27 May 2021

4QFY21 Results Update | Sector: Automobile

Eicher Motors

Estimate changes	↓
TP change	↔
Rating change	↔

Bloomberg	EIM IN
Equity Shares (m)	273
M.Cap.(INRb)/(USDb)	712.1 / 9.8
52-Week Range (INR)	3036 / 1451
1, 6, 12 Rel. Per (%)	4/-13/12
12M Avg Val (INR M)	4283

Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
Sales	87.2	126.2	149.3
EBITDA	18.3	30.4	38.8
Adj. PAT	13.5	24.6	32.9
EPS (INR)	50.7	90.2	120.4
EPS Gr. (%)	-24.3	77.8	33.5
BV/Sh. (INR)	419	489	584
Ratios			
RoE (%)	12.9	19.6	22.4
RoCE (%)	12.6	19.6	22.4
Payout (%)	34.5	22.2	20.8
Valuations			
P/E (x)	51.4	28.9	21.6
P/BV (x)	6.2	5.3	4.5
Div. Yield (%)	0.7	0.8	1.0
FCF Yield (%)	1.7	3.6	3.7

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	49.2	49.2	49.3
DII	9.2	9.5	11.3
FII	29.1	28.9	27.7
Others	12.5	12.4	11.8

FII Includes depository receipts

CMP: INR2,605 TP: INR3,200 (+23%) Buy

In-line; upcoming launches critical to delivering strong growth

RE plans to launch new model every quarter

- Eicher Motors (EIM)'s 4QFY21 performance was in-line, supported by good volume recovery in both RE and VECV. Despite cost inflation, EBITDA margins per unit were stable QoQ. Good response to Meteor, upcoming launches of the new Classic, and normalized production would support RE volume recovery going forward. VECV is also firmly on the recovery path.
- We cut FY22E consol. EPS by 7%, accounting for the COVID impact on volumes and commodity inflation, while maintaining FY23E earnings estimates. Maintain **Buy**, with TP of INR3,200 (Mar'23 SOTP).

REs EBITDA/unit stable despite cost pressures; VECV misses estimates

- Consol. revenues/EBITDA/PAT grew 33%/58%/85% YoY to ~INR29.4b/INR6.8b/INR5.6b. FY21 consol. revenues/EBITDA/PAT declined 5%/16%/24% YoY.
- RE's 4QFY21 realizations grew 6.7% YoY (+1.7% QoQ) to INR142.8k (v/s est INR146k), driven by price hikes (~9% hike in FY21 and 3–8% across models since Jan'21) and a better mix.
- S/A revenues grew 34% YoY to INR29.2b (v/s est INR 29.9b). S/A gross margins declined 322bp YoY to 40.3% (in-line).
- S/A adj. EBITDA grew 47.5% YoY to INR6.7b (v/s est INR6.9b). Adj. EBITDA margins grew 210bp YoY (-60bp QoQ) to 22.9% (v/s est.23.2%). EBITDA per unit grew 17% YoY on low base, but was stable QoQ at INR32.7k (v/s INR33k in 3QFY21).
- VECV realizations grew 10% YoY (-5% QoQ) to INR1.99m (v/s est INR2.03m). EBITDA margins were 8.9% (+710bps YoY, +30bp QoQ v/s est 10%). PAT stood at INR1.26b (v/s est INR1.73b).

Highlights from management commentary

- RE demand remains strong on the back of a strong order book, expected pent-up demand, and a surge in export numbers. It has 2–3 months of order backlog, which would be catered to once the lockdowns are lifted. It expects to achieve 80k units/month in 2HFY22.
- RE has a very exciting pipeline of new products, with FY22 having the highest ever number of model launches.
- RE has reduced rhodium consumption by 66%; however, the benefit of this would be reflected in the coming quarters.
- RE added a total of 535 stores, including main stores (>100 stores) and studio stores (>430 stores), in FY21, taking the total number of outlets to 2,056 across 1,750 cities (from 1200 cities). Network expansion in India is largely complete, except in one state.

Valuation and view

- We believe the recently launched Meteor and upcoming products would help expand addressable markets and drive the next phase of growth for RE. The stock trades at 28.9x/21.6x FY22E/FY23E consol. EPS. Maintain **Buy**.

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Quarterly performance (Consolidated, INR m)

