

BSE SENSEX  
53,055

S&P CNX  
15,880

**CMP: INR4,187 TP: INR4,211(+1%)**

**Neutral**

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**Stock Info**

	BJAUT IN
Bloomberg	BJAUT IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	1211.5 / 16.2
52-Week Range (INR)	4361 / 2813
1, 6, 12 Rel. Per (%)	-3/11/2
12M Avg Val (INR M)	2977
Free float (%)	46.3

**Financials and valuations (INR b)**

Y/E MARCH	2021	2022E	2023E
Sales	277	358	402
EBITDA	49.3	62.6	74.4
Consol PAT	48.6	58.4	67.7
EPS (INR)	168	202	234
EPS Gr. (%)	(6.8)	20.2	15.9
BV/Sh. (INR)	871	884	913
RoE (%)	21.5	23.0	26.0
RoCE (%)	19.7	20.8	23.6

**Valuation**

P/E (x)	24.9	20.7	17.9
P/BV (x)	4.8	4.7	4.6
EV/EBITDA (x)	19.9	15.7	13.1
Div. Yield (%)	3.3	4.2	4.5

**Shareholding pattern (%)**

As On	Mar-21	Dec-20	Mar-20
Promoter	53.7	53.7	53.7
DII	12.3	9.1	8.8
FII	12.0	13.1	13.9
Others	22.0	24.1	23.6

FII Includes depository receipts

**Exports cushion domestic weakness**

**Prudent cost management led to margin expansion**

- BJAUT's FY21 annual report highlights its resilient performance in a year impacted by the COVID-19 outbreak, led by continuous premiumization and focus on R&D.
- Its focus on exports and on Premium Motorcycles helped it to outperform the 2W industry in a tough year. Contribution of exports to net sales grew 480bp to 46.8% in FY21.
- While its share in the domestic Motorcycle market declined marginally (50bp) to 18%, largely led by market share loss of 770bp in the Sports segment due to cannibalization by Pulsar 125cc.
- It expects to further strengthen its position in the Premium segment, with upper-end Pulsars, KTMs, Dominars, Husqvarnas, and the soon to be launched Triumphs.
- Chetak is expected to be launched in additional cities in FY22, and would anchor BJAUT's foray into the electric mobility space after seeing disruptions in FY21.
- In the domestic 3W segment, it lost ~670bp market share to 50.6%, due to the sharp impact of COVID-19 in its area of strength: urban 3Ws. It improved its market share in both Goods Carriers (+670bp to 33.7%) and the Diesel Passenger segment (+12.7pp to 41.7%), in turn gaining leadership in all segments of 3Ws.
- It has approved a new dividend policy that links payout to the level of cash/cash equivalents on its books, in turn increasing the payout up to 90% of PAT (v/s 50% payout under its old policy).
- Valuations at 20.7x/17.9x. FY22E/FY23E consolidated EPS largely capture in an expected recovery. We maintain our Neutral stance, with a TP of INR4,211/share (~18x Mar'23E consolidated EPS).

**Exports cover for weakness in the domestic market**

- In 2Ws, domestic volumes fell 13% (v/s a decline of 10.7% for the industry), with a 50bp market share decline to 18%. Export volumes fell 3.9% (v/s a fall of 3.1% for the industry), with a 50bp market share improvement to 59.1%
- In 3Ws, the domestic volume fell 70% (v/s a decline of 66% for the industry) due to very low commutation and preference towards personal mobility, while export declined by 14% YoY (v/s a fall of 22% for the industry).

**Exports recover faster, dilutes impact of domestic weakness**

- Contribution of exports to net sales grew 480bp to 46.8% in FY21. Total exports declined by 5.4% in FY21 to 2.05m units (Motorcycles fell 4% to 1.79m units). This is the third consecutive year that BJAUT exported over 2m vehicles in spite of the COVID-19 outbreak in FY21.
- **Premium segment grows faster than exports:** Growth in over 150cc Motorcycles stood at 21% YoY. The Dominar brands (both 250cc and 400cc) grew 91% YoY over a smaller base of FY20. It recorded the highest ever volumes in Latin American countries like Mexico, Guatemala, Nicaragua, Honduras, Peru, and Bolivia. By exporting 1m Motorcycles for the second consecutive year, the company continued its dominance in Africa.

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

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

“We will be persistent with our efforts to offer the best-in-class motorcycles across the entire spectrum in which we operate. You will see new models and variants being introduced without fail to enthuse our customers in more ways than one.”

