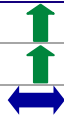


**Estimate changes**
**TP change**
**Rating change**


Bloomberg	BJAUT IN
Equity Shares (m)	289
M.Cap.(INRb)/(USD\$b)	1072.6 / 14.4
52-Week Range (INR)	3808 / 1793
1, 6, 12 Rel. Per (%)	6/-7/0
12M Avg Val (INR M)	2583

**Financials & Valuations (INR b)**

Y/E March	FY20	FY21E	FY22E
Sales	299	275	368
EBITDA	51.0	49.1	65.6
EBITDA Margin (%)	17.0	17.8	17.8
Adj. PAT	52.1	47.8	59.9
EPS (INR)	180	165	207
EPS Gr. (%)	5.8	-8.3	25.2
BV/Sh. (INR)	689	757	853

**Ratios**

RoE (%)	25.0	22.9	25.7
RoCE (%)	23.8	21.4	23.9
Payout (%)	80.1	54.6	49.4

**Valuations**

P/E (x)	20.6	22.4	17.9
P/BV (x)	5.4	4.9	4.3
Div. Yield (%)	3.2	2.0	2.3
FCF Yield (%)	3.3	4.3	5.1

**Shareholding pattern (%)**

As On	Dec-20	Sep-20	Dec-19
Promoter	53.7	53.7	53.5
DII	9.1	10.4	10.1
FII	13.1	13.6	13.9
Others	24.1	22.3	22.5

FII Includes depository receipts

**CMP: INR3,707 TP: INR4,000 (+8%)**
**Neutral**
**Above estimates; low RM cost and operating leverage drives margin**
**RM cost inflation, operating deleverage to affect margin in coming quarters**

- Bajaj Auto (BJAUT)'s operating performance was driven by favorable mix, lower marketing spends, and operating leverage. It has both near (3W recovery) and long term (premiumization and exports) levers, which are fairly reflected in current valuations.
- We upgrade our FY21E/FY22E EPS by 7%/5% to factor in mix, cost savings, and an upgrade in KTM's PAT. Maintain **Neutral**.

**Operating performance driven by better mix and operating leverage**

- 3QFY21 revenue/EBITDA/PAT grew 16.6%/26.5%/23.4% YoY. For 9MFY21, revenue/EBITDA/PAT declined 17.1%/11.4%/15% YoY.
- Realizations grew 7% YoY (flat QoQ) to INR68.2k (v/s our estimate of INR68.6k). Gross margin declined 90bp YoY (+10bp QoQ) to 29.2% (v/s our estimate of 28.5%) on lower 3W volumes, but was aided by favorable mix of Premium Motorcycles in both domestic and export markets.
- EBITDA margin expanded 150bp YoY (+170bp QoQ) to 19.4% (v/s our estimate of 17.5%) largely due to lower staff cost and marketing spends.
- Higher income boosted PAT to INR15.6b (v/s our estimate of INR13.9b).

**Highlights from the management commentary**

- **4QFY21 outlook:** Domestic 2W sales were back to last year's levels. Base effect will drive growth, but on a like-to-like basis it would be in low single-digits. Domestic 3Ws would see a QoQ recovery, but decline 50% YoY. The growth momentum in exports would continue, with 12-15% growth in most markets. If ASEAN recovers, it would clock its best ever exports.
- **2W export** volumes have recovered well with: a) South Asia (excluding Sri Lanka) and Africa back to pre-COVID levels, b) LatAm at 80-90% levels, and c) ASEAN at 50% levels. 3W exports are seeing a gradual recovery with LatAm at 50-60%, ASEAN at 25%, and other markets at or above pre-COVID levels. BJAUT has gained market share in all export markets.
- **RM cost** is estimated to increase by 3pp QoQ due to commodity cost inflation. It has raised prices by 1% each in domestic 2W/3W in 3QFY21 and by 1.25% in Jan'21 for domestic 2W. It also hiked export prices to cover capping of MEIS incentives and rise in RM cost. Price increases have to be calibrated as demand recovery is fragile, and might be required to be phased out.
- **EV:** Chetak e-scooter bookings remains closed since the end of Mar'20 due to supply chain issues. It expects to iron out these issues in the next 2-3 months and would look to expand its presence in the top 24 cities by FY22-end (from two cities at present). It is actively pursuing development of e-3W and e-Qute, and plans to launch one in 2HFY22.
- Capex for FY22/FY23 would be higher than the normal run-rate as it would be investing INR6.5b for a new plant for high-end Bikes (commissioning in FY23). Capex for FY22/FY23 would be INR5.5-6b p.a.

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

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**Valuation and view**

- BJAUT would benefit from: a) premiumization trend, and b) good growth opportunity in exports. While domestic 3W recovery might be delayed, it is vulnerable from a possible disruption from electrification.
- Valuations at 17.9x/16.6x FY22E/FY23E consolidated EPS largely capture the strong growth momentum. Maintain Neutral, with a TP of INR4,000/share.