	FY20				FY21						FY21E
Y/E March	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**FY20**	**FY21**	**4QE**
Net Operating income	**23,819**	**21,925**	**23,710**	**22,082**	**8,182**	**21,336**	**28,283**	**29,403**	**91,536**	**87,204**	**29,089**
Growth (%)	-6.5	-9.0	1.3	-11.7	-65.7	-2.7	19.3	33.2	-6.6	-4.7	31.7
EBITDA	**6,144**	**5,414**	**5,923**	**4,322**	**38**	**4,711**	**6,720**	**6,844**	**21,804**	**18,313**	**6,436**
EBITDA Margins (%)	25.8	24.7	25.0	19.6	0.5	22.1	23.8	23.3	23.8	21.0	22.1
PAT	**4,309**	**5,644**	**4,821**	**3,183**	**102**	**3,472**	**5,012**	**4,571**	17,957	**13,158**	**4,630**
Share of JV Loss/(PAT)/ Min. Int.	-209	-83	-166	140	654	39	-314	-690	-317.1	-311	-943
Recurring PAT	**4,517**	**5,727**	**4,987**	**3,043**	**-552**	**3,433**	**5,326**	**5,634**	**18,274**	**13,841**	**5,573**
Growth (%)	-21.6	1.1	-6.4	-44.2	-112.2	-40.0	6.8	85.1	-17.7	-24.3	83.2
Standalone (Royal Enfield)											
Net operating income	**23,526**	**21,819**	**23,635**	**21,795**	**7,692**	**21,233**	**28,041**	**29,224**	**90,775**	**86,190**	**29,923**
Growth (%)	-7.6	-9.2	0.8	-12.8	-67.3	-2.7	18.6	34.1	-7.3	-5.1	37.3
EBITDA	**6,093**	**5,460**	**5,952**	**4,533**	**12**	**4,838**	**6,580**	**6,685**	**22,038**	**18,115**	**6,935**
EBITDA Margins (%)	25.9	25.0	25.2	20.8	0.2	22.8	23.5	22.9	24.3	21.0	23.2
Recurring PAT	**4,982**	**5,705**	**4,889**	**3,462**	**123**	**3,609**	**4,885**	**4,867**	**19,038**	**13,483**	**5,100**
Growth (%)	-15.7	15.8	-2.5	-27.9	-97.5	-36.7	-0.1	40.6	-7.8	-29.2	47.3
VECV: Quarterly performance											
Net Op. Income	**22,550**	**20,040**	**21,640**	**21,010**	**6,410**	**17,030**	**26,800**	**36,020**	**85,244**	**86,760**	**36,877**
Growth (%)	-13.6	-32.4	-23.2	-34.5	-71.6	-15.0	23.8	71.4	-26.5	1.8	75.5
EBITDA	**1,250**	**1,050**	**1,375**	**370**	**-720**	**1,180**	**2,305**	**3,200**	**4,013**	**5,920**	**3,682**
EBITDA Margins (%)	5.5	5.2	6.4	1.8	-11.2	6.9	8.6	8.9	4.7	6.8	10.0
Recurring PAT	**380**	**150**	**300**	**-214**	**-1,200**	**-74**	**580**	**1,263**	**583**	**574**	**1,730**
Growth (%)	-67.8	-89.4	-60.6	-115.4	-416.3	-149.3	93.6	-690.1	-87.7	-1.5	-790.4

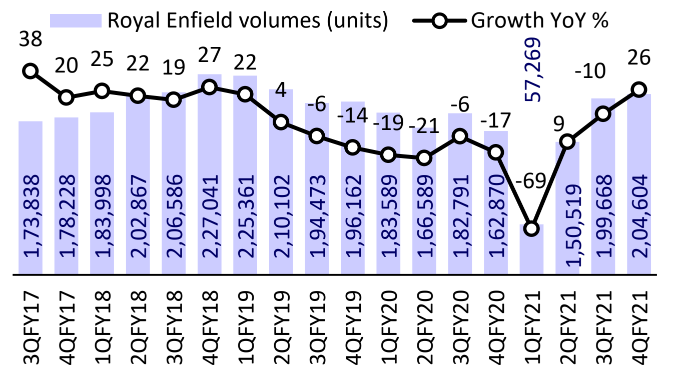
E: MOFSL Estimates

Key Performance Indicators

	FY20				FY20				FY20	FY21	FY21E
Y/E March	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**			**4QE**
Standalone											
Volume ('000 units)	183.6	166.6	182.8	162.9	57.3	150.5	199.7	204.6	695.8	612.1	204.89
Change (%)	-18.5	-20.7	-6.0	-17.0	-68.8	-9.6	9.2	25.6	-15.8	-12.0	25.8
Exports (as % of total vols)	5.0	8.3	3.7	5.8	15.5	4.0	3.2	8.5	5.6	6.3	8.5
Net Realn (INR '000/unit)	128.1	131.0	129.3	133.8	134.3	141.1	140.4	142.8	130.5	140.8	146.0
Growth YoY (%)	13.5	14.5	7.2	5.0	4.8	7.7	8.6	6.7	10.0	7.9	9.1
Cost Break-up											
RM Cost (% of net op income)	54.1	54.5	54.7	56.5	61.9	57.7	59.1	59.7	54.9	59.2	60.0
Staff Cost (% of net op income)	8.7	8.2	7.5	9.4	22.0	9.3	7.9	7.3	8.4	9.3	7.7
Other Exp (% of net op income)	11.3	12.3	12.6	13.3	16.0	10.2	9.5	10.1	12.4	10.5	9.2
Gross Margins (%)	45.9	45.5	45.3	43.5	38.1	42.3	40.9	40.3	45.1	40.8	40.0
EBITDA Margins (%)	25.9	25.0	25.2	20.8	0.2	22.8	23.5	22.9	24.3	21.0	23.2
EBIT Margins (%)	22.2	20.9	21.2	15.8	-12.5	17.9	19.1	18.7	20.1	15.8	19.1
VECV											
Total CV Volumes	**13,331**	**11,370**	**12,391**	**11,629**	**2,173**	**8,167**	**12,802**	**18,126**	**48,721**	**41,268**	**18,170**
Growth (%)	-18.3	-39.2	-26.8	-44.7	-83.7	-28.2	3.3	55.9	-33.2	-15.3	56.2
Net Realn (INR '000/unit) - VECV	1,692	1,763	1,746	1,807	2,950	2,085	2,093	1,987	1,750	2,102	2030
Growth YoY (%)	5.9	11.1	5.0	18.3	74.4	18.3	19.9	10.0	10.1	20.2	12.3