–Extract from Bajaj AR

- **Decline in 3W exports diluted by return of Egypt sales:** 3W exports fell 14.6% YoY to 258k units as the Commercial Vehicles business was affected globally. The increased focus on the Cargo segment and the launch of new and refreshed RE variants led to a recovery in 2HFY21. Exports to Egypt grew 255% YoY on a low base as there were regulatory issues in FY20.
- Among export markets, share of Latin America grew 6pp to 20%, while the contribution of ASEAN/South Asia and Middle East/Africa fell 4pp/1pp/3pp to 7%/23%/50%.

#### **BJAUT’s focus on the Premium segment supports domestic volumes**

- In the pandemic hit FY21, BJAUTO saw sales of its Premium Motorcycles driving sales, especially Pulsar 125cc, in the Entry level segment.
- The success of Pulsar 125cc can be attributed to the classy looks and appeal, which the younger customers are looking for in the Entry level segment.
- The under-40 generation, which has the wallet size and sufficient access to bank credit, will drive sales in the Sports and Super Sports segment.
- It expects to further strengthen its position in the Premium segment, with upper-end Pulsars, KTMs, Dominars, and Husqvarnas, and the soon to be launched Triumphs.

#### **BJAUT’s ‘Mileage’ portfolio grows on the back of Pulsar 125**

- Volumes for BJAUT’s ‘Mileage’ segment (less than 125cc) fell 4.9% YoY (v/s a 10.7% decline in industry volumes). This led to a market share improvement of ~90bp in the sub-125cc segment to 15.2% in FY21.
- The outperformance was driven by the upgraded Platina and Pulsar 125cc. However, the Pulsar 125cc seems to have cannibalized Pulsar 150cc sales, resulting in market share loss in the Sports segment.

#### **‘Sports’ segment faces the heat of cannibalization**

- BJAUT has divided the Premium segment into two sub-segments: ‘Sports’ and ‘Super Sports.’ The Sports segment consists of the Pulsar 150-220cc (except Pulsar RS200) and Avenger models, while Super Sports comprise of KTM, Dominar, Husqvarna, and Pulsar RS200.
- Volumes for BJAUT’s Sports segment declined by 29.1% YoY (v/s a 15% fall in industry volumes) possibly due to cannibalization from Pulsar 125cc. Its market share fell 770bp to 37%. However, it is still by far the largest player in this segment, with the number two player having a 22.7% market share.

#### **Strong performance by the ‘Super Sports’ segment; Pro-biking showrooms to house both KTM and Husqvarna**

- BJAUT’s volumes in the Super Sports segment grew 10.8% YoY (v/s a 4.4% decline in industry volumes), led by the launch of Husqvarna (Feb’20) and Dominar 250. Its market share improved by 150bp to 11.6%.
- Within the Super Sports segment, Pro-biking now consists of two brands: KTM and Husqvarna. With a good start to Husqvarna sales (6,170 units in FY21), the segment recovered to 63.2k units, 99% of FY20 sales.
- The company has added 0.1m sq. ft. of retail space to this network and upgraded ~80% of KTM showrooms to house KTM and Husqvarna models.

- It launched the next generation and new versions of the KTM and Husqvarna bike range, with a target to provide Premium Motorcycles to customers.

### **A tough year for 3Ws; market share across categories stable**

- 3W sales plunged in FY21 as customer preferred personal mobility over shared mobility and lower movement. Domestic sales fell 70% YoY, while exports were relatively better off (-14.6% YoY) due to the lifting of the import ban by Egypt in FY20.
- In the domestic market, BJAUTO continued to be the market leader with a 50.6% market share (v/s 57.3% in FY20, it lost market share to Piaggio and TVSL) in the 3W segment and 60.9% (v/s 63.8% in FY20) of 3W Passenger Vehicle sales. It improved its market share in the Goods Carrier segment to 33.7% (v/s 27% in FY20).
- It also attained leadership in the big Diesel Passenger Segment with a 41.7% market share, thus being a market leader across all Passenger 3W segments.
- It also improved its export market share to 64.7% (v/s 59% in FY20).

### **Setting up an EDC in Thailand and Spain to boost R&D**

- Its R&D team successfully delivered 41 projects in various product segments to meet BJAUT's domestic and export requirements in Commuter (nine launches), Sport (six), Super Sports (three) and Commercial (23) segments.
- Some of the strategic products launched in FY21 are Platina 110 ABS, KTM Adventure 250 (complementing the more premium 390cc variant), gaseous fuel 3W (with instant switchover from petrol to gas and vice versa), and RE 250 3W for Nigeria (with a bigger engine and wheel).
- Its EV laboratory went live in Oct'20 and has the ability to design and develop EV technologies and capabilities for manufacturing and testing EV components/vehicles.
- An Engineering Design Centre (EDC; the first such center outside India) in Thailand started operations in FY21. This, coupled with the International Business Centre in Thailand, will see full scale operations in FY22. BJAUT is also setting up an EDC in Barcelona, Spain. It is also in the process of setting up operations to address the Motorcycle market in Brazil.