**Quarterly Performance**

	(INR M)										
	FY20				FY21				FY20	FY21E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q
<b>Net Sales</b>	77,558	77,073	76,397	68,159	30,792	71,559	89,099	83,849	2,99,187	2,75,299	89,666
Change (%)	3.9	(4.1)	2.7	(8.1)	(60.3)	(7.2)	16.6	23.0	(1.4)	(8.0)	17.4
<b>EBITDA</b>	11,982	12,781	13,672	12,528	4,085	12,662	17,296	15,037	50,962	49,081	15,652
EBITDA Margins (%)	15.4	16.6	17.9	18.4	13.3	17.7	19.4	17.9	17.0	17.8	17.5
Interest	5	12	5	9	10	27	10	30	32	76	20
Depreciation	601	613	617	633	638	643	650	663	2,464	2,594	645
Non-operating Income	4,413	3,934	3,662	5,327	3,379	2,858	3,692	3,549	17,336	13,477	3,100
<b>PBT after EO</b>	15,788	16,089	16,713	17,212	6,817	14,851	20,328	17,893	65,802	59,888	18,087
Effective Tax Rate (%)	28.7	12.8	24.5	23.9	22.5	23.4	23.4	23.6	22.5	23.4	23.1
<b>Adj. PAT</b>	11,257	14,024	12,616	13,103	5,280	11,382	15,563	13,676	51,000	45,901	13,901
Change (%)	0.9	21.7	14.5	22.8	(53.1)	(18.8)	23.4	4.4	15.0	(10.0)	10.2

**Key Performance Indicators**

	FY20				FY21				FY20	FY21E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Volumes ('000 units)	1,247	1,174	1,202	992	443	1,053	1,307	1,218	4,615	4,021	1,307
Growth YoY (%)	1.7	-12.4	-4.6	-16.9	-64.5	-10.2	8.7	22.8	-8.1	-12.9	8.7
Dom. M/Cycle Mkt Sh (%)	18.3	17.9	20.1	17.9	20.7	17.5			18.5		
Realization (INR/unit)	62,187	65,673	63,532	68,711	69,493	67,935	68,180	68,841	64,826	68,461	68,614
Growth YoY (%)	2.2	9.5	7.6	10.5	11.7	3.4	7.3	0.2	7.2	5.6	8.0
<b>Cost Break-up</b>											
RM Cost (% of sales)	71.7	70.5	69.9	68.4	67.1	70.7	70.8	71.8	70.2	70.7	71.5
Staff Cost (% of sales)	4.6	4.4	4.6	5.0	11.0	4.5	3.6	3.9	4.6	4.7	3.9
Other Cost (% of sales)	8.2	8.6	7.8	8.2	8.7	7.1	6.2	6.7	8.2	6.9	7.2
<b>Gross Margins (%)</b>											
EBITDA Margins (%)	28.3	29.5	30.1	31.6	32.9	29.3	29.2	28.2	29.8	29	29
EBIT Margins (%)	15.4	16.6	17.9	18.4	13.3	17.7	19.4	17.9	17.0	17.8	17.5
EBIT Margins (%)	14.7	15.8	17.1	17.5	11.2	16.8	18.7	17.1	16.2	16.9	16.7

E:MOFSL Estimates

**Key takeaways from the earnings call**

- **4QFY21 outlook:** Domestic 2W sales were back to last year's levels. Base effect will drive growth, but on a like-to-like basis it would be in low single-digits. Domestic 3Ws would see a QoQ recovery, but decline 50% YoY. The growth momentum in exports would continue, with double-digit growth (12-15%) in most markets. If ASEAN recovers, it would clock its best ever exports.
- Mix improvement has been witnessed in both domestic and export 2Ws. Domestic 2W was driven by Pulsar, Dominar, KTM, and Husqvarna. The share of Pulsar in export 2W has gone up.
- The **domestic Motorcycle portfolio** has seen a substantial improvement in financial performance driven by: a) better mix (driven by Pulsar 125 and Super Premium Motorcycles), and b) price increases in the Entry segment and Pulsar 125cc. Sales of Pulsar 150 and above remains steady and cannibalization from the 125cc segment was well managed as reflected in its stable core market share.
- BJAUT's domestic Motorcycle market share stood at 18.6% in 3QFY21 (v/s 17.5% in 2QFY21 and 18.5% in FY20).

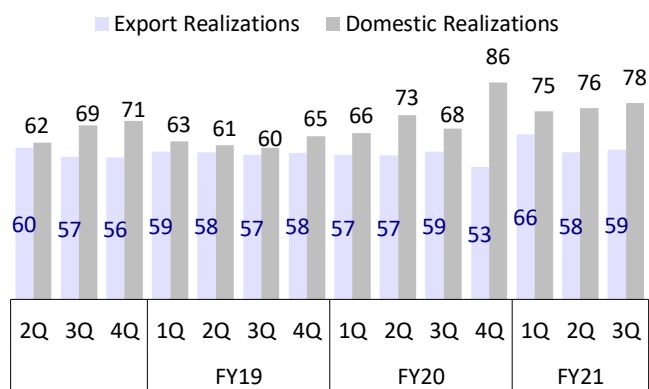
- 2W **export** volumes have recovered well with: a) South Asia (excluding Sri Lanka) and Africa back to pre-COVID levels, b) LatAm at 80-90% levels, and c) ASEAN at 50% levels. 3W exports are seeing a gradual recovery with LatAm at 50-60%, ASEAN at 25%, and other markets at or above pre-COVID levels. BJAUT has gained market share in all export markets. Export volumes were impacted by container availability and ~15% of order book got spilled into Jan'21. Inventory is lower than normal and it would be entering FY22 with scope to improve the same.
- **RM cost** is estimated to increase by 3pp QoQ due to commodity cost inflation. It has raised prices by 1% each in domestic 2W/3W in 3QFY21 and by 1.25% in Jan'21 for domestic 2W. It also hiked export prices to cover capping of MEIS incentives and rise in RM cost. Price increases have to be calibrated as demand recovery is fragile, and might be required to be phased out.
- **EBITDA margin** is expected to decline on a QoQ basis in 4QFY21 due to operating deleveraging (1pp benefit of operating leverage in 3Q). However, positive developments on the new RoDTEP scheme would offset margin pressures.
- **Other expenses:** Savings have been largely due to lower advertising and promotions. These expenses would normalize at some point in time.
- **e-3W:** It is actively pursuing development of e-3W and e-Qute, and plans to launch one in 2HFY22. It is looking to address range anxiety and operational profitability for drivers.
- **Chetak e-scooter** bookings remains closed since the end of Mar'20 due to supply chain issues. It expects to iron out these issues in the next 2-3 months and would look to expand its presence in the top 24 cities by FY22-end (from two cities at present).
- **Capex** for FY22/FY23 would be higher than the normal run-rate as it would be investing INR6.5b for a new plant for high-end Bikes (commissioning in FY23). Capex for FY22/FY23 would be INR5.5-6b p.a.