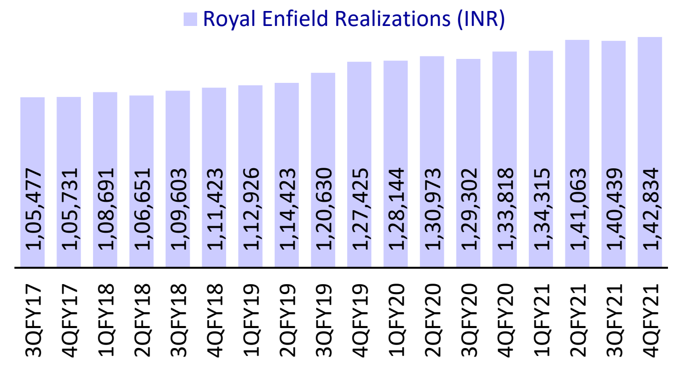
E:MOFSL Estimates

Exhibit 1: RE volume growth trend



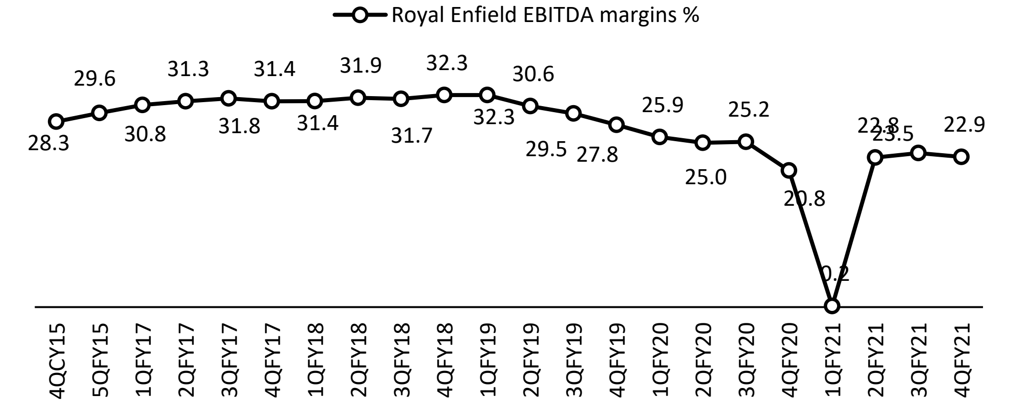
Source: Company, MOFSL

Exhibit 2: RE realization trend



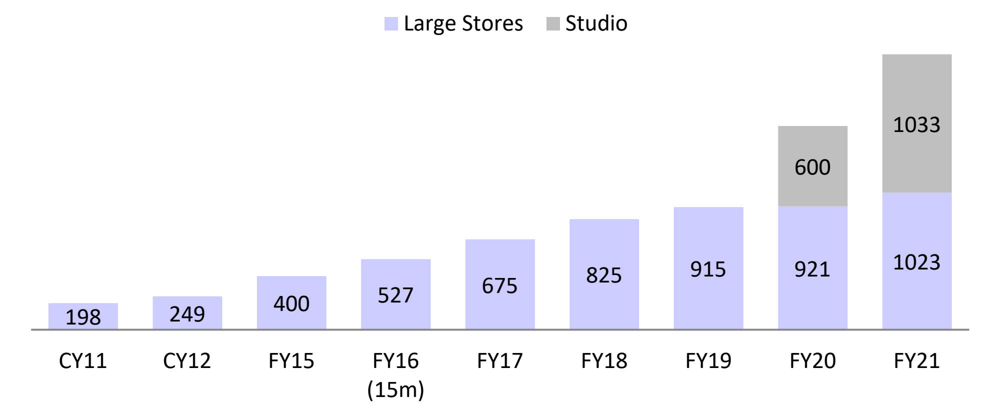
Source: Company, MOFSL

Exhibit 3: RE EBITDA margin trend



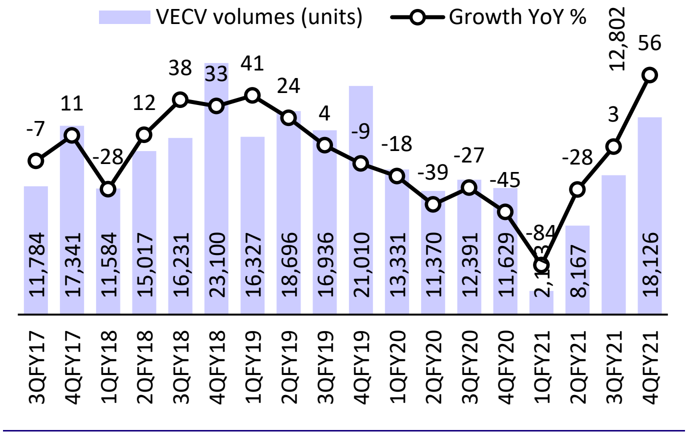
Source: Company, MOFSL

Exhibit 4: Dealer network expansion to be driven by RE studios in smaller cities



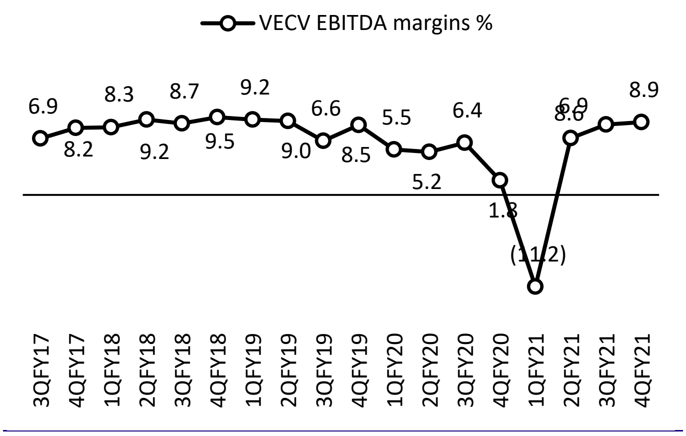
Source: Company, MOFSL

Exhibit 5: VECV volume growth trend



Source: Company, MOFSL

Exhibit 6: VECV EBITDA margin trend



Source: Company, MOFSL

Exhibit 7: VECV product mix

	4QFY21	4QFY20	YoY (%)	3QFY21	QoQ (%)
L&MD - Trucks (Dom)	11,235	5,972	88.1	7,897	42.3
% of total CV volumes	62	51		62	
HD - Trucks (Dom)	3,638	1,732	110.0	2,494	45.9
% of total CV volumes	20	15		19	
Total Dom. Trucks	14,873	7,704	93.1	10,391	43.1
% of total CV volumes	82	66		81	
Buses (Dom)	970	2,451	-60.4	581	67.0
% of total CV volumes	5	21		5	
Total Domestic	15,843	10,155	56.0	10,972	44.4
% of total CV volumes	87	87		86	
Total Exports	1,881	1,148	63.9	1,406	33.8
% of total CV volumes	10	10		11	
Total ETB	17,724	11,303	56.8	12,378	43.2
% of total CV volumes	98	97		97	
Volvo Truck India (units)	446	326	36.8	424	5.2
% of total CV volumes	2	3		3	
Total CV Volumes	**18,170**	**11,629**	56.2	**12,802**	41.9

CONFERENCE CALL

Key takeaways from earnings call

Royal Enfield

- **Demand outlook:** Demand remains strong on the back of a strong order-book, expected pent-up demand, and a surge in export numbers. It has 2–3 months of order backlog, which would be catered to once the lockdowns are lifted.
- **Price hike:** The company took a price hike of INR12k/unit in FY21 to mitigate the impact of higher input cost. It took another price hike in Apr'21.
- **Commodity cost inflation:** RE 350cc bikes use 35% more precious metals than a normal 125cc segment bike. RE has reduced rhodium consumption by 66% through value engineering; however, the benefit of this would be reflected in the coming quarters.
- **New product launches:** It has a very exciting pipeline of new products, with FY22 having the highest ever number of model launches. It aims to launch one new model per quarter, subject to supply chain and production viability.
- **Production ramp-up:** It expects to achieve an 80k units/per month run-rate in 2HFY22. It could manufacture up to 100k units/month once demand improves. However, model-wise capacity would dictate overall capacity. Meteor production capacity increased from 8k to 15k units/month.

- **Distribution network:** RE added a total of 535 stores, including main stores (>100 stores) and studio stores (>430 stores), in FY21, taking the total number of outlets to 2,056 across 1,750 cities (from 1200 cities). Network expansion in India is largely complete, except in one state.
