

# TVS Motor Company

## Estimate changes

TP change

Rating change



Bloomberg	TVSL IN
Equity Shares (m)	475
M.Cap.(INRb)/(USDb)	251.2 / 3.5
52-Week Range (INR)	555 / 240
1, 6, 12 Rel. Per (%)	11/8/0
12M Avg Val (INR M)	1271

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	164.2	161.9	199.3
EBITDA	13.5	13.3	18.9
Adj. PAT	6.2	5.4	10.0
EPS (INR)	13.0	11.4	21.0
EPS Gr. (%)	-7.8	-12.5	84.7
BV/Sh (INR)	76.2	83.3	99.5
<b>Ratios</b>			
RoE (%)	17.7	14.3	23.0
RoCE (%)	17.1	15.0	23.0
Payout (%)	33.8	37.0	22.9
<b>Valuations</b>			
P/E (x)	40.7	46.5	25.2
P/BV (x)	6.9	6.3	5.3
Div. Yield (%)	0.7	0.7	0.8
FCF Yield (%)	2.7	3.8	4.2

## Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	57.4	57.4	57.4
DII	21.5	21.9	20.4
FII	11.2	10.6	12.2
Others	10.0	10.1	10.0
FII Includes depository receipts			

CMP: INR 529

TP: INR585 (+11%)

Neutral

**Above est.; beat driven by price hike, mix & better cost mgmt.**

## Inching toward double-digit margins; deleveraging balance sheet

- TVS Motor Company (TVSL)'s operating performance was driven by price hikes, a favorable mix, and lower other expenses. Good volume recovery, price hikes, and a continued focus on cost management would support profitability.
- We upgrade our FY21/FY22E EPS by 14.5%/4.2% to reflect for price hikes and astute cost management. Maintain **Neutral**, with TP of INR585.

## Credible cost control leads to best EBITDA margins in over 15 years

- 3QFY21 revenue / EBITDA / adj. PAT grew 31%/41%/47% to INR53.9b/INR5.1b/INR2.6b. 9MFY21 revenue / EBITDA / adj. PAT contracted 11.7%/18.9%/3.8% to INR114b/INR8.9b/INR3.2b.
- Net sales grew 31% YoY to INR53.9b as volumes increased 20.4% YoY, and realizations grew 8.5% YoY (+2.7% QoQ) to INR54.5k (v/s est. INR53.4k).
- Gross margins expanded 40bp QoQ (-390bp YoY) to 23.9% (v/s est. 23.7%) as raw material cost inflation was offset by price hikes and an improved mix.
- It reported an EBITDA margin of 9.5% (v/s est. 9%; expansion of +70bp YoY and +20bp QoQ), supported by higher gross margins and lower other expenses, partially offset by high employee cost.
- Higher other income and lower interest cost boosted adj. profit by 47% to ~INR2.6b (v/s est. INR2.3b).
- It has announced interim dividend of INR2.1/sh (FY21E DPS of INR3.5).
- In 9MFY21, it generated FCF of ~INR16.2b, resulting in substantial balance sheet deleveraging. Excluding sales tax loans, it is now a net cash company.

## Highlights from management commentary

- Urban retails are returning to pre-COVID levels, supporting the gradual uptick in the Scooter segment. Rural demand is buoyant with the highest rabi sowing.
- **Export demand:** Stability in the major export regions is driving demand, supported by stable oil prices and currency availability. Core demand for Indian brands is increasing in these markets. However, container-related issues continue to affect exports.
- **RM cost:** It has taken a ~2% price hike in Jan'21 (1% in 3Q and 1.5% in 2Q) to partially offset the impact of RM cost, leaving 80–90bps of uncovered RM cost. It expects to offset the remaining RM cost inflation through a better product mix and continued cost reduction efforts.
- **Other expense:** Decline is largely sustainable as it is shifting toward digital marketing v/s BTL activity.

## Valuation and view

- TVSL's volume growth is now falling in line with the market as a large portion of the portfolio gaps has been filled. However, it is reaping the benefits of operating leverage, resulting in EBITDA margins trending toward double-digit levels.
- Valuations at 25.2x/19.8x FY22E/FY23E EPS are already reflecting massive earnings recovery. Maintain **Neutral**, with TP of ~INR585 (~20x Mar'23 EPS + INR52 for NBFC).