#### Trend in product mix

	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)
<b>Motorcycles</b>					
Domestic	5,85,469	5,42,978	7.8	5,50,194	6.4
<i>% of total volumes</i>	44.8	45.2		52.2	
Exports	6,08,398	4,84,183	25.7	4,14,271	46.9
<i>% of total volumes</i>	46.6	40.3		39.3	
<b>Total Motorcycles</b>	<b>11,93,867</b>	<b>10,27,161</b>	<b>16.2</b>	<b>9,64,465</b>	<b>23.8</b>
<i>% of total volumes</i>	91.4	85.4		91.6	
<b>Three Wheelers</b>					
Domestic	34,230	96,736	-64.6	23,392	46.3
<i>% of total volumes</i>	2.6	8.0		2.2	
Exports	78,713	78,589	0.2	65,480	20.2
<i>% of total volumes</i>	6.0	6.5		6.2	
<b>Total 3Ws</b>	<b>1,12,943</b>	<b>1,75,325</b>	<b>-35.6</b>	<b>88,872</b>	<b>27.1</b>
<i>% of total volumes</i>	8.6	14.6		8.4	
<b>Total Volumes</b>	<b>13,06,810</b>	<b>12,02,486</b>	<b>8.7</b>	<b>10,53,337</b>	<b>24.1</b>