- **International markets:** Globally, it had over 130 exclusive stores in FY21 and a retail footprint of over 760 stores (in over 60 countries). Last year saw Royal Enfield foray into the new markets of Japan, Cambodia, Costa Rica, and the Dominican Republic. Also, it commenced CKD operations in Argentina.
- **Response to 650cc in India:** The 650cc category saw lower volumes in India due to higher exports (US and EU have seasonal demand during non-winter). India has a huge backlog for 650cc. As per the management, it takes time for the consumers to rise to the bigger capacity bikes as well (as experienced with Himalayan).
- **Make It Yours (MIY):** All 2,000 stores and models are now MIY enabled. The penetration of MIY stands at 80%, driving an increase in the penetration of accessories to 70% (from 30–40% earlier).

VECV

- VECV outperformed the industry in FY21 as it declined 15% (v/s 30% decline in the CV industry). Its market share in LMD grew from 29.8% to 30.6% and market share in HD grew from 5.9% to 7.9% in FY21. Market share in the Bus segment grew from 14.1% to 19.1%. Market share gains were driven by the successful launch of BS6 and a focus on aftermarket sales services.
- 100% of BS6 CVs of VECV are connected vehicles, which has enabled substantial improvement in the uptime of vehicles.

Valuation and view

- **Worst seems to be behind; expect recovery from 2QFY22:** RE demand is back at pre-COVID levels and is expected to improve going forward – on the back of new launches and ongoing expansion in the international markets. After witnessing severe headwinds over the last 18 months, we expect volumes to grow hereafter. The company continues to expand its addressable market through: a) distribution expansion (through smaller format stores), b) price laddering (by offering multiple 'trim' levels), c) new product launches (Meteor and more in the pipeline), and d) mass personalization through the 'Make it Yours' platform.
- **New product launches to drive strong volume growth:** With healthy response received for the new Meteor, all the recent RE product launches have seen good success (Himalayan, 650cc Twins, and Meteor). The upcoming new product launch of the new Classic (expected in 1QFY22) on the brand-new platform would not only expand the product portfolio and narrow the gap in product quality vis-à-vis 650cc Twins but also substantially expand the addressable market in India and globally. We expect a 27% volume CAGR (FY21–23E), which would drive margin recovery (by 510bp) to 26.3% by FY23E and an S/A PAT CAGR of ~54%.
- **Export market presents huge opportunity; to fully play out in next few years:** RE is focused on creating an affordable Leisure Biking segment in the 250–650cc range and in the price range of USD3–7k. Globally, the size of the 250–650cc segment is ~1m annually, dominated by the Sports/Street Biking segments. Exports from India for the premium segment (Ex RE, >150cc) are over 0.5m