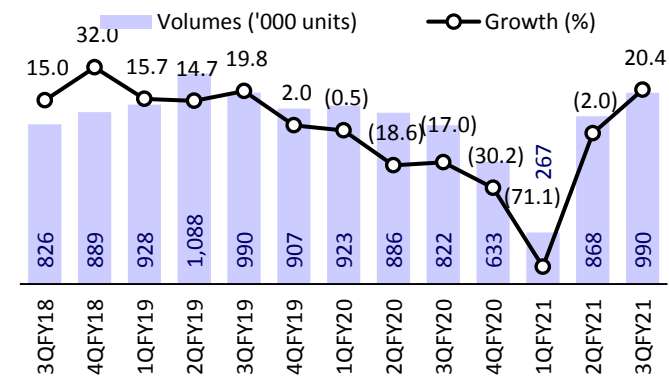
## S/A Quarterly Performance

Y/E March (INR m)	FY20				FY21E				(INR m)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY20	FY21E	FY21E
<b>Vols ('000 units)</b>	<b>923.2</b>	<b>885.8</b>	<b>821.5</b>	<b>632.9</b>	<b>266.9</b>	<b>867.8</b>	<b>989.5</b>	<b>857.6</b>	<b>3,263.5</b>	<b>2,981.8</b>	<b>989.5</b>
Growth (%)	(0.5)	(18.6)	(17.0)	(30.2)	(71.1)	(2.0)	20.4	35.5	(16.6)	(8.6)	20.4
<b>Realn (INR '000/unit)</b>	<b>48.4</b>	<b>49.1</b>	<b>50.2</b>	<b>55.0</b>	<b>53.6</b>	<b>53.1</b>	<b>54.5</b>	<b>55.5</b>	<b>50.3</b>	<b>54.3</b>	<b>53.4</b>
Growth (%)	7.7	7.0	6.6	13.7	10.8	8.1	8.5	0.9	8.2	7.9	6.4
<b>Net Sales</b>	<b>44,686</b>	<b>43,478</b>	<b>41,255</b>	<b>34,814</b>	<b>14,317</b>	<b>46,055</b>	<b>53,914</b>	<b>47,615</b>	<b>1,64,233</b>	<b>1,61,901</b>	<b>52,880</b>
Growth (%)	7.1	(12.9)	(11.5)	(20.7)	(68.0)	5.9	30.7	36.8	(9.8)	(1.4)	28.2
RM (% of sales)	75.1	73.4	72.2	75.0	75.9	76.5	76.1	76.6	73.9	76.4	76.3
Emp cost ( % of sales)	5.6	5.4	5.7	6.4	13.8	4.7	5.0	5.1	5.7	5.7	4.4
Other exp (% of sales)	11.3	12.5	13.3	11.6	13.8	9.5	9.4	9.2	12.2	9.8	10.3
<b>EBITDA</b>	<b>3,558</b>	<b>3,820</b>	<b>3,633</b>	<b>2,449</b>	<b>-488</b>	<b>4,301</b>	<b>5,111</b>	<b>4,351</b>	<b>13,459</b>	<b>13,276</b>	<b>4,752</b>
EBITDA Margin(%)	8.0	8.8	8.8	7.0	(3.4)	9.3	9.5	9.1	8.2	8.2	9.0
Interest	291	285	211	235	523	407	291	276	1,022	1,496	350
Depreciation	1,194	1,241	1,213	1,243	911	1,331	1,329	1,350	4,890	4,920	1,340
Other Income	12	49	9	251	26	111	124	103	321	363	50
<b>PBT before EO Exp</b>	<b>2,085</b>	<b>2,343</b>	<b>2,218</b>	<b>1,222</b>	<b>-1,896</b>	<b>2,674</b>	<b>3,615</b>	<b>2,829</b>	<b>7,867</b>	<b>7,222</b>	<b>3,112</b>
EO Exp	0	-760	760	323	0	0	0	0	323		0
<b>PBT after EO Exp</b>	<b>2,085</b>	<b>3,103</b>	<b>1,457</b>	<b>898</b>	<b>(1,896)</b>	<b>2,674</b>	<b>3,615</b>	<b>2,829</b>	<b>7,544</b>	<b>7,222</b>	<b>3,112</b>
Tax rate (%)	31.8	17.8	16.9	17.8	26.7	26.6	26.5	23.1	21.5	25.2	25.2
<b>Reported PAT</b>	<b>1,423</b>	<b>2,550</b>	<b>1,211</b>	<b>739</b>	<b>-1,391</b>	<b>1,963</b>	<b>2,656</b>	<b>2,174</b>	<b>5,922</b>	<b>5,402</b>	<b>2,328</b>
<b>Adjusted PAT</b>	<b>1,423</b>	<b>1,953</b>	<b>1,808</b>	<b>993</b>	<b>-1,391</b>	<b>1,963</b>	<b>2,656</b>	<b>2,174</b>	<b>6,176</b>	<b>5,402</b>	<b>2,328</b>
Growth (%)	(4.6)	(7.6)	1.3	(27.8)	(197.7)	0.5	46.9	119.1	(7.8)	(12.5)	28.8