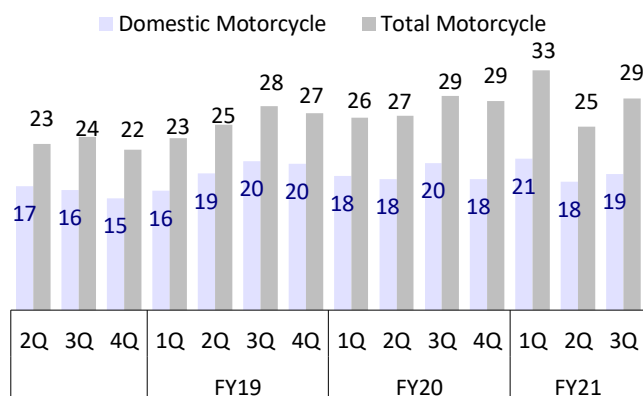
Source: Company, MOFSL

**Exhibit 1: Trend in domestic/export realizations**



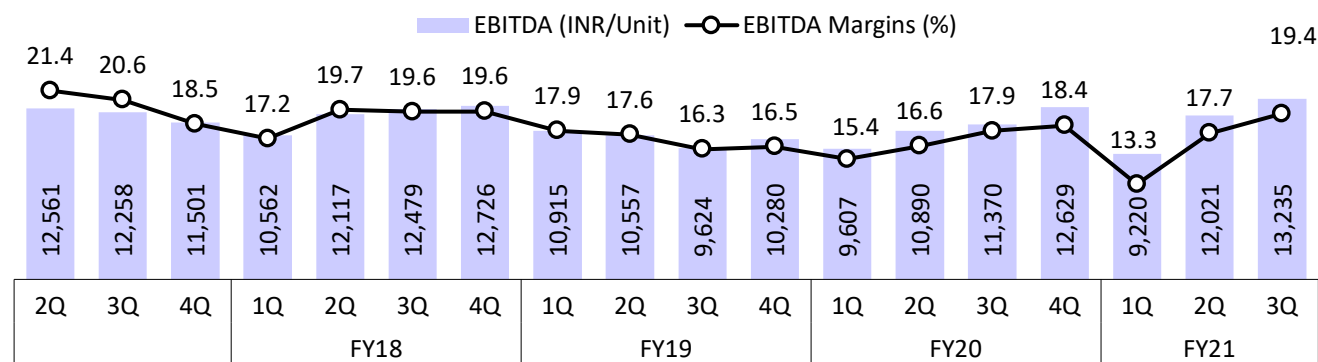
Source: Company, MOFSL

**Exhibit 2: Trend in domestic and total 2W market share**



Source: Company, MOFSL

**Exhibit 3: EBITDA and EBITDA margin trend**



Source: Company, MOFSL

### Valuations and view

- Strong growth across businesses in 3QFY21:** While FY21 has been a year of challenges for the domestic 2W industry due to COVID-19 outbreak, BJAUT sailed on the back on of a good recovery in the domestic market (led by Pulsar 125cc), faster recovery in export markets (its key African markets were least impacted by the pandemic), and benefits from a recovery in oil prices. It is relatively better positioned than mainstream 2W peers owing to its strength in exports and Premium Motorcycle segments. We estimate volumes to decline by ~12.9% in FY21E and grow 27.6% in FY22E.
- Well-placed to ride the premiumization trend:** Leveraging its strong alliance with KTM and latest partnerships with Husqvarna and Triumph, BJAUT would have the widest range of Premium Motorcycles to offer. Husqvarna and KTM present an opportunity to drive contract manufacturing volumes by 3x over the next few years. Meanwhile, Triumph would facilitate its entry in the fast-growing mid-capacity Cruiser segment (~1.5m motorcycles annually) in CY20.
- Chetak e-scooter to drive re-entry into the large Scooter segment:** BJAUT has recently launched the e-scooter Chetak ~INR105k (on-road), marking its re-entry into the lucrative Scooter segment. This would expand its addressable market as Scooter constitute ~32% of the domestic 2W industry. The company, which plans to focus solely on e-scooters, is one of the early movers in this segment. It would

be at the forefront of driving electrification and has the opportunity to gain a sizeable share of the e-scooter market.

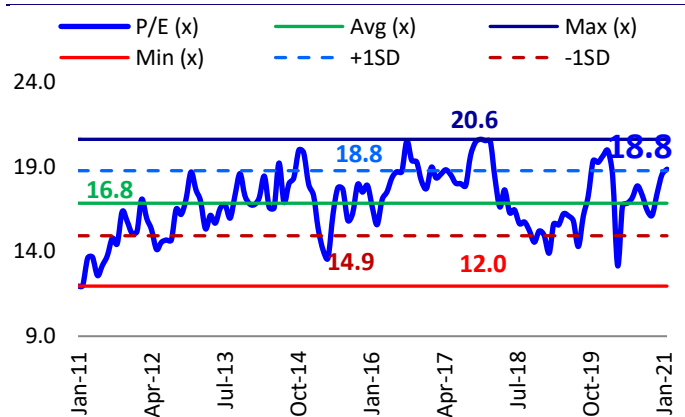
- **Better positioned to protect margins v/s peers:** Unlike its 2W peers, BJAUT has several levers to support margin and dilute the impact of operating deleverage. It supports margin in the form of: a) mix (Premium Motorcycle and exports), b) cost cutting, and c) lower fixed cost vis-à-vis peers. We expect EBITDA margin to recover back to 17.5-18%.
- **Maintain Neutral with a TP of INR4,000/share:** We upgrade our EPS for FY21E/FY22E by 7%/5% to factor in for mix, cost savings, and upgrade in KTM’s PAT. BJAUT would benefit from: a) premiumization trend, and b) good growth opportunity in exports. While domestic 3W recovery might be delayed, it is vulnerable from a possible disruption from electrification. Valuations at 22.8x/18.1x FY21E/FY22E consolidated EPS largely capture the strong growth momentum. Maintain **Neutral**, with a TP of INR4,000/share (~18x Mar-23E consolidated EPS).

**Exhibit 4: Revised forecast (INR m)**

	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Vols ('000 units)	4,021	4,034	-0.3	5,130	5,095	0.7
Net Sales	2,75,299	2,74,617	0.2	3,68,254	3,58,319	2.8
EBITDA	49,081	46,502	5.5	65,642	62,387	5.2
EBITDA Margins (%)	17.8	16.9	90bp	17.8	17.4	40bp
Net Profit	47,813	44,532	7.4	59,875	56,952	5.1
EPS (INR)	<b>165.2</b>	<b>153.9</b>	<b>7.4</b>	<b>206.9</b>	<b>196.8</b>	<b>5.1</b>