annually. However, RE exports were flat YoY in FY21 to ~39k units (flat YoY in FY20 v/s 19k units in FY19). Exports are expected to grow with new launches such as Meteor with international product quality. EIM has recently started executing its export strategy based on experiential marketing, as the company has done in India, and is opening exclusive stores in markets such as LATAM, Indonesia, London, Paris, Madrid, and ASEAN. The exclusive store count increased to 130 in FY21. However, the ramp-up would be gradual as it would take time for RE to build its brand and replicate its Indian strategy of creating brand pull by building a riding culture.

- **Consol. EPS to post 54% CAGR over FY21–23E; maintain Buy:** We cut FY22E consol. EPS by 7%, accounting for the COVID impact on volumes and commodity inflation, while maintaining FY23E earnings estimates. RE demand is expected to recover post the lockdown – on the back of new launches and ongoing expansion in the international markets. After witnessing severe headwinds over the last 18 months, we expect volumes to grow hereafter. We believe the recent beginning of new launches could be an inflection point for RE as a completely new and improved platform could drive revival. Furthermore, VECV would see cyclical recovery in volumes and profits, in turn driving a consolidated PAT CAGR to 54%. The stock trades at 28.9x/21.6x FY22E/FY23E consol. EPS. Maintain **Buy**, with TP of ~INR3,200 (Mar'23-based SOTP).

Exhibit 8: Revised forecast

(INR M)	FY22E			FY23E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Standalone (RE)						
Volumes (units)	8,56,943	8,91,770	(3.9)	9,88,478	9,86,933	0.2
Net Sales	1,26,204	1,30,428	(3.2)	1,49,304	1,49,065	0.2
EBITDA	30,868	33,074	(6.7)	39,295	39,776	(1.2)
EBITDA (%)	24.5	25.4	-90bp	26.3	26.7	-40bp
Net Profit	23,827	25,580	(6.9)	31,464	31,998	(1.7)
EPS (INR)	**87**	**94**	**(6.9)**	**115**	**117**	**(1.7)**
VECV						
Volumes (units)	58,869	58,882	(0.0)	70,646	58,882	20.0
Net Sales	1,22,422	1,19,784	2.2	1,45,615	1,19,784	21.6
EBITDA	10,973	10,942	0.3	13,507	10,942	23.4
EBITDA (%)	9.0	9.1	-20bp	9.3	9.1	10bp
EPS (INR)	**7.8**	**7.8**	**0.6**	**11.6**	**7.8**	**48.2**
Consol EPS (INR)	**90.2**	**96.5**	**(6.6)**	**120.4**	**122.3**	**(1.5)**

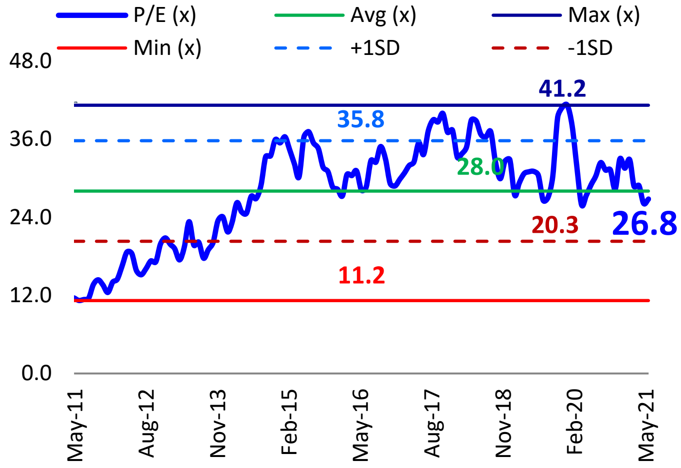
Source: MOFSL

Exhibit 9: SOTP valuations

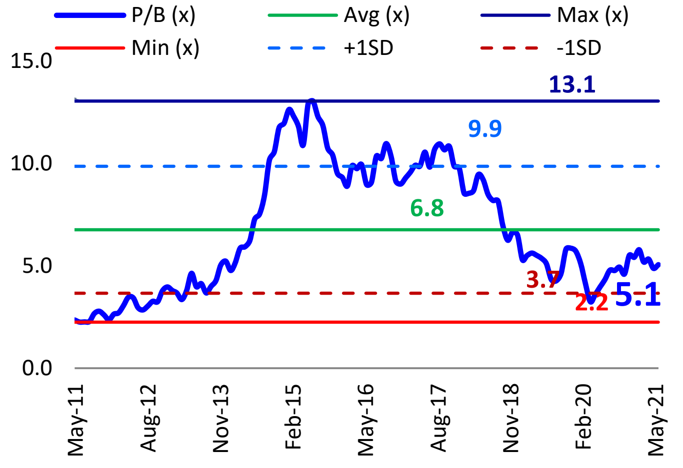
INR M		FY22E	FY23E
Royal Enfield			
PAT		23,827	31,464
Equity Value	PE @ 25x	5,95,670	7,77,166
VECV (@ 54.4% Economic interest)			
EBITDA		5,969	7,348
EV	@ 12x EV/EBITDA	71,633	87,440
Net Debt		-5,817	-9,013
Equity Value		77,451	96,453
Total Equity Value		**6,73,120**	**8,73,619**
Target Price (INR/sh)		**2,466**	**3,200**
Upside (%)		(5)	23

