

Bharat Forge

Estimate changes



TP change



Rating change



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Bloomberg	BHFC IN
Equity Shares (m)	466
M.Cap.(INRb)/(USD\$b)	349.7 / 4.8
52-Week Range (INR)	758 / 306
1, 6, 12 Rel. Per (%)	11/20/67
12M Avg Val (INR M)	1612

Consol. Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	63.4	91.7	108.3
EBITDA (%)	13.6	18.9	22.6
Adj. PAT	0.9	8.7	14.2
EPS (INR)	1.9	18.6	30.5
EPS Gr. (%)	-78.5	885.1	63.8
BV/Sh. (INR)	116.3	130.4	154.6

Ratios

Net D:E	0.8	0.7	0.6
RoE (%)	15.1	21.4	0.0
RoCE (%)	3.2	9.3	13.8
ROIC(%)	3.0	13.7	22.8
Payout (%)	-96.0	24.2	20.5

Valuations

P/E (x)	397.5	40.4	24.6
P/BV (x)	6.5	5.8	4.9
EV/EBITDA (x)	45.3	21.8	15.0
Div. Yield (%)	0.3	0.6	0.8
FCF Yield (%)	0.3	5.3	4.8

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	45.8	45.8	45.8
DII	12.5	12.6	15.9
FII	24.9	23.5	20.7
Others	16.9	18.2	17.6

FII Includes depository receipts

CMP: INR751
TP: INR850 (+13%)
Buy

Sharp recovery seen in all businesses; upgrade EPS

Greenfield capex with focus on the Defense and e-Mobility space

- Strong performance by BHFC in 4QFY21 was driven by a strong recovery in the Auto export business and resultant benefits of operating leverage. While all core businesses are expected to witness a sharp cyclical recovery, BHFC's huge plans in Defense and e-Mobility is starting to fructify with the setting up of a greenfield plant focusing on these areas.
- We raise our consolidated EPS by 17%/18% for FY22E/FY23E, driven by revenue upgrades due to a strong cyclical recovery. We maintain our **Buy** rating with a TP of INR850/share (28x Mar'23E EPS).

Strong performance led by Auto and non-Auto verticals

- Standalone revenue/EBITDA/adjusted PAT grew 48%/125%/LTP YoY to INR13b/INR3.3b/INR2.1b. The same in FY21 declined 20%/29%/42% YoY to INR36.5b/INR7.3b/INRINR3.2b.
- Volumes grew 39% YoY to 55.8k tonne (est. 55.7k tonne). Realizations grew 7% YoY (15% QoQ) to INR234.1k/t (est. ~INR214.6k/t) due to better mix and steel price pass through. Adjusting for the steel price pass through benefit, realization stood at INR227k/t.
- CV exports/India CV/PV exports grew 66%/126%/48% YoY (up 25%/34%/55% QoQ). Domestic PVs grew 27% YoY (-11% QoQ). Non-Auto exports grew 22% YoY (+91% QoQ) due to good performance in both domestic and export markets.
- Gross margin declined ~340bp YoY to 59.7% (est. 61.8%). However, operating leverage supported EBITDA margin improvement by 870bp YoY (+300bp QoQ) to 25.5% (est. 24.2%).
- Forex gains boosted adjusted PAT to ~INR2.1b (est. ~INR1.6b).

Highlights from the management interaction

- CV outlook:** The outlook for US Class 8 Trucks stands at 300k for CY21 (v/s 210k in CY20). The management views the USD6t US infrastructure push as a big opportunity. The Indian CV industry is expected to pick up from 2HFY22.
- Greenfield expansion:** It is in the process of acquiring 70 hectares of land, with an investment of up to INR2.4b over three years. This facility will provide it flexibility to house all new initiatives, including Defense and e-Mobility.
- Overseas subsidiaries:** Major cost optimization initiatives at overseas subsidiaries have improved EBITDA margin to 10% in 2HCY20 from 5% in FY18/FY19. It expects to drive margin to 12% over the next few quarters in its EU operations.
- Sanghvi Forgings:** It will help grow the domestic Industrial business in Wind and Hydro Energy. BHFC has a robust plan for turnaround of this debt-strapped company.
- Capex for FY22/FY23 will be ~INR3b/~INR2.5b.

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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

- All businesses are witnessing a sharp cyclical recovery. This, coupled with its focus on creating new revenue pools in defense and e-Mobility, can further lead to de-risking of the business. We estimate consolidated revenue/EBITDA/PAT to grow at a 31%/68%/302% CAGR (FY21-23E). The stock trades at 40.4x/24.6x FY22E/FY23E consolidated EPS. We maintain our **Buy** rating with a TP of INR850/share.