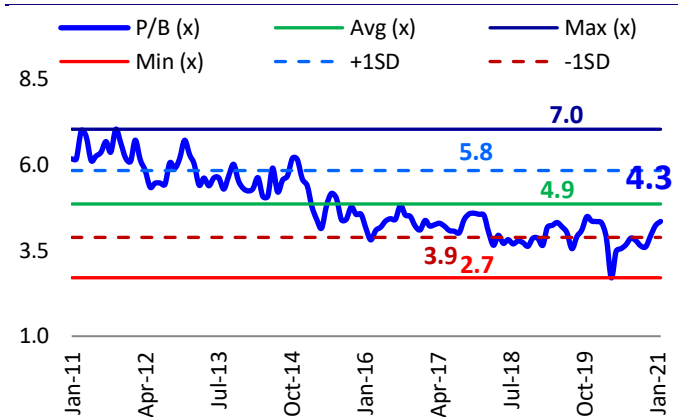
Source: MOFSL

**Exhibit 5: P/E band**



Source: MOFSL

**Exhibit 6: P/BV band**



Source: MOFSL

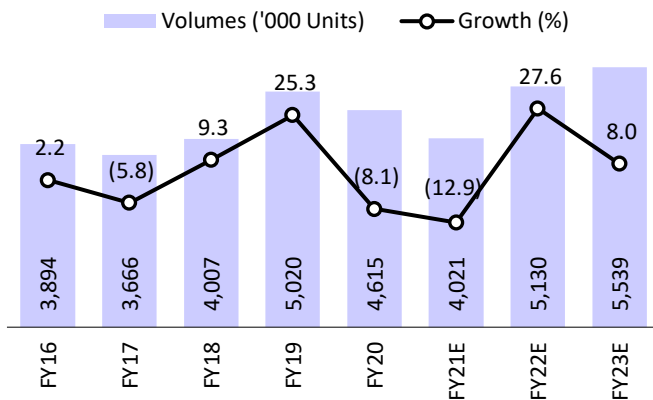
**Exhibit 7: Key operating metrics**

000 units	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Motorcycles (units)</b>									
Domestic	1,771	1,899	2,001	1,975	2,541	2,078	1,814	2,268	2,427
Growth (%)	-15.6	7.2	5.4	-1.3	28.7	-18.2	-12.7	25.0	7.0
% of total volumes	46.5	48.8	54.6	49.3	50.6	45.0	45.1	44.2	43.8
Exports	1,521	1,459	1,219	1,395	1,696	1,869	1,841	2,246	2,426
Growth (%)	15.0	-4.1	-16.5	14.5	21.6	10.2	-1.5	22.0	8.0
% of total volumes	39.9	37.5	33.2	34.8	33.8	40.5	45.8	43.8	43.8
<b>Total M/Cycles</b>	<b>3,292</b>	<b>3,358</b>	<b>3,220</b>	<b>3,369</b>	<b>4,237</b>	<b>3,948</b>	<b>3,656</b>	<b>4,514</b>	<b>4,853</b>
Growth (%)	-3.8	2.0	-4.1	4.6	25.7	-6.8	-7.4	23.5	7.5
% of total volumes	86.4	86.3	87.8	84.1	84.4	85.5	90.9	88.0	87.6
<b>3Ws</b>									
Domestic	234	255	253	370	399	366	106	292	335
Growth (%)	25.4	8.8	-0.7	46.0	8.1	-8.4	-71.0	175.0	15.0
% of total volumes	6.1	6.5	6.9	9.2	8.0	7.9	2.6	5.7	6.1
Exports	285	280	193	268	383	302	260	325	350
Growth (%)	9.2	-1.6	-31.2	38.9	43.1	-21.2	-14.0	25.0	8.0
% of total volumes	7.5	7.2	5.3	6.7	7.6	6.5	6.5	6.3	6.3
<b>3Ws</b>	<b>519</b>	<b>535</b>	<b>446</b>	<b>637</b>	<b>783</b>	<b>668</b>	<b>366</b>	<b>616</b>	<b>686</b>
Growth (%)	16.0	3.1	-16.7	42.9	22.8	-14.7	-45.2	68.5	11.3
% of total volumes	13.6	13.7	12.2	15.9	15.6	14.5	9.1	12.0	12.4
<b>Total Volumes</b>	<b>3,811</b>	<b>3,894</b>	<b>3,666</b>	<b>4,007</b>	<b>5,020</b>	<b>4,615</b>	<b>4,021</b>	<b>5,130</b>	<b>5,539</b>
Growth (%)	-1.5	2.2	-5.8	9.3	25.3	-8.1	-12.9	27.6	8.0
<b>Avg. Net Realn (INR/unit)</b>	<b>51,853</b>	<b>53,697</b>	<b>54,482</b>	<b>55,745</b>	<b>52,928</b>	<b>56,462</b>	<b>59,961</b>	<b>63,363</b>	<b>64,566</b>
Growth (%)	7.0	3.6	1.5	2.3	-5.1	6.7	6.2	5.7	1.9
<b>Net Revenues (INR B)</b>	<b>211</b>	<b>222</b>	<b>214</b>	<b>247</b>	<b>296</b>	<b>291</b>	<b>270</b>	<b>358</b>	<b>393</b>
Growth (%)	7.0	5.0	-3.5	15.6	19.7	-1.5	-7.2	32.7	9.6
<b>EBITDA (INR B)</b>	<b>41</b>	<b>48</b>	<b>44</b>	<b>48</b>	<b>52</b>	<b>51</b>	<b>49</b>	<b>66</b>	<b>71</b>
EBITDA margins (%)	19.0	21.2	20.3	19.2	17.1	17.0	17.8	17.8	17.7
<b>EBITDA (INR/Unit)</b>	<b>10,801</b>	<b>12,282</b>	<b>12,063</b>	<b>12,073</b>	<b>10,345</b>	<b>11,042</b>	<b>12,205</b>	<b>12,794</b>	<b>12,895</b>
Growth (%)	0.3	16.2	-7.5	9.4	7.3	-1.9	-3.7	33.7	8.8
<b>Consol. PAT (INR B)</b>	<b>33</b>	<b>41</b>	<b>41</b>	<b>42</b>	<b>49</b>	<b>52</b>	<b>48</b>	<b>60</b>	<b>65</b>
Consol. EPS	113	143	141	151	165	187	163	205	222