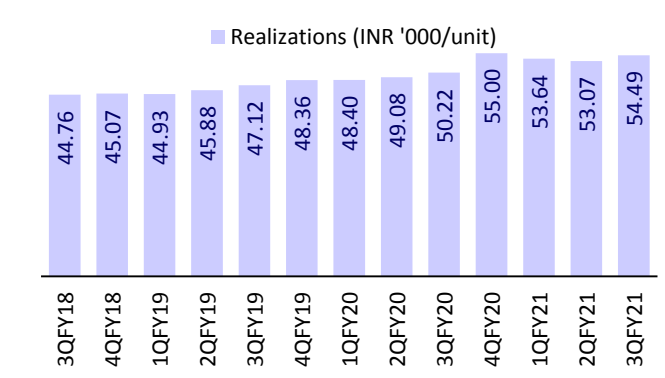
## Key performance indicator

Y/E March (INR m)	FY20				FY21E				(INR m)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY20	FY21E	FY21E
<b>Volumes ('000 units)</b>	<b>923.2</b>	<b>885.8</b>	<b>821.5</b>	<b>632.9</b>	<b>266.9</b>	<b>867.8</b>	<b>989.5</b>	<b>857.6</b>	<b>3,263.5</b>	<b>2,981.8</b>	<b>989.5</b>
Growth (%)	-0.5	-18.6	-17.0	-30.2	-71.1	-2.0	20.4	35.5	-16.6	11.3	20.4
Dom. 2W Mkt Sh (%)	14.2	14.3	14.3	12.2	14.4	14.3	14.3	4.5	13.8	0.0	11.8
<b>Net Realization</b>	<b>48.4</b>	<b>49.1</b>	<b>50.2</b>	<b>55.0</b>	<b>53.6</b>	<b>53.1</b>	<b>54.5</b>	<b>55.5</b>	<b>50.3</b>	<b>54.3</b>	<b>53.4</b>
Growth YoY (%)	7.7	7.0	6.6	13.7	10.8	8.1	8.5	0.9	8.2	7.9	6.4
<b>Cost Break-up</b>											
RM Cost (% of sales)	75.1	73.4	72.2	75.0	75.9	76.5	76.1	76.6	73.9	76.4	76.3
Staff Cost (% of sales)	5.6	5.4	5.7	6.4	13.8	4.7	5.0	5.1	5.7	5.7	4.4
Other Cost (% of sales)	11.3	12.5	13.3	11.6	13.8	9.5	9.4	9.2	12.2	9.8	10.3
Gross Margins (%)	24.9	26.6	27.8	25.0	24.1	23.5	23.9	23.4	26.1	23.7	23.8
EBITDA Margins (%)	8.0	8.8	8.8	7.0	-3.4	9.3	9.5	9.1	8.2	8.2	9.0
EBIT Margins (%)	5.3	5.9	5.9	3.5	-9.8	6.4	7.0	6.3	5.2	5.2	6.5