Standalone quarterly

(INR m)

	FY20				FY21				FY20	FY21	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Tonnage	60,874	53,541	46,998	40,173	17,840	40,775	50,943	55,837	2,01,586	1,65,396	55,743
Change (%)	-8.9	-23.2	-29.6	-35.9	-70.7	-23.8	8.4	39.0	-24.2	-18.0	38.8
Realization (INR '000/t)	221.2	235.2	229.1	219.3	239.3	216.2	203.3	234.1	226.4	220.8	214.6
Change (%)	-0.1	-2.4	-9.6	-17.6	8.2	-8.1	-11.3	6.7	-7.7	-2.5	-2.2
Net operating income	13,466	12,595	10,767	8,812	4,270	8,815	10,357	13,073	45,639	36,515	11,960
Change (%)	-9.0	-25.0	-36.4	-47.2	-68.3	-30.0	-3.8	48.4	-30.0	-20.0	35.7
EBITDA	3,519	3,004	2,394	1,482	17	1,660	2,333	3,338	10,399	7,348	2,893
EBITDA Margin (%)	26.1	23.9	22.2	16.8	0.4	18.8	22.5	25.5	22.8	20.1	24.2
Non-Operating Income	401	495	398	315	420	313	352	320	1,609	1,405	320
Interest	388	291	356	415	299	75	268	137	1,450	779	201
Depreciation	886	893	823	847	808	883	964	1006	3,449	3,661	967
FX loss/(gain)	24	-197	38	379	46	94	185	-253	244	72	0
PBT after EO items	2,622	2,512	1,575	-783	-716	892	1,214	2,760	5,926	4,149	2,045
Eff. Tax Rate (%)	33.6	2.5	18.8	6.4	21.4	21.2	23.6	25.6	20.1	24.8	23.7
Rep. PAT	1,741	2,449	1,278	-733	-563	702	927	2,054	4,735	3,121	1,560
Change (%)	-25.7	7.6	-58.7	-124.5	-132.3	-71.3	-27.5	-380.3	-55.8	-34.1	-312.8
Adj. PAT	1,741	2,449	1,278	17	-563	724	968	2,061	5,486	3,190	1,560
Change (%)	-25.7	7.6	-58.7	-99.4	-132.3	-70.4	-24.2	11,691.5	-48.8	-41.9	8,825.6

E: MOFSL estimates

Key performance indicators

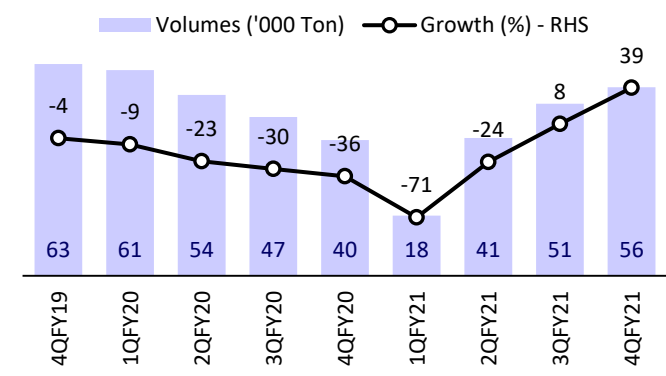
Segment mix	FY20				FY21				FY20	FY21	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Auto	7,793	6,563	5,824	5,018	1,800	4,368	6,655	8,508	25,194	21,359	7,360
Growth (%)	-6.6	-24.7	-30.2	-39.0	-76.9	-33.4	14.3	69.5	-26.2	-15.2	46.6678
Contribution (%)	63.3	57.1	58.2	61.2	44.8	52.8	67.9	69.3	60.0	62.2	65.5
Non-Auto	4,519	4,929	4,182	3,176	2,218	3,906	3,140	3,764	16,811	13,001	3,884
Growth (%)	-17.7	-29.3	-43.6	-56.0	-50.9	-20.8	-24.9	18.5	-36.7	-22.7	22.28086
Contribution (%)	36.7	42.9	41.8	38.8	55.2	47.2	32.1	30.7	40.0	37.8	34.5
Total Product sales	12,312	11,492	10,006	8,194	4,018	8,274	9,795	12,272	42,005	34,360	11,243
Tonnage	60,874	53,541	46,998	40,173	17,840	40,775	50,943	55,837	2,01,586	1,65,396	55,743
Change (%)	-8.9	-23.2	-29.6	-35.9	-70.7	-23.8	8.4	39.0	-24.2	-18.0	38.8
Realization (INR'000/t)	221	235	229	219	239	216	203	234	226	221	215
Change (%)	-0.1	-2.4	-9.6	-17.6	8.2	-8.1	-11.3	6.7	-7.7	-2.5	-2.2
Net operating revenue	13466	12595	10767	8812	4270	8815	10357	13073	45639	36515	11960
Change (%)	-9.0	-25.0	-36.4	-47.2	-68.3	-30.0	-3.8	48.4	-30.0	-20.0	35.7
RM/Sales (%)	37.0	40.1	39.0	36.9	43.2	36.3	37.0	40.3	38.3	38.7	38
Staff Cost (% of sales)	9.2	9.7	11.0	13.5	26.6	12.6	10.6	8.7	10.6	12.3	10
Other Cost (% of sales)	27.7	26.3	27.8	32.8	29.8	32.3	29.9	25.5	28.3	28.9	28.1
Gross Margin (%)	63.0	59.9	61.0	63.1	56.8	63.7	63.0	59.7	61.7	61.3	61.8
EBITDA Margin (%)	26.1	23.9	22.2	16.8	0.4	18.8	22.5	25.5	22.8	20.1	24.2
EBIT Margin (%)	19.6	16.8	14.6	7.2	-18.5	8.8	13.2	17.8	15.2	10.1	16.1