Source: Company, MOFSL

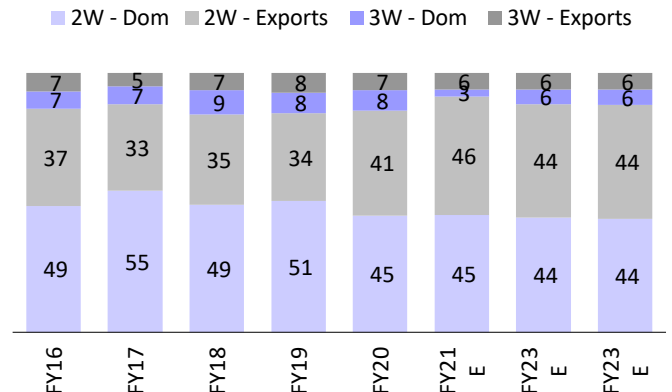
Stories in charts

Exhibit 8: Trend in volume and volume growth



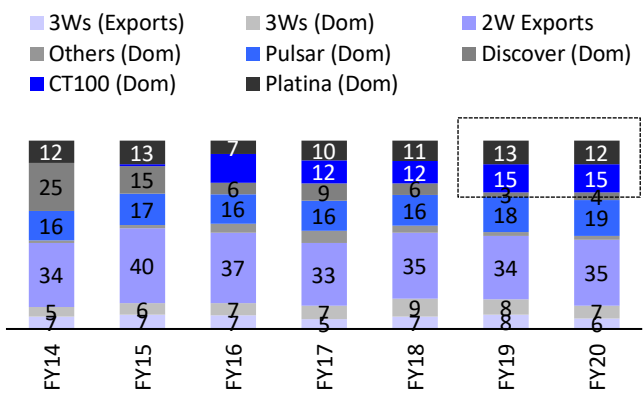
Source: Company, MOFSL

Exhibit 9: Product mix trend



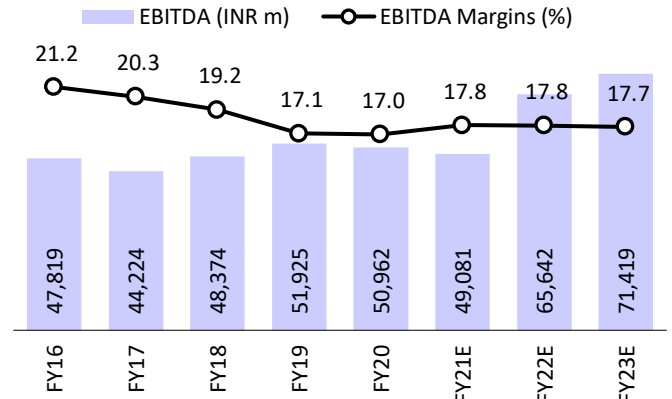
Source: Company, MOFSL

Exhibit 10: Trend in volume mix



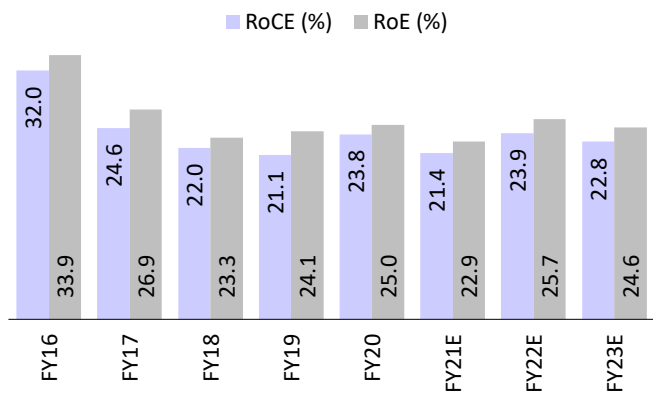
Source: Company, MOFSL

Exhibit 11: Trend in EBITDA and EBITDA margin



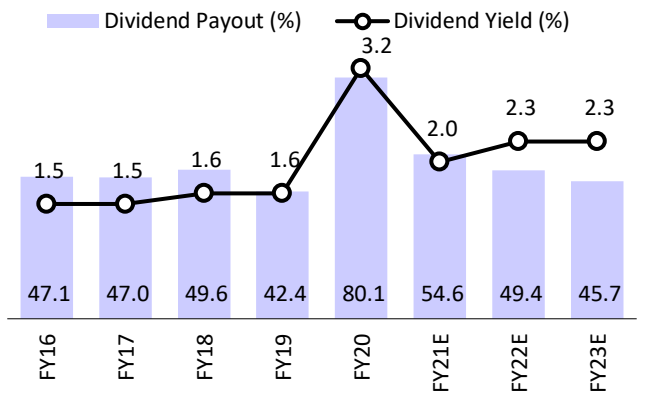
Source: Company, MOFSL

Exhibit 12: Trend in return ratios



Source: Company, MOFSL

Exhibit 13: Dividend payout to remain healthy



Source: Company, MOFSL

## Financials and valuations

Income Statement								(INR M)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>Volumes</b>	<b>38,93,581</b>	<b>36,65,950</b>	<b>40,06,788</b>	<b>50,19,503</b>	<b>46,15,212</b>	<b>4,021,271</b>	<b>5,130,458</b>	<b>5,538,633</b>
Change (%)	2.2	-5.8	9.3	25.3	-8.1	-12.9	27.6	8.0
<b>Net Sales</b>	<b>2,25,865</b>	<b>2,17,667</b>	<b>2,52,189</b>	<b>3,03,576</b>	<b>2,99,187</b>	<b>275,299</b>	<b>368,254</b>	<b>403,242</b>
Change (%)	4.5	-3.6	15.9	20.4	-1.4	-8.0	33.8	9.5
<b>Total Expenditure</b>	<b>1,78,046</b>	<b>1,73,443</b>	<b>2,03,815</b>	<b>2,51,651</b>	<b>2,48,224</b>	<b>226,218</b>	<b>302,612</b>	<b>331,927</b>
<b>EBITDA</b>	<b>47,819</b>	<b>44,224</b>	<b>48,374</b>	<b>51,925</b>	<b>50,962</b>	<b>49,081</b>	<b>65,642</b>	<b>71,315</b>
Change (%)	16.2	-7.5	9.4	7.3	-1.9	-3.7	33.7	8.6
EBITDA Margins (%)	21.2	20.3	19.2	17.1	17.0	17.8	17.8	17.7
Depreciation	3,072	3,073	3,148	2,657	2,464	2,594	2,705	3,010
<b>EBIT</b>	<b>44,748</b>	<b>41,151</b>	<b>45,226</b>	<b>49,268</b>	<b>48,498</b>	<b>46,487</b>	<b>62,937</b>	<b>68,305</b>
Int. & Fin. Charges	11	14	13	45	32	76	75	75
Other Income	10,736	12,220	12,933	14,389	17,336	13,477	12,355	13,065
Non-recurring Exp.	0	0	320	-3,420	0	0	0	0
<b>PBT</b>	<b>55,473</b>	<b>53,356</b>	<b>57,826</b>	<b>67,032</b>	<b>65,802</b>	<b>59,888</b>	<b>75,217</b>	<b>81,295</b>
Tax	16,177	15,081	17,145	20,280	14,802	13,987	17,942	19,415
Effective Rate (%)	29.2	28.3	29.6	30.3	22.5	23.4	23.9	23.9
<b>PAT</b>	<b>39,297</b>	<b>38,276</b>	<b>40,681</b>	<b>46,752</b>	<b>51,000</b>	<b>45,901</b>	<b>57,275</b>	<b>61,880</b>
Change (%)	39.7	-2.6	6.3	14.9	9.1	-10.0	24.8	8.0
