4,224	5,224	5,258	6,913	7,283	5,900	5,938	
Non-recurring Expense	0	0	0	0	-7,274	0	0	
PBT	44,349	46,585	52,442	50,107	45,736	41,062	53,786	
Tax	12,747	12,813	15,468	16,259	9,404	9,851	13,054	
Effective Tax Rate (%)	28.7	27.5	29.5	32.4	20.6	24.0	24.3	
Adj. PAT	31,602	33,771	36,974	33,849	30,554	31,211	40,732	
Change (%)	26.6	6.9	9.5	-8.5	-9.7	2.2	30.5	

Balance Sheet							(INR m)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
Sources of Funds								
Share Capital	399	399	399	400	400	400	400	
Reserves	87,945	100,714	117,289	128,172	140,965	149,258	163,454	
Net Worth	88,344	101,113	117,689	128,571	141,364	149,658	163,854	
Deferred Tax	2,225	4,143	5,117	5,365	3,928	3,928	3,928	
Loans	0	0	0	0	0	0	0	
Capital Employed	90,569	105,256	122,805	133,936	145,292	153,587	167,783	
Application of Funds								
Gross Fixed Assets	91,263	103,772	111,344	116,282	138,161	136,574	144,574	
Less: Depreciation	55,420	59,816	64,799	70,097	76,991	83,996	91,447	
Net Fixed Assets	35,844	43,956	46,545	46,186	61,171	52,577	53,127	
Capital WIP	6,054	4,651	3,184	5,419	3,413	11,000	11,000	
Investments	45,810	58,899	75,252	59,686	82,227	82,227	82,227	
Curr.Assets, L & Adv.	38,021	39,438	42,407	65,121	40,683	50,932	73,318	
Inventory	6,730	6,563	8,236	10,724	10,920	9,851	11,871	
Sundry Debtors	12,828	15,619	15,202	28,216	16,031	20,523	24,731	
Cash & Bank Balances	1,314	1,367	1,413	1,365	2,419	8,370	22,028	
Loans & Advances	498	725	732	850	896	966	1,164	
Others	16,651	15,163	16,823	23,968	10,417	11,223	13,524	
Current Liab. & Prov.	35,159	41,686	44,583	42,476	42,201	43,149	51,889	
Sundry Creditors	26,506	32,473	33,188	33,553	30,305	32,648	39,343	
Other Liabilities	7,681	8,071	9,647	7,161	9,207	8,209	9,892	
Provisions	973	1,143	1,747	1,762	2,689	2,292	2,654	
Net Current Assets	2,861	-2,249	-2,176	22,646	-1,518	7,783	21,429	
Application of Funds	90,569	105,256	122,805	133,936	145,292	153,587	167,783	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
EPS	158.2	169.1	185.1	169.5	153.0	155.9	203.5
EPS Growth (%)	26.6	6.9	9.5	-8.5	-9.7	1.9	30.5
Cash EPS	180.2	193.8	213.0	199.6	222.8	190.9	240.7
Book Value per Share	442.4	506.3	589.3	643.7	707.7	747.5	818.5
DPS	72.0	85.0	95.0	87.0	90.0	95.0	110.0
Payout (Incl. Div. Tax) %	54.8	60.6	61.8	62.9	71.8	73.4	65.1
Valuation (x)							
P/E	19.3	18.1	16.5	18.1	20.0	19.6	15.1
EV/EBITDA	12.7	11.9	10.1	11.2	13.3	12.3	9.2
EV/Sales	2.0	1.9	1.7	1.6	1.8	1.7	1.4
Price to Book Value	6.9	6.0	5.2	4.8	4.3	4.1	3.7
Dividend Yield (%)	2.4	2.8	3.1	2.8	2.9	3.1	3.6
Profitability Ratios (%)							
RoE	41.1	35.7	33.8	27.5	22.6	21.4	26.0
RoCE	40.5	34.5	32.5	26.4	22.0	21.0	25.5
RoIC	85.3	77.3	80.0	53.0	40.0	49.3	69.7
Turnover Ratios							
Debtors (Days)	17	21	18	32	21	25	25
Inventory (Days)	9	9	10	12	15	12	12
Creditors (Days)	34	42	38	36	38	38	38
Working Capital (Days)	4	-3	-2	25	-2	9	21
Asset Turnover (x)	3.1	2.7	2.6	2.5	2.0	2.0	2.2
Fixed Asset Turnover	3.3	2.9	3.0	3.0	2.3	2.3	2.7

Cash Flow Statement

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
(INR m)							
Profit before Tax	44,349	46,585	52,442	50,107	45,736	41,062	53,786
Depreciation & Amort.	4,376	4,927	5,556	6,020	8,180	7,006	7,450
Direct Taxes Paid	-11,032	-11,865	-14,943	-20,515	-5,443	-9,851	-13,054
(Inc)/Dec in Working Capital	2,504	-1,527	-2,682	-19,189	12,027	-3,349	12
Other Items	1,834	4,129	1,723	-6,634	-6,399	230	250
CF from Oper. Activity	40,280	40,280	39,809	9,791	54,101	35,098	48,445
Extra-ordinary Items		0	0	0	6	0	0
CF after EO Items	40,280	40,280	39,809	9,791	54,107	35,098	48,445
(Inc)/Dec in FA+CWIP	-14,604	-11,491	-7,992	-9,179	-13,586	-6,000	-8,000
Free Cash Flow	25,676	28,790	31,816	611	40,515	29,098	40,445
(Pur)/Sale of Invest.	-8,203	-7,949	-11,160	22,392	-15,245	0	0
CF from Inv. Activity	-22,807	-19,439	-19,152	13,212	-28,831	-6,000	-8,000
Interest Paid	-49	-61	-63	-86	-874	-230	-250
Dividends Paid	-16,818	-20,896	-20,404	-22,854	-23,323	-22,918	-26,537
CF from Fin. Activity	-16,867	-20,956	-20,467	-22,940	-24,198	-23,148	-26,787
Inc/(Dec) in Cash	606	-116	190	63	1,078	5,950	13,658
Add: Beginning Balance	707	270	154	344	407	2,419	8,370
Closing Balance	1,313	154	344	407	1,485	8,369	22,028

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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