Source: Company, MOFSL

Exhibit 10: Valuations – PE and PB band



Source: MOFSL



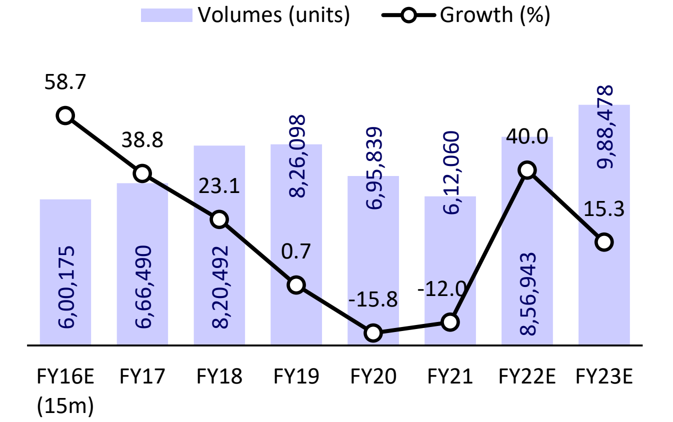
Source: MOFSL

Exhibit 11: Snapshot of revenue model

000 units	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
ROYAL ENFIELD (S/A)							
Total 2W (units)	**666**	**820**	**826**	**696**	**612**	**857**	**988**
Growth (%)	38.8	23.1	0.7	-15.8	-12.0	40.0	15.3
Net realn (INR'000/unit)	**105**	**109**	**118**	**129**	**140**	**146**	**150**
Growth (%)	2.4	3.3	8.3	10.1	8.2	4.2	2.5
RE Revenues (INR b)	**70**	**90**	**98**	**91**	**86**	**126**	**149**
Growth (%)	42.1	27.3	9.3	-7.3	-5.1	46.4	18.3
VECV							
Dom - LMD	38	44	48	36	27	39	47
Growth (%)	14.1	13.6	11.4	-26.2	-23.3	42.5	20.5
% of CV Vols	66.7	67.1	67.5	75.1	68.3	68.1	68.2
Dom - HCV	11	12	13	7	8	12	14
Growth (%)	14.8	11.4	7.3	-45.2	6.0	50.0	20.0
% of CV Vols	19.3	19.1	18.5	15.3	19.2	20.1	20.1
Total Dom.	**49**	**56**	**62**	**43**	**35**	**51**	**61**
Growth (%)	14.3	13.1	10.5	-30.3	-18.3	44.1	20.4
% of CV Vols	86.0	86.1	86.0	90.4	87.5	88.2	88.3
Exports	8	9	10	5	5	7	8
Growth (%)	33.7	12.0	11.2	-54.4	10.0	35.0	19.0
% of CV Vols	14.0	13.9	14.0	9.6	12.5	11.8	11.7
Total CV vols	**57**	**65**	**72**	**48**	**40**	**57**	**69**
Growth (%)	16.7	12.9	10.6	-33.6	-15.6	43.0	20.2
MDEP Vols ('000 Ex captive)	24	32	34	31	22	23	24
Net realn (INR'000/unit)	**1,459**	**1,524**	**1,590**	**1,750**	**2,102**	**2,080**	**2,061**
Growth (%)	24	4	4	10	20	-1	-1
VECV Revenues (INR b)	**86**	**100**	**116**	**85**	**87**	**122**	**146**
Growth (%)	15.7	17.5	15.4	-26.5	1.8	41.1	18.9
Net Consol sales (INR b)	**70**	**90**	**98**	**92**	**87**	**126**	**149**
Growth (%)	42.4	27.5	9.3	-6.6	-4.7	44.7	18.3