Add: Share in profit of asso.	1,316	2,519	1,283	4,910	1,119	1,911	2,599	2,809
<b>Adj. PAT</b>	<b>40,612</b>	<b>40,795</b>	<b>42,189</b>	<b>49,276</b>	<b>52,119</b>	<b>47,813</b>	<b>59,875</b>	<b>64,689</b>
Change (%)	24.5	0.4	3.4	16.8	5.8	(8.3)	25.2	8.0

Balance Sheet								(INR Million)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
Share Capital	2,894	2,894	2,894	2,894	2,894	2,894	2,894	2,894
<b>Net Worth</b>	<b>132,666</b>	<b>170,341</b>	<b>191,039</b>	<b>217,799</b>	<b>199,255</b>	<b>219,070</b>	<b>246,780</b>	<b>279,095</b>
Deferred Tax	2,028	3,136	3,234	5,427	3,464	4,662	6,166	7,792
Loans	1,886	1,764	1,674	1,685	1,669	1,669	1,669	1,669
<b>Capital Employed</b>	<b>136,579</b>	<b>175,242</b>	<b>195,947</b>	<b>224,910</b>	<b>204,388</b>	<b>225,400</b>	<b>254,615</b>	<b>288,556</b>
Gross Fixed Assets	51,572	45,917	46,402	42,956	41,573	43,475	46,675	55,375
Less: Depreciation	24,183	25,900	27,619	25,317	24,583	27,177	29,881	32,892
<b>Net Fixed Assets</b>	<b>27,389</b>	<b>20,018</b>	<b>18,783</b>	<b>17,639</b>	<b>16,990</b>	<b>16,298</b>	<b>16,794</b>	<b>22,483</b>
Capital WIP	522	422	565	480	602	700	3,500	800
Investments	102,606	147,315	175,883	191,594	181,960	181,960	181,960	181,960
<b>Current Assets</b>	<b>34,348</b>	<b>40,395</b>	<b>42,964</b>	<b>64,091</b>	<b>48,181</b>	<b>67,904</b>	<b>107,823</b>	<b>144,044</b>
Inventory	7,191	7,284	7,426	9,615	10,635	9,786	13,090	14,334
Sundry Debtors	7,179	9,533	14,919	25,597	17,251	20,365	27,241	29,829
Cash & Bank Balances	8,176	2,798	7,609	9,054	2,773	22,314	46,839	77,266
Loans & Advances	365	362	369	380	386	355	475	520
Others	11,437	20,418	12,641	19,445	17,136	15,085	20,178	22,095
<b>Current Liab. &amp; Prov.</b>	<b>28,286</b>	<b>32,907</b>	<b>42,248</b>	<b>48,894</b>	<b>43,345</b>	<b>41,462</b>	<b>55,461</b>	<b>60,730</b>
Sundry Creditors	20,270	22,357	32,443	37,867	31,997	29,442	39,384	43,125
Other Liabilities	6,410	8,559	7,427	9,475	8,964	8,248	11,033	12,081
Provisions	1,605	1,991	2,378	1,552	2,385	3,771	5,045	5,524
<b>Net Current Assets</b>	<b>6,063</b>	<b>7,488</b>	<b>716</b>	<b>15,197</b>	<b>4,836</b>	<b>26,442</b>	<b>52,362</b>	<b>83,313</b>
<b>Application of Funds</b>	<b>136,580</b>	<b>175,242</b>	<b>195,947</b>	<b>224,911</b>	<b>204,387</b>	<b>225,400</b>	<b>254,615</b>	<b>288,556</b>