Highlights from the management interaction

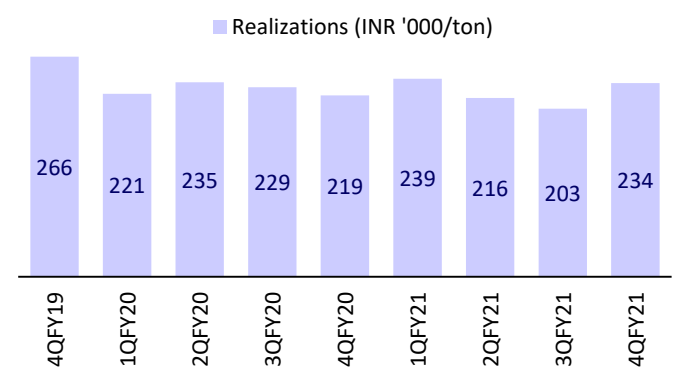
- **Outlook:** The outlook for US Class 8 Trucks stands at 300k for CY21 (v/s 210k in CY20). The management views the USD6t US infrastructure push as a big opportunity. The Indian CV industry is expected to pick up from 2HFY22.
- Although CV production in the US and EU was hampered due to chip availability, it expects the shortage to end over the next two months. Heavy Trucks in North America and EU are seeing a sharp increase in demand.
- **Light weighting** is expected to be a major growth driver. All its recent investments in aluminum technology plants in Nellore, Germany, and the US targets this opportunity. In the medium term, it sees strong growth as its Nellore plant has started operations and third year capacity has already fully sold out.
- **Greenfield expansion:** With current manufacturing locations fully utilized, it is putting up a new greenfield plant at Khed (near Pune). It is in the process of acquiring 70 hectares of land, with an investment of up to INR2.4b over three years. This facility will provide it flexibility to house all new initiatives, including Defense and e-Mobility.
- Defense-related orders have slowed due to the ongoing COVID-related expenses of the government.
- The current utilization level is ~65% on an average basis. It is expecting operating leverage to help it grow its quarterly revenue to INR20b at peak capacity utilization.
- **Overseas subsidiaries:** Major cost optimization initiatives at overseas subsidiaries have improved EBITDA margin to 10% in 2HCY20 from 5% in FY18/FY19. It expects to drive margin to 12% over the next few quarters in its EU operations.
- It attributes three factors for the turnaround in its international business: a) thrust of lightweight materials, b) pruning of its product portfolio, and c) reduction of fixed costs.
- **Sanghvi Forgings:** It has acquired a great asset at a reasonable price. It will help grow the domestic Industrial business in Wind and Hydro Energy. BHFC has a robust plan for turnaround of this debt-strapped company.
- Kalyani Strategic System (Defense arm) is now a 100% subsidiary. This change in structure was necessitated to meet eligibility criteria like net worth.
- **RoCE growth plan:** It is targeting 20% RoCE and should achieve it by FY22-end, through sales improvement, working capital reduction, and limited capex.
- Oil and Gas revenue in 4Q/FY21 stood at USD0.4-0.45b/INR1.36b (peak at INR10b). It expects to return back to 50% of its peak.
- Capex for FY22/FY23 will be ~INR3b/~INR2.5b.