### **Other highlights**

- It invested INR507m in the CCPS of Yulu Bikes (taking its total investment in the latter to INR1,216m). Yulu Bikes offer e-bike rental services in six cities.
- It has approved a new dividend policy that links payout to the level of cash/cash equivalents on its books, in turn increasing the payout up to 90% of PAT (v/s 50% payout as per its old policy). Under the revised policy, dividend payout is linked to the level of cash on its books, as follows:
  - Cash over INR150b – dividend payout of 90% of PAT
  - Cash at INR75-150b – dividend payout of 70% of PAT
  - Cash below INR75b – dividend payout of 50% of PAT.

### **Financial highlights from FY21**

- Revenue/EBITDA/consolidated PAT fell 7.3%/3.3%/10.7% YoY in FY21 to INR277b/INR49.3b/INR48.6b. EBITDA margin improved by 80bp YoY to 17.8% in

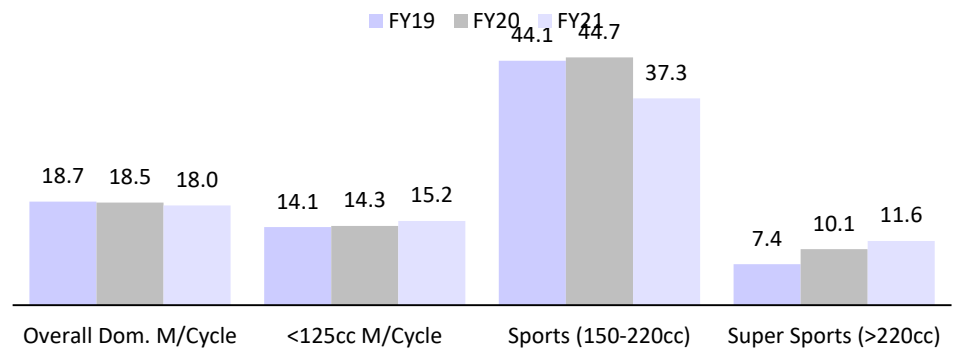
FY21, despite revenue declining by 7% YoY and gross margin contracting by 50bp to 29.3% due to the rise in commodity costs.

- The same was achieved by prudent cost management and cost savings in the form of: a) lower advertising expenses (~70bp), b) lower incentive (~20bp), and c) lesser fixed cost (40bp).
- In FY21, it invested ~INR4.24b in R&D (including capitalized R&D) – a decline of 11% over FY20 and constituting ~1.5% of revenue (v/s 1.6% in FY20).
- CFO from operations fell 19% to ~INR31.1b, led by an increase in working capital. While capex fell to ~INR2.5b (from ~INR2.8b in FY20), FCFE declined by ~20% to ~INR28.6b.
- BJAUTO holds a 48% stake in KTM. The latter achieved a turnover of EUR1.41b in CY20 (v/s EUR1.51b in CY19), whereas PAT declined to EUR71.2m (v/s EUR84.6m in CY19).

### Valuation and view

- **Volumes impacted by the slowdown in the 2W industry since 4QFY21:** While FY21 has been a challenging year for the domestic 2W industry due to COVID-19 outbreak, BJAUT sailed on the back of a good recovery in the domestic market (led by Pulsar 125cc) and faster recovery in the export market (its key African markets were the least impacted by the pandemic). It is relatively better positioned than mainstream 2W peers owing to its strength in exports and the Premium Motorcycle segment. We estimate volumes to grow by 16% CAGR over FY20-23E.
- **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 recently launched e-Scooter Chetak at an on-road price of ~INR105k, marking its re-entry into the lucrative Scooter segment. This would expand its addressable market as Scooters 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 margin 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 Motorcycles and exports), b) cost cutting, and c) lower fixed cost vis-à-vis peers. It expects to maintain EBITDA margin between 17.5% and 18%.
- **Maintain Neutral with a TP of INR4,211/share:** BJAUT would benefit from: a) premiumization trend, and b) good growth opportunities in exports. While the recovery in domestic 3W may be delayed, it is vulnerable from a possible disruption from electrification. Valuations at 20.7x/17.9x FY22E/FY23E consolidated EPS largely capture in an expected recovery. We maintain our **Neutral** rating, with a TP of INR4,211/share (~18x Mar-23E consolidated EPS).