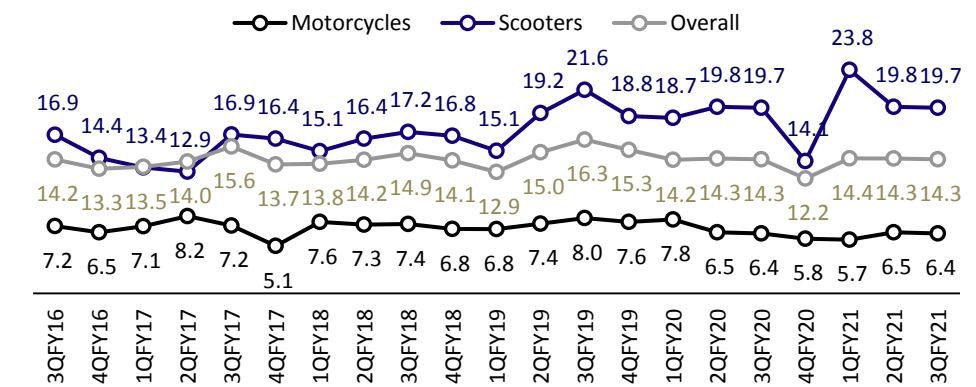
E:MOFSL Estimates

**Exhibit 1: Trend in volume and volume growth**

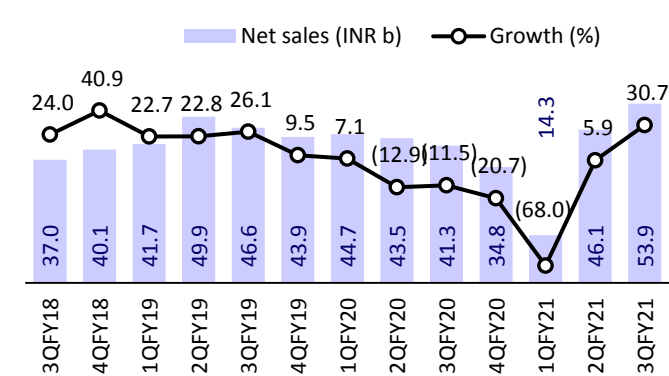
Source: Company, MOFSL

**Exhibit 2: Trend in blended realizations**

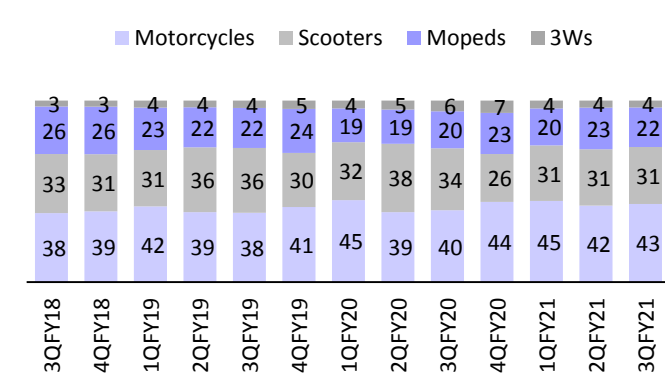
Source: Company, MOFSL

**Exhibit 3: Domestic Motorcycle, Scooter, and overall market share trend for TVSL**

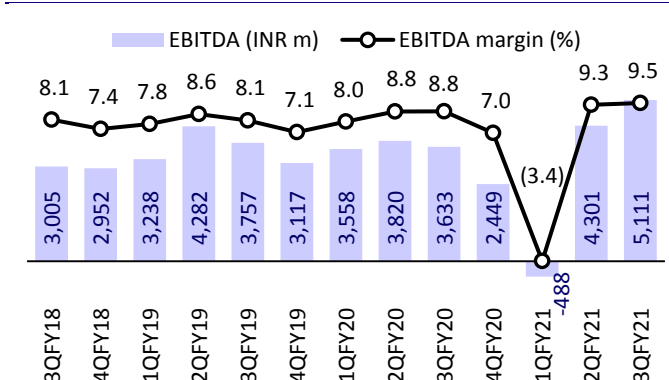
Source: Company, MOFSL

**Exhibit 4: Net sales and growth trends**

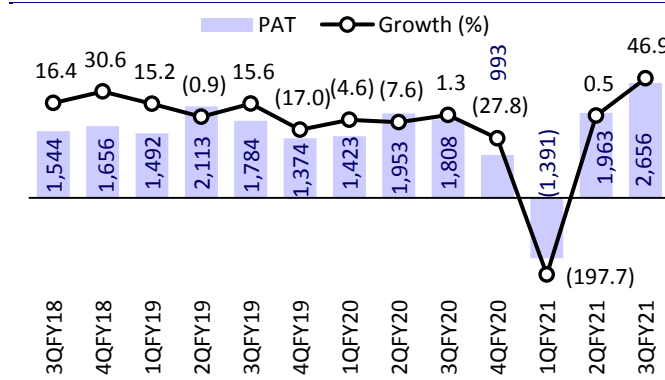
Source: Company, MOFSL

**Exhibit 5: Contribution of different segments in volume mix**

Source: Company, MOFSL

**Exhibit 6: EBITDA and EBITDA margin trend**

Source: Company, MOFSL

**Exhibit 7: PAT and its growth trajectory**

Source: Company, MOFSL



### Key takeaways from earnings call

- **Domestic demand:** This appears strong, led by the lower probability of a second wave of COVID-19. Urban retails are rebounding to pre-COVID levels; therefore, the Scooter segment is picking up gradually. Rural demand is buoyant with strong monsoons and increased reservoir levels, coupled with the highest rabi sowing.
- **Export demand:** Stability in the major export regions is driving demand, supported by stable oil prices / currency. Core demand for Indian brands is increasing in these markets. However, container-related issues continue to affect exports.
- **RM cost:** It has taken a ~2% price hike in Jan'21 to partially offset the impact of RM cost, leaving 80–90bps of uncovered RM cost. It expects to offset the remaining RM cost inflation through price hikes, higher operating leverage, a better product mix, and continued cost reduction efforts.
- **Other expense:** Decline is largely sustainable as the company is shifting toward digital marketing v/s BTL activity. However, the conveyance part of other expenses may return to previous levels.
- **Employee cost:** This rose in 3QFY21, primarily due to TVS reversing the salary cuts of Oct'20 and giving nominal increments.
- **New launches:** TVS announced the launch of new products in 1HFY22. It also highlighted new potential launches in EV.
- TVS generated **FCF** of INR16.2b in 9MFY21, driven by working capital management and operating leverage, and turned debt-free.
- **Financing:** Penetration was still moderate at 46% (v/s 56% in FY20 and 46–47% in 2QFY21); TVS Credit has 50% share.
- **TVS Credit:** GNPA increased to 4.3% (v/s 3.9% in FY20) as collections have gone up; however, collections are back at pre-COVID levels. 85% of moratorium customers have become regular customers, and 15% have opted for restructuring. Investment in TVS Credit in FY21TD was around INR500m.

### Valuation and view

- **Exports-backed TVS to sail through FY21:** FY21 has been a year of challenges for the domestic 2W industry and TVS due to the COVID-19 impact; however, TVS has sailed through on the back of faster recovery in export markets. The domestic market's relatively weaker position in the Entry-level Bike segment (due to gaps in the product portfolio) may lead to higher decline v/s peers in the Motorcycle segment. We expect volumes to decline ~8.6% in FY21E and grow 21% in FY22E.
- **Volume outperformance; market share gains to slow:** We estimate TVSL's volume outperformance over the domestic 2W industry to slow as the gap in the product portfolio has been largely plugged. This is reflected in FY20 – TVSL actually lost market share in domestic 2W by ~100bp to ~13.8%. Furthermore, in the current environment, we expect consumers to prefer strong brands and segment leaders. This, coupled with the expectation of rural-led recovery, does not augur well for market share gains in TVSL.
- **Scale to drive 200bp margin expansion over FY20–23E:** There are several levers to improve margins viz: a) a better mix, b) Fx benefit, c) cost-cutting initiatives, and d) operating leverage (particularly on marketing and employee cost). Hence, we estimate EBITDA margin expansion of 200bp (FY20–23E) to 10.2% by FY23E. This would result in a standalone EPS CAGR of ~27% over FY20–23E.

- **NBFC arm becomes subsidiary to boost consolidated performance:** TVS Credit Services, an ~85% subsidiary, is a fast-growing NBFC company with a presence in financing for 2Ws, Used Cars, Tractors, etc. The captive NBFC arm has been particularly helpful in offsetting the impact of a liquidity crunch in the last 24 months. We value this NBFC company at ~INR52/sh (post a 20% holdco discount).
- **Valuation and view:** We expect TVSL's market share gains to slow as there are limited product gaps in its portfolio now. Furthermore, the electrification of 2Ws could threaten TVSL's competitive positioning in Scooter – as we expect this to be cannibalized by e-scooters. We upgrade our FY21/FY22E EPS by 14.5%/4.2% on the back of an improved operating performance. Valuations at 25.2x/19.8x FY22E/FY23E EPS already reflect massive earnings recovery. Maintain **Neutral**, with TP of ~INR585 (~20x Mar'23 EPS + INR52 for NBFC).