Exhibit 1: Volume trend



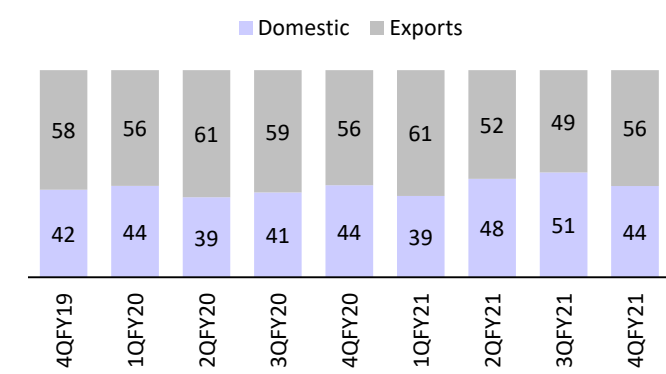
Source: Company, MOFSL

Exhibit 2: Trend in realizations



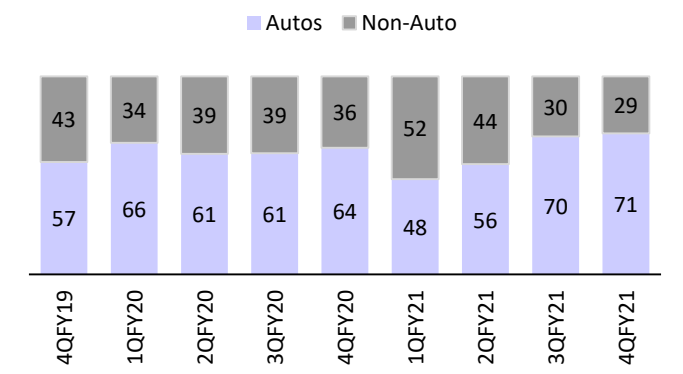
Source: Company, MOFSL

Exhibit 3: Market mix trend



Source: Company, MOFSL

Exhibit 4: Trend in product mix



Source: Company, MOFSL

Exhibit 5: Geography wise revenue breakup

INR m	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
India	7,060	5,939	4,870	4,414	3,916	1,678	4,192	5,158	5,653
Growth (%)	8	-7	-34	-38	-45	-72	-14	17	44
Contribution (%)	42	44	39	41	44	39	48	50	44
US	7,075	5,302	5,475	4,508	3,396	1,393	2,791	3,510	4,380
Growth (%)	26	-8	-17	-32	-52	-74	-49	-22	29
Contribution (%)	42	39	43	42	39	33	32	34	34
EU	2,233	1,853	1,896	1,652	1,426	1,089	1,502	1,340	2,671
Growth (%)	-4	-26	-25	-38	-36	-41	-21	-19	87
Contribution (%)	13	14	15	15	16	26	17	13	21
Others	318	372	354	193	73	110	330	260	259
Growth (%)	59	85	26	-62	-77	-70	-7	35	255
Contribution (%)	2	3	3	2	1	3	4	3	2
Total	16,686	13,466	12,595	10,767	8,811	4,270	8,815	10,268	12,963
Growth (%)	14	-9	-25	-36	-47	-68	-30	-5	47