**Exhibit 1: Domestic Motorcycle market share for BJAUT declines in FY21**

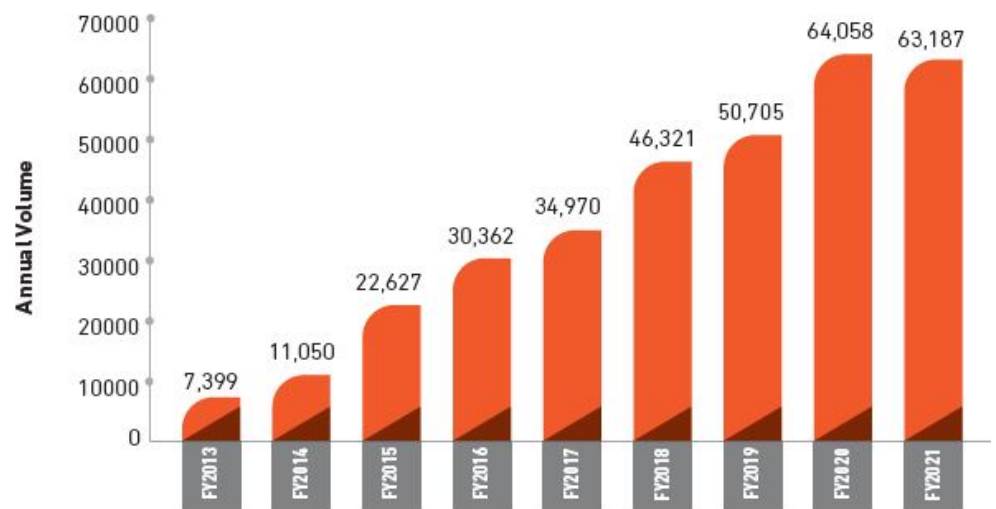


Source: Company

**Exhibit 2: Rise of the KTM and Husqvarna branded Motorcycles in India**

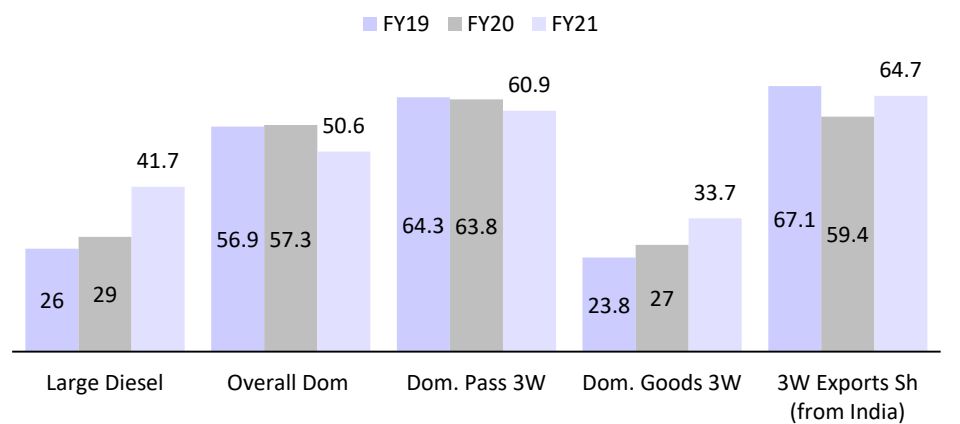
**Chart D: KTM Sales in India (number of bikes sold)**