**Exhibit 8: Revised estimates**

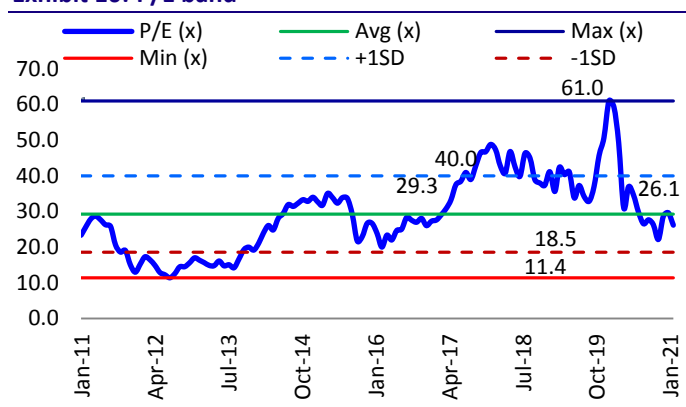
(INR M)	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes (m units)	2.98	3.03	-1.5	3.61	3.76	-3.8
Net Sales	1,61,901	1,62,159	-0.2	1,99,307	2,02,548	-1.6
EBITDA	13,276	12,608	5.3	18,874	19,039	-0.9
EBITDA (%)	8.2	7.8	40bp	9.5	9.4	10bp
Net Profit	5,402	4,703	14.9	9,978	9,577	4.2
EPS (INR)	11.4	9.9	14.9	21.0	20.2	4.2

Source: MOFSL

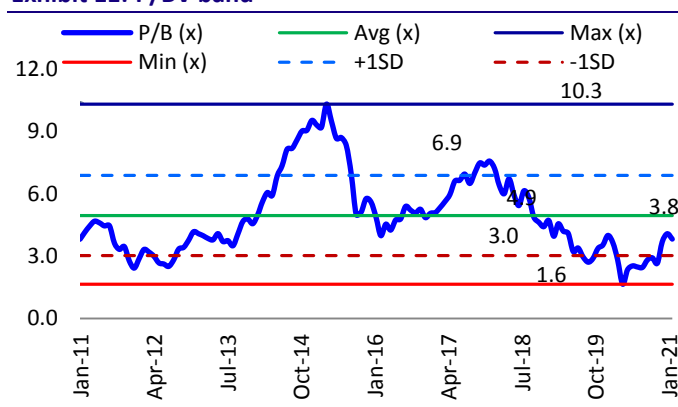
**Exhibit 9: TVS Credit Services – Valuable investments**

INR M	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Loan book	17,020	26,360	39,540	50,000	61,540	83,350	92,150	105,560	1,25,609	1,42,282
Loan book Gr (%)	60	55	50	26	23	35	10.6	15	19	13
Leverage (x)	6.5	6.7	7.3	7.2	7.0	7.2	6.7	6.0	6.1	5.8
RoA (%)	1.0	1.1	1.3	1.7	2.2	1.8	1.6	1.2	1.4	1.5
<b>PAT</b>	<b>172</b>	<b>292</b>	<b>507</b>	<b>870</b>	<b>1,384</b>	<b>1,483</b>	<b>1,505</b>	<b>1,267</b>	<b>1,759</b>	<b>2,134</b>
<b>Net Worth</b>	<b>2,620</b>	<b>3,920</b>	<b>5,410</b>	<b>6,980</b>	<b>8,834</b>	<b>11,511</b>	<b>13,720</b>	<b>17,487</b>	<b>20,745</b>	<b>24,379</b>
RoE (%)	6.6	7.5	9.4	12.5	15.7	12.9	11.0	7.2	8.5	8.8
P/B (x)						1.5	1.5	1.5	1.5	1.5
Equity Value						17,267	20,580	26,230	31,118	36,569
TVSLs Stake (%)						84.27	84.27	84.27	84.27	84.27
<b>Value for TVSL @ Post 20% Hold Co Discount</b>						<b>11640</b>	<b>13874</b>	<b>17683</b>	<b>20978</b>	<b>24654</b>
<b>Value for TVSL (INR/sh) @ 20% HoldCo</b>						25	29	37	44	52