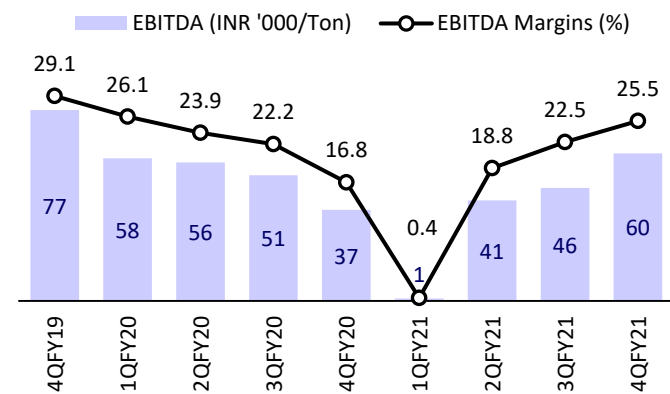
Source: Company, MOFSL

Exhibit 6: Segment wise revenue breakup

INR m	4QFY21	4QFY20	YoY (%)	3QFY21	QoQ (%)
Domestic	5,764	3,916	47.2	5,239	10.0
% of total revenues	44.1	44.4		50.6	
Autos	2,913	1,525	91.0	2,435	19.6
% of total revenue	22.3	17.3		23.5	
CVs	2,222	983	126.0	1,657	34.1
% of total revenue	17.0	11.2		16.0	
PVs	691	542	27.5	778	-11.2
% of total revenue	5.3	6.2		7.5	
Industrial	2,049	1,773	15.6	2,243	-8.6
% of total revenue	15.7	20.1		21.7	
Other Op. Income	802	618	29.8	561	43.0
% of total revenue	6.1	7.0		5.4	
Exports	7,310	4,896	49.3	5,117	42.9
% of total revenue	55.9	55.6		49.4	
Autos	5,595	3,493	60.2	4,220	32.6
% of total revenue	42.8	39.6		40.7	
CVs	3,958	2,388	65.7	3,167	25.0
% of total revenue	30.3	27.1		30.6	
PVs	1,637	1,105	48.1	1,053	55.5
% of total revenue	12.5	12.5		10.2	
Industrial	1,715	1,403	22.2	897	91.2
% of total revenue	13.1	15.9		8.7	
Total Revenue	13,074	8,812	48.4	10,356	26.2

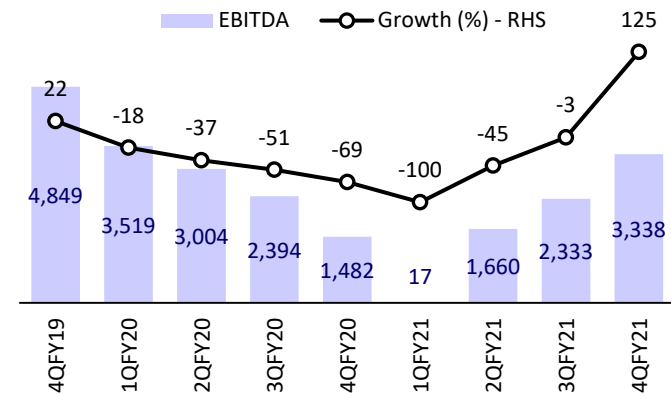
Source: Company, MOFSL

Exhibit 7: Trend in EBITDA margin



Source: Company, MOFSL

Exhibit 8: EBITDA growth trend



Source: Company, MOFSL

Valuation and view

Continued focus on de-risking the business and increasing value add

In the last decade, BHFC has broadened its revenue stream by entering new segments (non-Auto) and global markets, resulting in a decline in the share of the Auto business to ~62% in FY20 from ~80% in FY07. It has increased value-add by focusing on machined components, whose contribution has increased to ~50%, boosting realizations and margin. It is currently focused on adding a new line of businesses beyond steel forgings in the form of: a) aluminum forgings, b) non-metal materials, and c) electronic components for EVs. The benefit of these initiatives would start reflecting from FY22E, driving not just revenue growth, but aiding improvement in profitability and capital efficiencies.

Auto business: Recovery underway across markets

After witnessing prolonged cyclical pressures in both domestic and export CVs due to the impact of COVID-19, the outlook for India and US CV has improved considerably in the last three months. Over the last 18 months, BHFC has developed capabilities in Truck transmission parts, which should improve its content per Truck considerably and drive growth in the CV segment over the next 3-5 years. The PV segment is a focus area as it offers an opportunity size 4x that of CVs. To tap this opportunity, BHFC is focusing and is already making inroads on increasing customer penetration and moving up the value chain.

Recovery in O&G and ramp-up in Defense and Aerospace to drive growth

The O&G segment is expected to recover from the lows of FY21, supported by sustained higher oil prices. The management expects the O&G business to return to 50% of peak revenue of INR10b in FY22 (v/s INR1.4b in FY21). Despite near-term challenges, Aerospace is on track to see a revenue ramp-up to USD40-50m over the next 2-3 years, driven by new customer wins. Defense is another large opportunity. It would reap benefits from the recently announced localization drive by the government. BHFC is well-prepared in this regard, but visibility on the ramp-up is poor due to elongated timelines. Over the next 3-5 years, Defense has the potential to drive strong growth for BHFC, as the government systematically focuses on reducing imports. BHFC is among the few players that offer holistic localization solutions on artillery guns, armored vehicles, et al. The planned greenfield expansion at Khed, Pune will boost its capacities in Defense and e-Mobility.