Sales in India



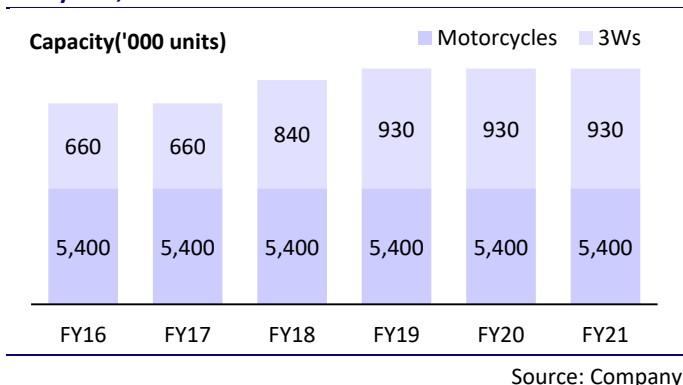
Source: Company

**Exhibit 3: Domestic 3W market share declines, but the share of exports rises (%)**

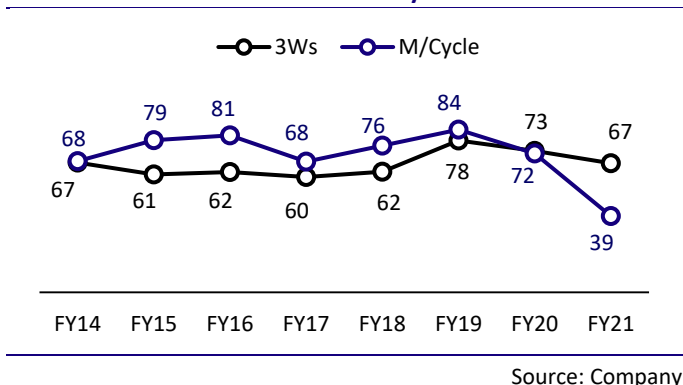


Source: Company

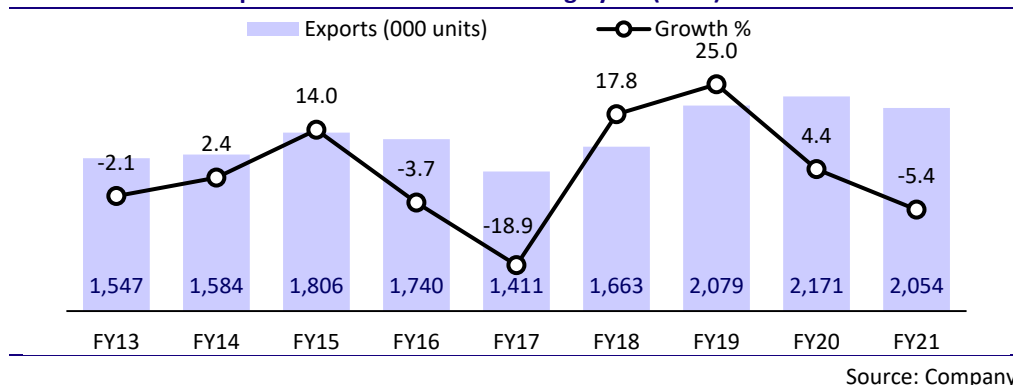
**Exhibit 4: No material capacity addition in 2Ws in the last five years, but ~40% increase in 3Ws since FY17**



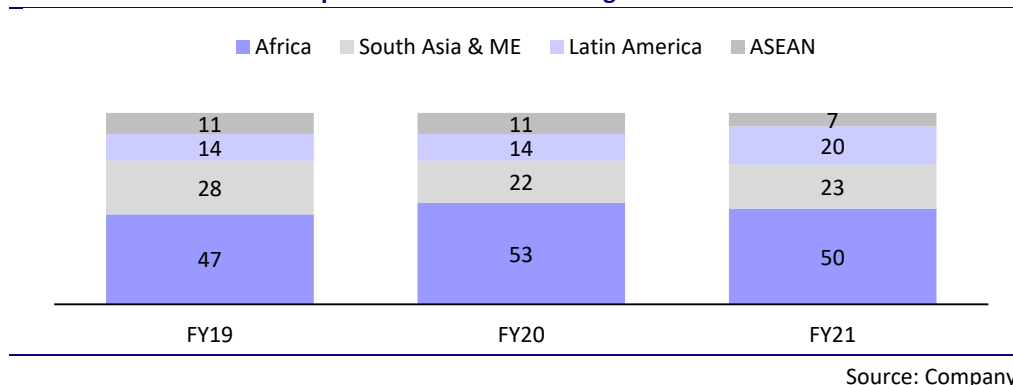
**Exhibit 5: Lower demand results in declining capacity utilization for both 3Ws and Motorcycles**



**Exhibit 6: BJAUT's exports show resilience in a tough year (FY21)**



**Exhibit 7: Contribution of exports from Latin America grew to ~20% in FY21**



**Exhibit 8: Key operating indicators for KTM AG**

EUR m	CY16	CY17	CY18	CY19	CY20
<b>Volumes</b>	<b>203,423</b>	<b>191,270</b>	<b>211,931</b>	<b>213,949</b>	<b>208,852</b>
Growth (%)	11.0	-6.0	10.8	1.0	-2.4
- of which supplied by BJAUT	65,955	98,132	99,862	110,870	148,183
% of total sales	32.4	51.3	47.1	51.8	71.0
- of which sold in India	34,970	46,321	50,705	64,058	63,187
% of total sales	17.2	24.2	23.9	29.9	30.3
<b>Revenue</b>	<b>1,140</b>	<b>1,332</b>	<b>1,455</b>	<b>1,513</b>	<b>1413.98</b>
Growth (%)	12.0	16.8	9.2	4.0	-6.5
<b>Gross Profit</b>		<b>374.6</b>	<b>417.1</b>	<b>440.5</b>	<b>401.21</b>
Gross Margin (%)		28.1	28.7	29.1	28.4
<b>PAT</b>	<b>72</b>	<b>79</b>	<b>89.8</b>	<b>84.6</b>	<b>71.21</b>
PAT Margin (%)	6.3	5.9	6.2	5.6	5.0