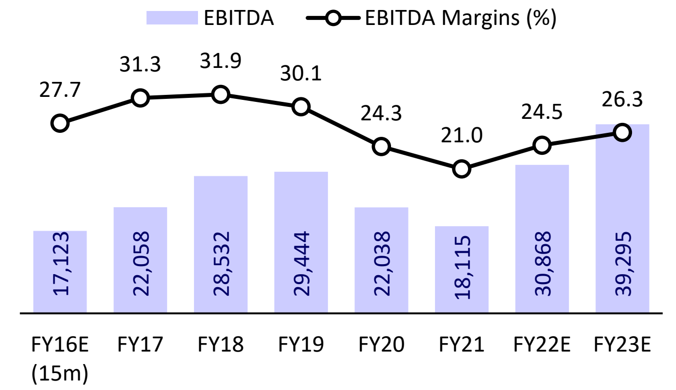
Story in charts

Exhibit 12: RE volume and growth trends



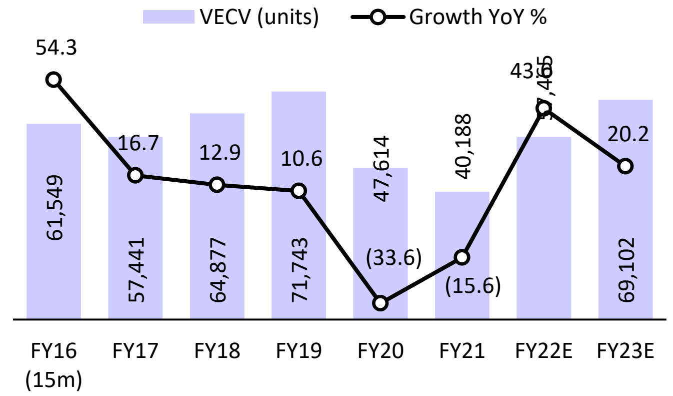
Source: Company, MOFSL

Exhibit 13: RE EBITDA and EBITDA margin trends



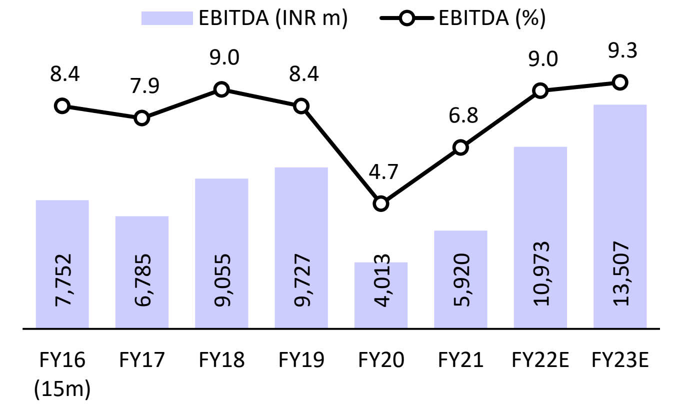
Source: Company, MOFSL

Exhibit 14: VECV volume growth trajectory



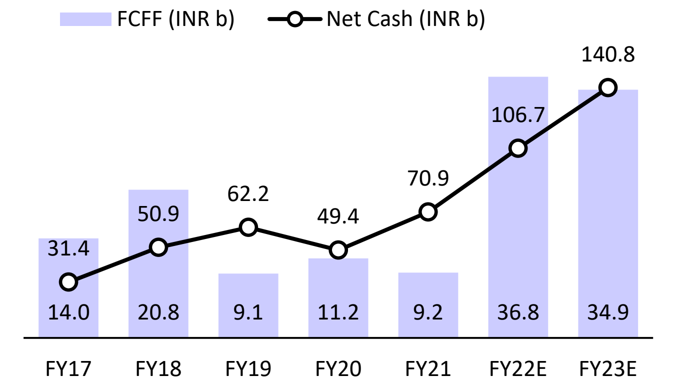
Source: Company, MOFSL

Exhibit 15: VECV EBITDA and EBITDA margins



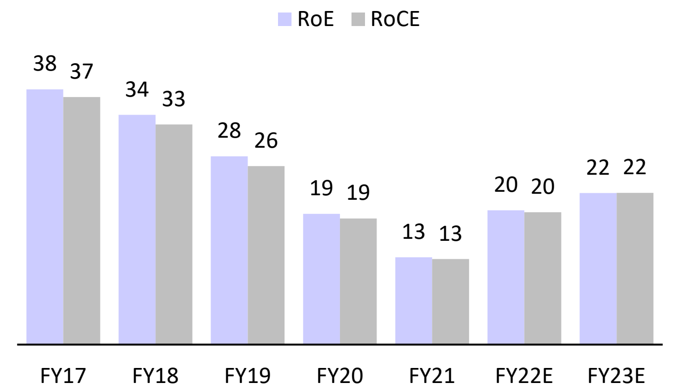
Source: Company, MOFSL

Exhibit 16: Strong FCF generation and liquidity (pro-rata)



Source: Company, MOFSL

Exhibit 17: Return ratios to remain healthy



Source: Company, MOFSL

Financials and valuations

Income Statement (Consolidated)						(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
Net Op. Income	**92,193**	**97,971**	**91,536**	**87,204**	**1,26,204**	**1,49,304**
Change (%)	16.1	6.3	-6.6	-4.7	44.7	18.3
EBITDA	**28,076**	**29,031**	**21,804**	**18,313**	**30,408**	**38,835**
EBITDA Margin (%)	31.5	29.9	24.0	21.1	24.3	26.3
Depreciation	2,233	3,003	3,815	4,507	4,930	5,253
EBIT	**25,843**	**26,028**	**17,988**	**13,805**	**25,478**	**33,582**
Interest cost	53	73	189	165	130	130
Other Income	2,801	4,434	5,433	4,532	4,700	6,200
PBT	**28,591**	**30,389**	**23,232**	**18,173**	**30,048**	**39,652**
Tax	9,359	10,770	5,275	4,515	7,578	9,950
Effective Rate (%)	32.7	35.4	22.7	24.8	25.2	25.1
PAT	**19,232**	**19,619**	**17,957**	**13,658**	**22,470**	**29,701**
Change (%)	26.2	2.0	-8.5	-23.9	64.5	32.2
Less: Minority Interest	-2,566	-2,584	-317	-311	-2,143	-3,157
Adj. PAT	**21,017**	**22,203**	**18,274**	**13,841**	**24,612**	**32,858**
Change (%)	22.7	5.6	-17.7	-24.3	77.8	33.5