BHFC to emerge stronger, benefit from possible diversification away from China

BHFC would emerge stronger from this downcycle, strengthen its position in the global supply chain, and potentially benefit from possible diversification away from China. Unlike previous downcycles, BHFC is more resilient, with a diversified revenue stream, more value-added content, methodical reduction in breakeven points, and leverage on its books. Over the next decade, it has seeded many new segments (Aerospace, Defense, PVs, etc.), and new technology (aluminum forgings, other lightweight materials, electrical components, etc.). This is particularly exciting due to: a) possible consolidation, driven by on-going COVID-19 challenges, and b) possible diversification and realignment of global supply chains.

Valuation and view

We raise our FY22E/FY23E consolidated EPS estimate by 17%/18%, led by revenue upgrades due to a strong cyclical recovery across key businesses. The latter and contribution from new businesses would drive a sharp recovery for BHFC over the next 2-3 years. We estimate consolidated revenue/EBITDA/PAT to grow at a 31%/68%/302% CAGR (FY21-23E). The stock trades at 40.4x/24.6x FY22E/FY23E consolidated EPS. We maintain our **Buy** rating with a TP of INR850/share (28x Mar'23E consolidated EPS, which is at a 15% discount to its 10-year average P/E of 33x).

Exhibit 9: Revised forecast (consolidated)

(INR m)	FY22E			FY23E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Net Sales	91,672	86,059	6.5	1,08,254	99,874	8.4
EBITDA (%)	18.9	17.5	140bp	22.6	20.9	170bp
Net Profit	8,661	7,424	16.7	14,186	11,982	18.4
EPS (INR)	18.6	16.0	16.6	30.5	25.8	18.4

Source: MOFSL

Exhibit 10: P/E chart

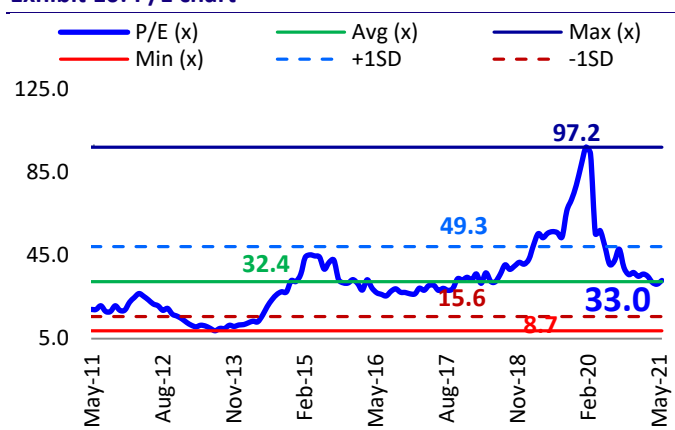
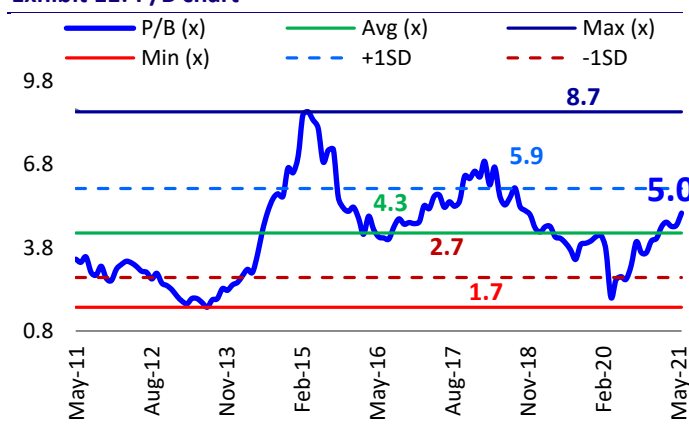


Exhibit 11: P/B chart



Source: MOFSL

Key operating metrics

Revenue model

INR m	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Autos	21,796	28,525	34,148	25,194	21,359	31,884	39,078
% of total revenue	60	57	56	60	62	64	63
CV	18,016	23,419	26,900	17,884	14,702	22,564	27,895
% of total revenue	50	47	44	43	43	45	45
PV	3,780	5,106	7,248	7,310	6,657	9,320	11,184
% of total revenue	10	10	12	17	19	19	18
Non-Autos	14,366	21,505	26,565	16,811	13,001	18,196	23,189
% of total revenue	40	43	44	40	38	36	37
Market mix (net sales incl. Op. Income)							
India	19,230	23,448	27,942	19,137	16,873	23,700	29,620
% of total revenue	50	44	43	42	46	44	45
Growth (%)	4	22	19	-32	-12	40	25
Exports	19,417	29,712	37,258	26,502	19,642	29,569	36,371
% of total revenue	50	56	57	58	54	0	0
Growth (%)	-21	53	25	-29	-26	0	0
Total Net Op. Revenue	38,647	53,160	65,200	45,639	36,515	53,269	65,991
Growth (%)	-10	38	23	-30	-20	0	0
Subsidiary Revenue	25,315	30,417	36,257	34,919	26,848	38,403	42,262
Growth (%)	1	20	19	-4	-23	43	10
Net Consolidated Revenue	63,962	83,577	101,457	80,558	63,363	91,672	108,254
Growth (%)	-6	31	21	-21	-21	45	18
Standalone EBITDA margin (%)	28.5	31.5	28.8	22.8	20.1	26.7	29.6
Consol. EBITDA margin (%)	19.6	20.6	20.3	14.1	13.6	18.9	22.6
Consol. EPS (INR)	13.1	17.7	22.2	8.8	1.9	18.6	30.5
Growth (%)	-7.0	34.9	25.5	-60.3	-78.5	885.1	63.8