E: MOSL Estimates



## Financials and valuations

### Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>Basic (INR)</b>								
Consol EPS	143.5	141.1	151.3	165.4	187.4	165.2	206.9	223.6
EPS growth (%)	27.3	-1.7	7.3	9.3	13.3	-8.3	25.2	8.0
Consol Cash EPS	154.1	151.7	162.2	174.6	195.9	174.2	216.3	234.0
Book Value per Share	458.5	588.7	660.2	752.7	688.6	757.1	852.8	964.5
DPS	55.0	55.0	60.0	60.0	120.0	75.0	85.0	85.0
Payout (Incl. Div. Tax) %	46.1	46.9	47.8	43.6	77.0	54.6	49.4	45.7
<b>Valuation (x)</b>								
P/E	25.8	26.3	24.5	22.4	19.8	22.4	17.9	16.6
Cash P/E	24.1	24.4	22.9	21.2	18.9	21.3	17.1	15.8
EV/EBITDA	20.2	20.9	18.4	16.8	17.5	17.7	12.9	11.4
EV/Sales	4.3	4.2	3.5	2.9	3.0	3.2	2.3	2.0
Price to Book Value	8.1	6.3	5.6	4.9	5.4	4.9	4.3	3.8
Dividend Yield (%)	1.5	1.5	1.6	1.6	3.2	2.0	2.3	2.3
<b>Profitability Ratios (%)</b>								
RoE	34.7	26.9	24.2	23.4	26.0	22.9	25.7	24.6
RoCE	32.0	24.6	22.0	21.1	23.8	21.4	23.9	22.8
RoIC	182	118	174	193	176	180	118	117
<b>Turnover Ratios</b>								
Debtors (Days)	11	15	21	31	21	27	27	27
Inventory (Days)	11	12	11	12	13	13	13	13
Creditors (Days)	31	35	46	46	39	39	39	39
Working Capital (Days)	-9	-9	-14	-3	-5	1	1	1
Asset Turnover (x)	1.7	1.2	1.3	1.3	1.5	1.2	1.4	1.4
Fixed Asset Turnover	4.9	4.5	5.5	6.8	7.1	6.5	8.2	7.9
<b>Leverage Ratio</b>								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Cash Flow Statement

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>(INR M)</b>								
Profit before Tax	55,473	53,356	57,826	67,032	65,802	59,888	62,937	68,305
Depreciation & Amort.	3,072	3,073	3,148	2,657	2,464	2,594	2,705	3,010
Direct Taxes Paid	-18,195	-15,026	-16,851	-19,643	-16,777	-12,789	-16,437	-17,789
(Inc)/Dec in Working Capital	5,753	2,533	10,451	-7,030	3,765	-2,066	-1,394	-525
Other Items	-9236	-10269	-11738	-18061	-16635	-13401	-12280	
<b>CF from Oper. Activity</b>	<b>36,866</b>	<b>33,667</b>	<b>42,836</b>	<b>24,954</b>	<b>38,620</b>	<b>47,703</b>	<b>60,165</b>	<b>66,066</b>
Extra-ordinary Items	-298	-275	-228	-58	-3	0	0	0
<b>CF after EO Items</b>	<b>36,568</b>	<b>33,392</b>	<b>42,608</b>	<b>24,895</b>	<b>38,618</b>	<b>47,703</b>	<b>60,165</b>	<b>66,066</b>
(Inc)/Dec in FA+CWIP	-2,582	-1,970	-1,833	-1,082	-2,800	-2,000	-6,000	-6,000
<b>Free Cash Flow</b>	<b>33,986</b>	<b>31,422</b>	<b>40,775</b>	<b>23,814</b>	<b>35,818</b>	<b>45,703</b>	<b>54,165</b>	<b>60,066</b>
(Pur)/Sale of Invest.	2,394	-34,913	-17,347	-1,359	20,345	0	0	0
<b>CF from Inv. Activity</b>	<b>-188</b>	<b>-36,883</b>	<b>-19,180</b>	<b>-2,441</b>	<b>17,545</b>	<b>-2,000</b>	<b>-6,000</b>	<b>-6,000</b>
Inc/(Dec) in Debt	501	128	0	28		0	0	0
Interest Paid	-5	-6	-4	-35	-21	-76	-75	-75
Dividends Paid	-34,337	-2,022	-18,848	-20,733	-62,444	-26,087	-29,565	-29,565
<b>CF from Fin. Activity</b>	<b>-33,841</b>	<b>-1,901</b>	<b>-18,853</b>	<b>-20,741</b>	<b>-62,465</b>	<b>-26,163</b>	<b>-29,640</b>	<b>-29,640</b>
<b>Inc/(Dec) in Cash</b>	<b>2,539</b>	<b>-5,392</b>	<b>4,575</b>	<b>1,714</b>	<b>-6,302</b>	<b>19,540</b>	<b>24,525</b>	<b>30,426</b>
Add: Beginning Bal.	5,637	8,190	3,034	7,340	9,075	2,773	22,314	46,839
<b>Closing Balance</b>	<b>8,175</b>	<b>2,798</b>	<b>7,609</b>	<b>9,054</b>	<b>2,773</b>	<b>22,314</b>	<b>46,839</b>	<b>77,266</b>

E: MOSL Estimates

**NOTES**

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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
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