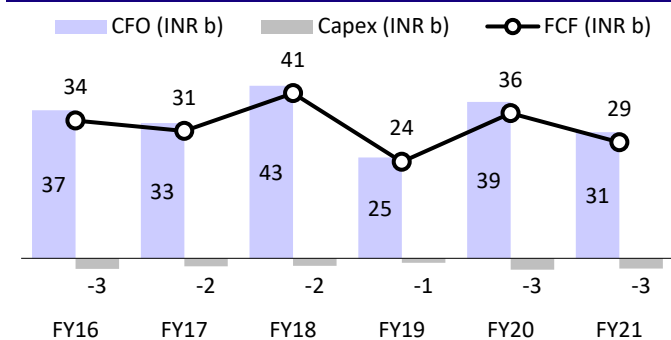
Source: Company, MOFSL



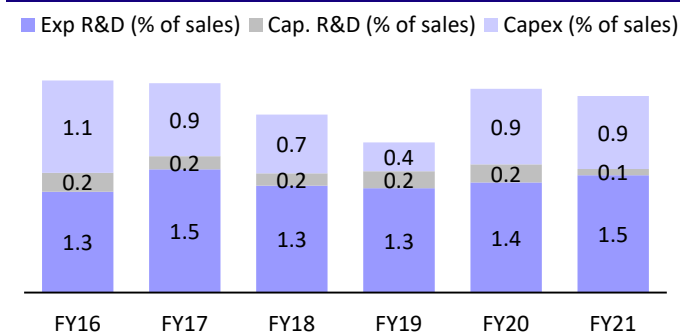
**Exhibit 9: Outstanding hedges at USD1.37b in FY21, or ~81% of our estimated export revenue (INR in Crore)**

	As at 31 March 2021		As at 31 March 2020	
	Notional In USD Mn (Sell)	MTM Gain/ (Loss)	Notional In USD Mn (Sell)	MTM Gain/ (Loss)
<b>On export transactions:</b>				
Not later than three months	339.50	43.61	328.25	(7.90)
Later than three months and not later than six months	349.50	38.61	353.50	(29.44)
Later than six month and not later than one year	680.00	39.17	631.25	(105.65)
Later than one year and not later than two years	-	-	173.00	(12.27)
	<b>1,369.00</b>	<b>121.39</b>	<b>1,486.00</b>	<b>(155.26)</b>