Source: MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	68,092	63,962	83,577	1,01,457	80,558	63,363	91,672	1,08,254
Change (%)	-10.7	-6.1	30.7	21.4	-20.6	-21.3	44.7	18.1
EBITDA	14,081	12,511	17,230	20,556	11,389	8,634	17,328	24,444
Margin (%)	20.7	19.6	20.6	20.3	14.1	13.6	18.9	22.6
Depreciation	4,530	4,521	4,669	5,208	5,477	6,122	6,034	6,414
EBIT	9,551	7,990	12,561	15,348	5,912	2,512	11,294	18,030
Int. and Finance Charges	1,160	1,000	1,065	1,272	1,713	1,077	1,203	1,102
Other Income - Rec.	1,321	1,193	1,420	2,028	1,637	1,673	1,538	1,655
PBT bef. EO Exp.	9,713	8,183	12,916	16,104	5,835	3,107	11,629	18,583
EO Expense/(Income)	55	-1,284	955	0	789	3,062	0	0
PBT after EO Exp.	9,658	9,468	11,961	16,104	5,046	45	11,629	18,583
Tax Rate (%)	32.8	26.3	36.9	35.2	22.3	2245.8	25.5	23.7
Reported PAT	6,493	6,976	7,544	10,440	3,921	-970	8,661	14,186
PAT Adj. for EO items	6,530	6,030	8,145	10,440	4,518	1,174	8,661	14,186
Change (%)	-10.9	-7.7	35.1	28.2	-56.7	-74.0	637.9	63.8
Margin (%)	9.6	9.4	9.7	10.3	5.6	1.9	9.4	13.1
Less: Minority Interest	-31	-70	-81	118	423	294	-6	-6
Adj. PAT	6,561	6,100	8,226	10,322	4,095	880	8,666	14,192

Consolidated Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	466	466	931	931	931	931	931	931
Total Reserves	33,667	40,698	45,586	52,829	51,266	53,220	59,793	71,075
Net Worth	34,132	41,164	46,517	53,761	52,197	54,151	60,725	72,006
Minority Interest	-43	100	294	298	320	317	317	317
Deferred Liabilities	1,628	2,606	2,147	2,062	507	1,445	1,445	1,445
Total Loans	34,445	31,241	32,570	37,728	38,784	45,798	43,798	41,798
Capital Employed	70,162	75,111	81,528	93,850	91,807	1,01,711	1,06,284	1,15,566
Gross Block	66,569	72,328	80,211	54,985	64,236	77,837	89,838	93,338
Less: Accum. Deprn.	35,227	39,560	45,217	18,739	24,216	30,337	36,372	42,786
Net Fixed Assets	31,343	32,768	34,994	36,246	40,020	47,500	53,466	50,552
Capital WIP	4,088	4,532	3,438	8,307	11,427	9,001	1,000	1,000
Total Investments	8,854	11,916	15,011	15,237	16,180	26,068	28,068	30,068
Curr. Assets, Loans and Adv.	38,299	39,192	46,324	55,993	47,197	48,309	63,558	80,954
Inventory	9,968	10,752	13,599	18,447	17,347	17,939	15,069	17,795
Account Receivables	14,038	13,419	19,605	21,478	14,938	14,096	20,595	24,320
Cash and Bank Balance	4,493	3,361	3,041	4,755	5,751	4,729	16,089	24,900
Loans and Advances	9,800	11,661	10,080	11,314	9,161	11,546	11,804	13,940
Curr. Liability and Prov.	12,422	13,296	18,240	21,933	23,017	29,167	39,807	47,008
Creditors	8,372	8,463	13,268	13,664	10,309	12,068	15,069	17,795
Other Current Liabilities	2,394	2,980	3,019	6,200	10,000	14,093	20,389	24,077
Provisions	1,656	1,853	1,953	2,069	2,707	3,006	4,349	5,136
Net Current Assets	25,877	25,896	28,085	34,060	24,181	19,142	23,750	33,946
Appl. of Funds	70,162	75,111	81,528	93,850	91,807	1,01,711	1,06,284	1,15,566