Source: Company, MOFSL

**Exhibit 10: P/E band**

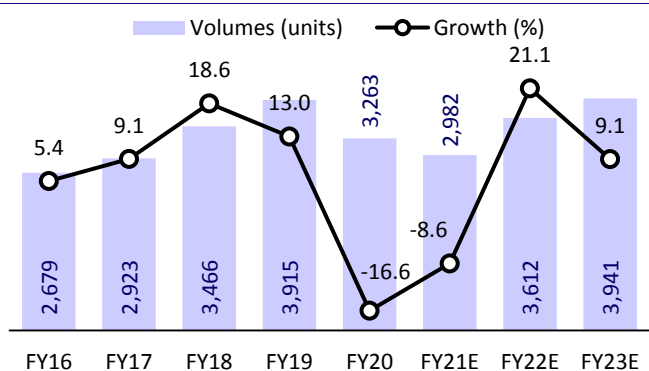
Source: MOFSL

**Exhibit 11: P/BV band**

Source: MOFSL

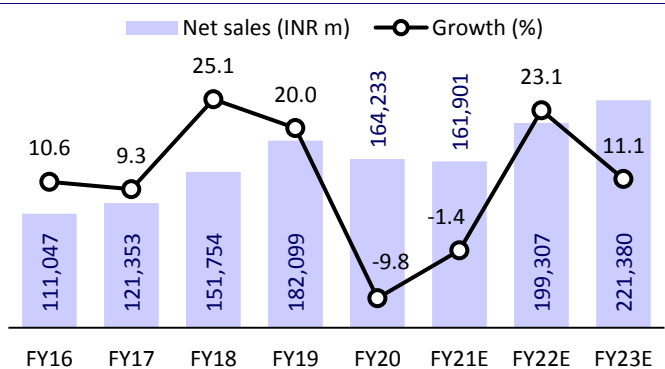
## Story in charts

**Exhibit 12: Volume growth trajectory**



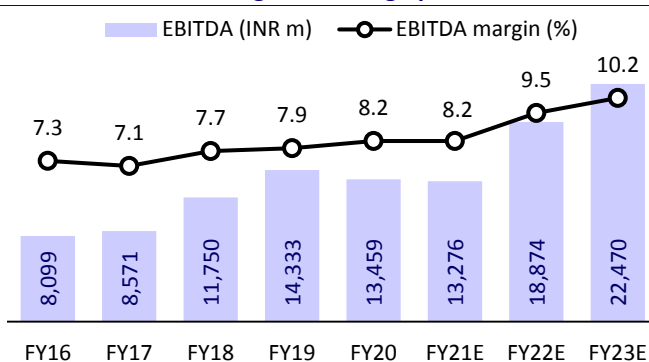
Source: Company, MOFSL

**Exhibit 13: Revenue growth trend**



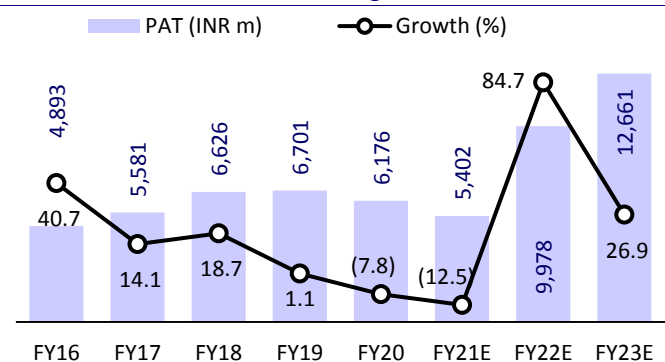
Source: Company, MOFSL

**Exhibit 14: EBITDA margins trending upwards**



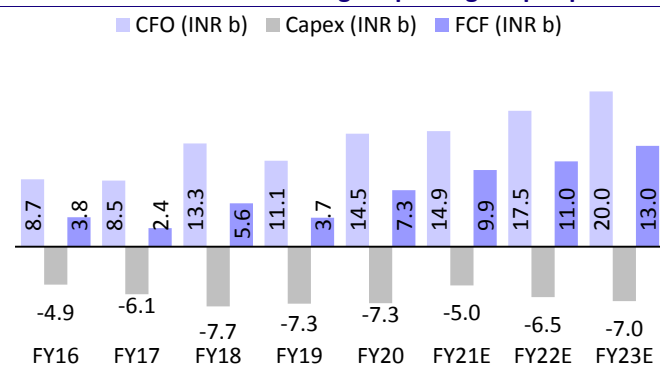
Source: Company, MOFSL

**Exhibit 15: Trend in PAT and PAT growth**



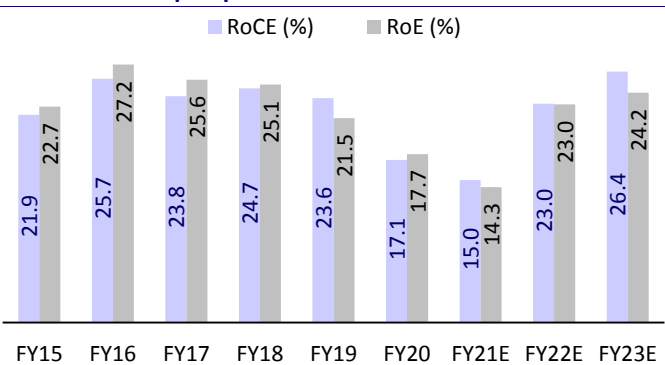
Source: Company, MOFSL

**Exhibit 16: FCF to remain strong despite high capex plans**



Source: Company, MOFSL

**Exhibit 17: Sharp improvement in return ratios**



Source: Company, MOFSL

## Key operating metrics

### Snapshot of Revenue model

units	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Motorcycle</b>	10,16,807	10,67,803	13,29,105	15,39,226	13,48,662	12,48,935	14,97,770	16,65,561
Growth (%)	6.2	5.0	24.5	15.8	-12.4	-7.4	19.9	11.2
% of total vols	38.0	36.5	38.3	39.3	41.3	41.9	41.5	42.3
<b>Scooter</b>	8,12,527	8,70,863	11,34,918	13,01,115	10,75,203	9,28,661	11,71,905	12,74,371
Growth (%)	15.0	7.2	30.3	14.6	-17.4	-13.6	26.2	8.7
% of total vols	30.3	29.8	32.7	33.2	32.9	31.1	32.4	32.3
<b>Moped</b>	7,38,547	9,10,519	8,76,932	8,96,917	6,50,799	6,57,581	7,55,110	7,92,865
Growth (%)	-3.5	23.3	-3.7	2.3	-27.4	1.0	14.8	5.0
% of total vols	27.6	31.1	25.3	22.9	19.9	22.1	20.9	20.1
<b>Total 2Ws</b>	<b>25,67,881</b>	<b>28,53,885</b>	<b>33,67,426</b>	<b>37,58,551</b>	<b>30,89,581</b>	<b>28,50,840</b>	<b>34,42,014</b>	<b>37,51,405</b>
Growth (%)	5.7	11.1	18.0	11.6	-17.8	-7.7	20.7	9.0
% of total vols	95.9	97.6	97.2	96.0	94.7	95.6	95.3	95.2
<b>3Ws</b>	1,10,821	69,254	98,684	1,56,434	1,73,911	1,30,996	1,69,718	1,89,309
Growth (%)	-1.8	-37.5	42.5	58.5	11.2	-24.7	29.6	11.5
% of total vols	4.1	2.4	2.8	4.0	5.3	4.4	4.7	4.8
<b>Domestic</b>	<b>22,24,902</b>	<b>25,02,050</b>	<b>28,91,895</b>	<b>31,53,247</b>	<b>24,22,674</b>	<b>21,27,830</b>	<b>26,14,793</b>	<b>28,30,963</b>
Growth (%)	4.8	12.5	15.6	9.0	-23.2	-12.2	22.9	8.3
% of total vols	83.1	85.6	83.4	80.5	74.2	71.4	72.4	71.8
<b>Exports</b>	<b>4,53,800</b>	<b>4,21,089</b>	<b>5,74,215</b>	<b>7,61,738</b>	<b>8,40,818</b>	<b>8,54,006</b>	<b>9,96,939</b>	<b>11,09,751</b>
Growth (%)	8.3	-7.2	36.4	32.7	10.4	1.6	16.7	11.3
% of total vols	16.9	14.4	16.6	19.5	25.8	28.6	27.6	28.2
<b>Total volumes</b>	<b>26,78,702</b>	<b>29,23,139</b>	<b>34,66,110</b>	<b>39,14,985</b>	<b>32,63,492</b>	<b>29,81,836</b>	<b>36,11,732</b>	<b>39,40,713</b>
Growth (%)	5.4	9.1	18.6	13.0	-16.6	-8.6	21.1	9.1
<b>ASP (INR/unit)</b>	<b>41,455</b>	<b>41,515</b>	<b>43,782</b>	<b>46,513</b>	<b>50,324</b>	<b>54,296</b>	<b>55,183</b>	<b>56,178</b>
Growth (%)	4.9	0.1	5.5	6.2	8.2	7.9	1.6	1.8