Note: FY16 onwards IndAS

Balance Sheet (Consolidated)						(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
Share Capital	273	273	273	273	273	273
Net Worth	**70,301**	**89,187**	**99,809**	**1,14,381**	**1,33,533**	**1,59,566**
Minority Interest	**0**	**0**	**0**	**0**	**-2,143**	**-5,299**
Deferred Tax	1,421	2,739	2,522	2,215	3,471	5,128
Loans	1,508	1,868	1,444	1,574	0	0
Capital Employed	**73,230**	**93,794**	**1,03,775**	**1,18,170**	**1,34,861**	**1,59,394**
Application of Funds						
Gross Fixed Assets	21,443	27,673	36,194	41,260	48,406	52,906
Less: Depreciation	6,426	8,927	12,419	16,927	21,857	27,110
Net Fixed Assets	**15,017**	**18,746**	**23,775**	**24,333**	**26,549**	**25,796**
Capital WIP	3,332	4,497	3,122	3,143	250	250
- of which Goodwill	223	223	223	223	223	223
Investments	**55,808**	**49,225**	**57,488**	**39,021**	**40,307**	**42,201**
Curr.Assets, L & Adv.	**21,065**	**41,400**	**40,113**	**79,089**	**95,264**	**1,23,599**
Inventory	3,946	6,334	5,724	8,746	6,224	7,363
Sundry Debtors	680	903	868	1,582	1,037	1,227
Cash & Bank Balances	12,120	29,653	29,506	58,304	81,952	1,07,851
Loans & Advances	7	13	1	4,592	0	0
Others	4,312	4,497	4,014	5,866	6,051	7,158
Current Liab. & Prov.	**21,992**	**20,075**	**20,722**	**27,416**	**27,508**	**32,452**
Sundry Creditors	11,719	12,341	10,277	15,358	15,559	18,407
Other Liabilities	9,511	6,928	9,472	10,930	10,373	12,272
Provisions	763	807	974	1,128	1,576	1,773
Net Current Assets	**-927**	**21,325**	**19,391**	**51,673**	**67,755**	**91,147**
Application of Funds	**73,230**	**93,794**	**1,03,775**	**1,18,170**	**1,34,861**	**1,59,394**

E: MOFSL Estimates

Financials and valuations

Ratios (Consolidated)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)						
EPS	**77.1**	**81.4**	**66.9**	**50.7**	**90.2**	**120.4**
EPS Growth (%)	23.5	5.6	-17.8	-24.3	77.8	33.5
Cash EPS	85	92	81	67	108	140
Book Value per Share	258	327	366	419	489	584
DPS	11.0	12.5	12.5	17.0	20.0	25.0
Payout (Incl. Div. Tax) %	15.6	17.9	21.7	33.5	22.2	20.8
Valuation (x)						
P/E	33.8	32.0	38.9	51.4	28.9	21.6
Cash P/E	30.5	28.2	32.2	38.8	24.1	18.7
EV/EBITDA	19.7	18.7	27.3	30.0	16.4	12.2
EV/Sales	4.6	4.0	4.8	4.8	3.1	2.5
Price to Book Value	10.1	8.0	7.1	6.2	5.3	4.5
Dividend Yield (%)	0.4	0.5	0.5	0.7	0.8	1.0
Profitability Ratios (%)						
RoE	34.0	27.8	19.3	12.9	19.9	22.4
RoCE	32.6	26.4	18.7	12.6	19.6	22.4
RoIC	1,373.6	298.2	117.5	67.7	137.4	256.6
Turnover Ratios						
Debtors (Days)	3	3	3	7	3	3
Inventory (Days)	16	24	23	37	18	18
Creditors (Days)	48	46	41	64	45	45
Working Capital (Days)	-29	-19	-15	-21	-24	-24
Asset Turnover (x)	1.2	1.0	0.9	0.7	0.9	0.9
Leverage Ratio						
Net Debt/Equity (x)	-0.7	-0.6	-0.7	-0.7	-0.8	-0.8

Cash Flow Statement (Consolidated) (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Profit before Tax	28,956	32,798	23,549	17,984	32,190	42,809
Depreciation	2,233	3,003	3,815	4,507	4,930	5,253
Direct Taxes Paid	-8,071	-9,085	-6,283	-4,566	-6,322	-8,294
(Inc)/Dec in Working Capital	4,380	-4,557	862	2,578	3,268	1,519
Interest/Div. Received	-394	-1,304	-2,207	-3,103	-3,750	-5,250
Other Items	-2,282	-5,126	-2,795	-265	-272	-5,082
CF from Oper. Activity	**24,823**	**15,730**	**16,941**	**17,136**	**30,044**	**30,955**
(Inc)/Dec in FA+CWIP	-7,460	-7,874	-5,445	-5,375	-4,253	-4,500
Free Cash Flow	**17,363**	**7,855**	**11,497**	**11,760**	**25,791**	**26,455**
(Pur)/Sale of Invest.	-13,991	1,301	-9,639	-11,104	2,464	3,356
CF from Inv. Activity	**-21,450**	**-6,574**	**-15,084**	**-16,479**	**-1,789**	**-1,144**
Issue of Shares	195	361	289	384	0	0
Inc/(Dec) in Debt	390	247	-709	130	-1,574	0
Interest Paid	-34	-50	-75	-91	-130	-130
Dividends Paid	-3,171	-3,482	-8,087	0	-5,460	-6,825
CF from Fin. Activity	**-2,620**	**-2,923**	**-8,583**	**-148**	**-7,164**	**-6,955**
Inc/(Dec) in Cash	**752**	**6,233**	**-6,725**	**509**	**21,091**	**22,856**
Add: Beginning Balance	172	925	7,158	432	941	22,032
Closing Balance	**925**	**7,158**	**432**	**941**	**22,032**	**44,888**

E: MOFSL Estimates

N O T E S

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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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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