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)								
EPS	14.1	13.1	17.7	22.2	8.8	1.9	18.6	30.5
Cash EPS	23.8	22.8	27.7	33.4	20.6	15.0	31.6	44.3
BV/Share	73.3	88.4	99.9	115.5	112.1	116.3	130.4	154.6
DPS	3.7	3.8	4.5	5.0	2.0	2.0	4.5	6.3
Payout (%)	32.4	30.1	33.4	26.8	28.5	-96.0	24.2	20.5
Valuation (x)								
P/E	53.3	57.3	42.5	33.9	85.4	397.5	40.4	24.6
Cash P/E	31.5	32.9	27.1	22.5	36.5	50.0	23.8	17.0
P/BV	10.2	8.5	7.5	6.5	6.7	6.5	5.8	4.9
EV/Sales	5.6	5.9	4.5	3.8	4.8	6.2	4.1	3.4
EV/EBITDA	27.0	30.2	22.0	18.6	33.6	45.3	21.8	15.0
Dividend Yield (%)	0.5	0.5	0.6	0.7	0.3	0.3	0.6	0.8
FCF per share	30.6	17.5	8.6	-4.7	12.0	2.3	40.1	36.1
Return Ratios (%)								
RoE	19.7	16.2	18.8	20.6	7.7	1.7	15.1	21.4
RoCE (Post-tax)	10.9	9.6	11.6	13.2	6.4	3.2	9.3	13.8
RoIC	12.2	10.9	13.7	15.8	7.4	3.0	13.7	22.8
Working Capital Ratios								
Fixed Asset Turnover (x)	1.0	0.9	1.0	1.8	1.3	0.8	1.0	1.2
Inventory (Days)	53	61	59	66	79	103	60	60
Debtor (Days)	75	77	86	77	68	81	82	82
Creditor (Days)	45	48	58	49	47	70	60	60
Working Capital Turnover (Days)	115	129	109	105	84	83	31	31
Leverage Ratio (x)								
Debt/Equity	1.0	0.8	0.7	0.7	0.7	0.8	0.7	0.6

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Operating PBT	9,658	9,468	11,961	16,104	5,046	45	11,294	18,030
Depreciation	4,530	4,520	4,669	5,208	5,477	6,122	6,034	6,414
Other income	439	-536	1,902	52	3,208	4,101	1,544	1,661
Direct Taxes Paid	-3,044	-2,729	-3,925	-5,502	-2,331	-934	-2,968	-4,397
(Inc.)/Dec. in WC	1,975	-214	-3,979	-6,747	4,607	3,837	6,753	-1,386
CF from Operations	13,558	10,510	10,628	9,115	16,008	13,171	22,657	20,322
CF from Operating incl. EO	13,558	10,517	9,674	9,115	15,219	10,200	22,657	20,322
(inc.)/dec. in FA	-6,439	-6,439	-5,684	-11,318	-9,618	-9,143	-4,000	-3,500
Free Cash Flow	7,119	4,078	3,990	-2,203	5,601	1,058	18,657	16,822
(Pur.)/Sale of Investments	-2,830	-405	-2,458	-433	-1,705	-5,968	-2,000	-2,000
CF from Investments	-9,268	-6,844	-8,142	-11,751	-11,322	-15,111	-6,000	-5,500
Inc.)/(Dec.) in Debt	330	-2,641	881	7,313	1,082	6,591	-2,000	-2,000
Interest Paid	-1,206	-1,048	-875	-1,038	-1,380	-808	-1,203	-1,102
Dividend Paid	-3,222	-841	-2,522	-2,806	-3,335	0	-2,093	-2,910
CF from Fin. Activity	-4,099	-4,529	-2,225	3,468	-3,633	5,783	-5,296	-6,012
Inc./Dec. in Cash	191	-856	-693	832	263	873	11,360	8,811
Add: Beginning Balance	3,388	3,579	2,723	2,030	2,862	3,126	3,998	15,359
Closing Balance	3,579	2,723	2,030	2,862	3,126	3,998	15,359	24,169

E: MOFSL estimates

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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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