<b>Net Sales (INR m)</b>	<b>1,11,047</b>	<b>1,21,353</b>	<b>1,51,754</b>	<b>1,82,099</b>	<b>1,64,233</b>	<b>1,61,901</b>	<b>1,99,307</b>	<b>2,21,380</b>
Growth (%)	10.6	9.3	25.1	20.0	-9.8	-1.4	23.1	11.1



## Financials and valuations

### Standalone - Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Volumes (units)	26,78,702	29,23,139	34,66,110	39,14,985	32,63,492	29,81,836	36,11,732	39,40,713
Growth (%)	6.4	9.1	18.6	13.0	(16.6)	(8.6)	21.1	9.1
Net Sales	1,11,047	1,21,353	1,51,754	1,82,099	1,64,233	1,61,901	1,99,307	2,21,380
Change (%)	10.6	9.3	25.1	20.0	-9.8	-1.4	23.1	11.1
EBITDA	8,099	8,571	11,750	14,333	13,459	13,276	18,874	22,470
Margin (%)	7.3	7.1	7.7	7.9	8.2	8.2	9.5	10.2
Depreciation	2,361	2,878	3,387	3,993	4,890	4,920	5,114	5,395
EBIT	5,738	5,693	8,362	10,340	8,568	8,356	13,761	17,075
Int. and Finance Charges	487	440	566	806	1,022	1,496	911	711
Other Income - Rec.	1,039	1,734	990	75	321	363	436	501
PBT bef. EO Exp.	6,289	6,987	8,786	9,610	7,867	7,222	13,285	16,865
EO Expense/(Income)	0	0	0	0	323	0	0	0
PBT after EO Exp.	6,289	6,987	8,786	9,610	7,544	7,222	13,285	16,865
Current Tax	1,397	1,406	1,971	2,768	2,339	1,820	3,308	4,204
Deferred Tax	0	0	190	141	-717	0	0	0
Tax Rate (%)	22.2	20.1	24.6	30.3	21.5	25.2	24.9	24.9
Reported PAT	4,893	5,581	6,626	6,701	5,923	5,402	9,978	12,661
PAT Adj for EO items	4,893	5,581	6,626	6,701	6,176	5,402	9,978	12,661
Change (%)	40.7	14.1	18.7	1.1	-7.8	-12.5	84.7	26.9

### Standalone - Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	475	475	475	475	475	475	475	475
Total Reserves	19,108	23,608	28,329	32,998	35,706	39,108	46,799	56,888
Net Worth	19,583	24,083	28,804	33,473	36,181	39,583	47,274	57,363
Deferred Liabilities	1,437	1,257	1,482	2,126	1,581	1,581	1,581	1,581
Total Loans	7,585	11,072	11,892	14,000	20,219	20,219	16,219	12,219
Capital Employed	28,606	36,413	42,178	49,600	57,981	61,382	65,074	71,163
Gross Block	34,651	39,290	45,454	50,536	58,077	64,931	71,431	78,431
Less: Accum. Deprn.	17,456	19,451	21,736	24,743	29,077	33,998	39,111	44,506
Net Fixed Assets	17,196	19,839	23,719	25,793	28,999	30,933	32,320	33,925
Capital WIP	310	623	1,311	2,572	2,854	1,000	1,000	1,000
Total Investments	12,703	15,880	20,355	23,008	28,554	31,054	33,254	35,454
Curr. Assets, Loans&Adv.	19,315	22,705	26,177	32,320	33,204	32,220	38,576	44,549
Inventory	6,964	9,670	9,644	11,759	10,389	8,871	10,921	12,130
Account Receivables	5,781	7,238	9,684	14,141	12,814	8,871	10,921	12,130
Cash and Bank Balance	327	85	109	439	4,193	8,060	9,633	13,129
Loans and Advances	6,243	5,713	6,741	5,981	5,808	6,417	7,101	7,160
Curr. Liability & Prov.	20,916	22,634	29,385	34,094	35,631	33,825	40,076	38,760
Account Payables	17,593	19,169	28,227	32,912	33,869	32,062	38,314	36,998
Provisions & other CL	3,323	3,465	1,158	1,183	1,763	1,763	1,763	1,763
Net Current Assets	-1,602	71	-3,207	-1,774	-2,427	-1,605	-1,500	5,789
Appl. of Funds	28,606	36,412	42,178	49,600	57,981	61,382	65,074	71,163