Source: Company

**Exhibit 10: Increase in working capital and capex-led decline in FCF generation**

Source: Company

**Exhibit 11: Increase in capex as well as R&D in FY21**

Source: Company

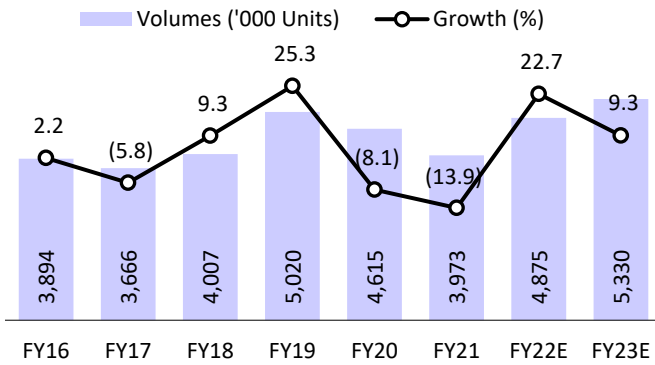
**Exhibit 12: Key operating metrics**

'000 units	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Motorcycles (units)</b>						
Domestic	1,975	2,541	2,078	1,809	2,117	2,286
Growth (%)	-1.3	28.7	-18.2	-12.9	17.0	8.0
% of total volumes	49.3	50.6	45.0	45.5	43.4	42.9
Exports	1,395	1,696	1,869	1,797	2,183	2,357
Growth (%)	14.5	21.6	10.2	-3.9	21.5	8.0
% of total volumes	34.8	33.8	40.5	45.2	44.8	44.2
<b>Total M/Cycles</b>	<b>3,369</b>	<b>4,237</b>	<b>3,948</b>	<b>3,606</b>	<b>4,300</b>	<b>4,644</b>
Growth (%)	4.6	25.7	-6.8	-8.7	19.2	8.0
% of total volumes	84.1	84.4	85.5	90.8	88.2	87.1
<b>3Ws</b>						
Domestic	370	399	366	109	240	325
Growth (%)	46.0	8.1	-8.4	-70.1	120.0	35.0
% of total volumes	9.2	8.0	7.9	2.8	4.9	6.1
Exports	268	383	302	258	335	362
Growth (%)	38.9	43.1	-21.2	-14.6	30.0	8.0
% of total volumes	6.7	7.6	6.5	6.5	6.9	6.8
<b>3Ws</b>	<b>637</b>	<b>783</b>	<b>668</b>	<b>367</b>	<b>575</b>	<b>686</b>
Growth (%)	42.9	22.8	-14.7	-45.0	56.8	19.3
% of total volumes	15.9	15.6	14.5	9.2	11.8	12.9
<b>Total Volumes</b>	<b>4,007</b>	<b>5,020</b>	<b>4,615</b>	<b>3,973</b>	<b>4,875</b>	<b>5,330</b>
Growth (%)	9.3	25.3	-8.1	-13.9	22.7	9.3
<b>Avg. Net Realn. (INR/unit)</b>	<b>55,745</b>	<b>52,928</b>	<b>56,462</b>	<b>60,588</b>	<b>64,973</b>	<b>66,722</b>
Growth (%)	2.3	-5.1	6.7	7.3	7.2	2.7
<b>Net Revenue (INR b)</b>	<b>247</b>	<b>296</b>	<b>291</b>	<b>271</b>	<b>352</b>	<b>394</b>
Growth (%)	15.6	19.7	-1.5	-6.8	29.7	11.8
<b>EBITDA (INR b)</b>	<b>48</b>	<b>52</b>	<b>51</b>	<b>49</b>	<b>63</b>	<b>74</b>
EBITDA margin (%)	19.2	17.1	17.0	17.8	17.5	18.5
<b>EBITDA (INR/unit)</b>	<b>12,073</b>	<b>10,345</b>	<b>11,042</b>	<b>12,405</b>	<b>12,844</b>	<b>13,959</b>
Growth (%)	9.4	7.3	-1.9	-3.3	27.1	18.8
<b>Consol. PAT (INR b)</b>	<b>42</b>	<b>49</b>	<b>52</b>	<b>49</b>	<b>58</b>	<b>68</b>
Consol. EPS	146	170	180	168	202	234