E: MOFSL Estimates



## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>10.3</b>	<b>11.7</b>	<b>13.9</b>	<b>14.1</b>	<b>13.0</b>	<b>11.4</b>	<b>21.0</b>	<b>26.6</b>
Growth (%)	40.7	14.1	18.7	1.1	-7.8	-12.5	84.7	26.9
Cash EPS	15.3	17.8	21.1	22.5	23.3	21.7	31.8	38.0
BV/Share	41.2	50.7	60.6	70.5	76.2	83.3	99.5	120.7
DPS	2.5	2.5	3.3	3.5	3.5	3.5	4.0	4.5
Payout (%)	28.9	25.6	28.4	29.8	33.8	37.0	22.9	20.3
<b>Valuation (x)</b>								
P/E	51.3	45.0	37.9	37.5	40.7	46.5	25.2	19.8
Cash P/E	34.6	29.7	25.1	23.5	22.7	24.3	16.6	13.9
P/BV	12.8	10.4	8.7	7.5	6.9	6.3	5.3	4.4
EV/Sales	2.3	2.2	1.7	1.5	1.6	1.6	1.3	1.1
EV/EBITDA	31.9	30.6	22.4	18.5	19.9	19.8	13.7	11.1
Dividend Yield (%)	0.5	0.5	0.6	0.7	0.7	0.7	0.8	0.9
<b>Return Ratios (%)</b>								
EBITDA Margins (%)	7.3	7.1	7.7	7.9	8.2	8.2	9.5	10.2
Net Profit Margins (%)	4.4	4.6	4.4	3.7	3.8	3.3	5.0	5.7
RoE	27.2	25.6	25.1	21.5	17.7	14.3	23.0	24.2
RoCE	25.7	23.8	24.7	23.6	17.1	15.0	23.0	26.4
RoIC	27.4	25.2	29.9	30.1	26.2	26.3	46.5	57.3
<b>Operating Ratios</b>								
Fixed Asset Turnover (x)	3.2	3.1	3.3	3.6	2.8	2.5	2.8	2.8
Inventory (Days)	22.9	29.1	23.2	23.6	23.1	20.0	20.0	20.0
Debtor (Days)	17	20	23	28	28	20	20	20
Creditor (Days)	58	58	68	66	75	72	70	61
Working Capital (Days)	-6	0	-8	-4	-15	-22	-20	-12
<b>Leverage Ratio (x)</b>								
Current Ratio	0.9	1.0	0.9	0.9	0.9	1.0	1.0	1.1
Debt/Equity	0.4	0.5	0.4	0.4	0.6	0.5	0.3	0.2

### Standalone - Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>(INR m)</b>								
NP/ (Loss) bef Tax and EO	6,289	6,987	8,786	9,610	7,544	7,222	13,285	16,865
Depreciation	2,361	2,878	3,387	3,993	4,890	4,920	5,114	5,395
Interest & Finance Charges	92	440	582	857	1,022	1,496	911	711
Direct Taxes Paid	1,458	1,290	2,465	2,300	1,850	1,820	3,308	4,204
(Inc)/Dec in WC	1,382	-514	2,977	-1,097	2,926	3,045	1,468	1,211
Others	745	-1,261	-294	-85	-596	-363	-436	-501
<b>CF from Operations</b>	<b>9,411</b>	<b>7,239</b>	<b>12,973</b>	<b>10,978</b>	<b>13,936</b>	<b>14,500</b>	<b>17,035</b>	<b>19,477</b>
(inc)/dec in FA	-4,887	-6,123	-7,698	-7,334	-7,267	-5,000	-6,500	-7,000
<b>Free Cash Flow</b>	<b>4,524</b>	<b>1,117</b>	<b>5,276</b>	<b>3,643</b>	<b>6,669</b>	<b>9,500</b>	<b>10,535</b>	<b>12,477</b>
<b>CF from Investments</b>	<b>-6,097</b>	<b>-7,481</b>	<b>-11,314</b>	<b>-10,023</b>	<b>-12,889</b>	<b>-7,137</b>	<b>-8,264</b>	<b>-8,699</b>
(Inc)/Dec in Debt	-461	2,792	1,917	939	4,013	0	-4,000	-4,000
Interest Paid	-461	-433	-582	-857	-1,003	-1,496	-911	-711
Dividend Paid	-2,065	-1,430	-1,887	-2,000	-2,000	-2,000	-2,286	-2,572
<b>CF from Fin. Activity</b>	<b>-3,061</b>	<b>-727</b>	<b>-747</b>	<b>811</b>	<b>2,705</b>	<b>-3,497</b>	<b>-7,197</b>	<b>-7,283</b>
<b>Inc/Dec of Cash</b>	<b>253</b>	<b>-969</b>	<b>912</b>	<b>1,766</b>	<b>3,753</b>	<b>3,867</b>	<b>1,573</b>	<b>3,495</b>
Add: Beginning Balance	-1,588	-1,320	-2,288	-1,376	390	4,143	8,010	9,583
<b>Closing Balance</b>	<b>-1,335</b>	<b>-2,289</b>	<b>-1,376</b>	<b>390</b>	<b>4,143</b>	<b>8,010</b>	<b>9,583</b>	<b>13,079</b>

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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