Source: Company, MOFSL

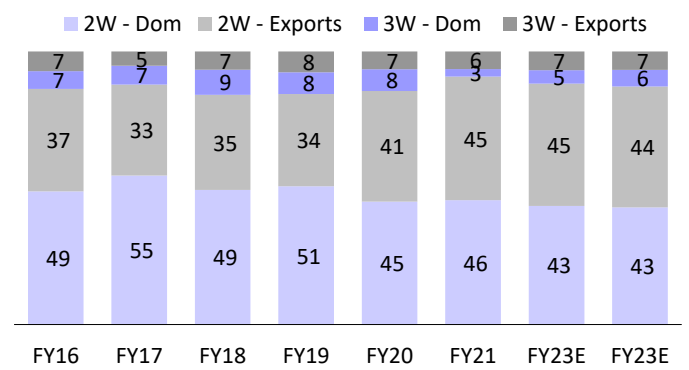
Story in charts

Exhibit 13: Trend in volume and volume growth



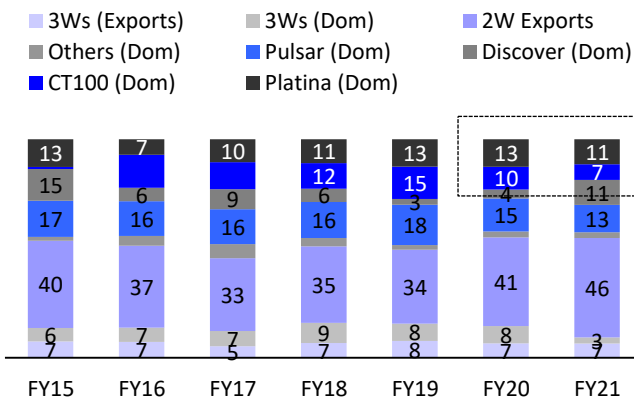
Source: Company, MOFSL

Exhibit 14: Product mix trend



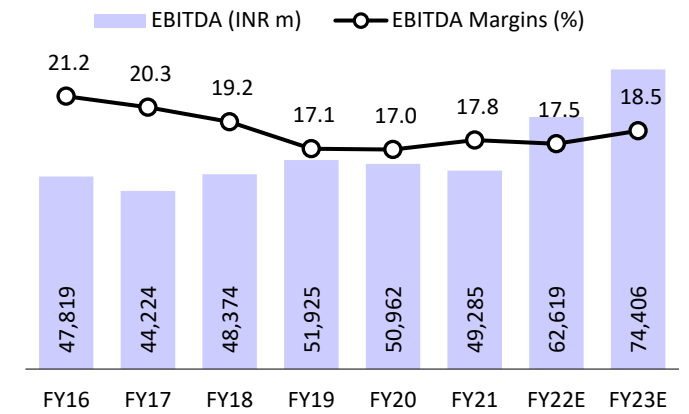
Source: Company, MOFSL

Exhibit 15: Trend in volume mix



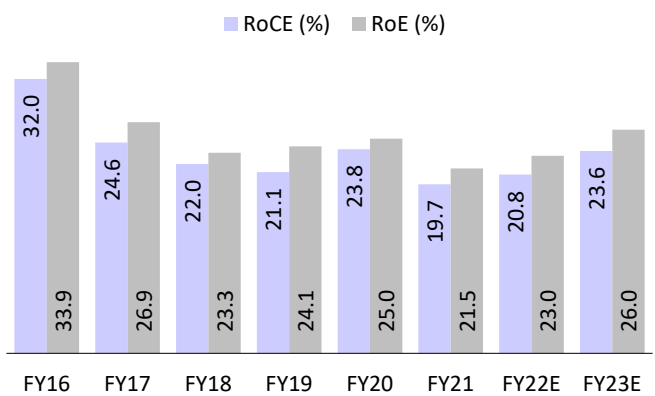
Source: Company, MOFSL

Exhibit 16: Trend in EBITDA and EBITDA margin



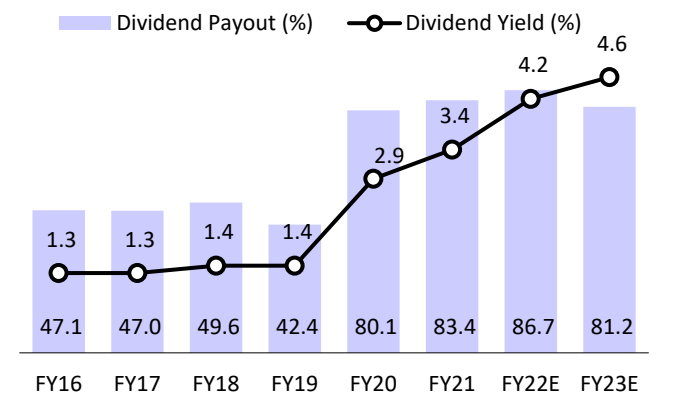
Source: Company, MOFSL

Exhibit 17: Trend in return ratios



Source: Company, MOFSL

Exhibit 18: Dividend payout to remain healthy



Source: Company, MOFSL



## Financials and valuations

Income Statement								(INR Million)
Y/E March	2016	2017	2018	2019	2020	2021	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>39,72,914</b>	<b>48,75,228</b>	<b>53,30,166</b>
Change (%)	2.2	-5.8	9.3	25.3	-8.1	-13.9	22.7	9.3
<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>2,77,411</b>	<b>3,58,111</b>	<b>4,02,290</b>
Change (%)	4.5	-3.6	15.9	20.4	-1.4	-7.3	29.1	12.3
<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>2,28,126</b>	<b>2,95,492</b>	<b>3,27,885</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>49,285</b>	<b>62,619</b>	<b>74,406</b>
Change (%)	16.2	-7.5	9.4	7.3	-1.9	-3.3	27.1	18.8
EBITDA Margins (%)	21.2	20.3	19.2	17.1	17.0	17.8	17.5	18.5
Depreciation	3,072	3,073	3,148	2,657	2,464	2,593	2,686	2,977
<b>EBIT</b>	<b>44,748</b>	<b>41,151</b>	<b>45,226</b>	<b>49,268</b>	<b>48,498</b>	<b>46,692</b>	<b>59,932</b>	<b>71,429</b>
Int. & Fin. Charges	11	14	13	45	32	67	75	75
Other Income	10,736	12,220	12,933	14,389	17,336	12,765	11,575	12,000
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>59,390</b>	<b>71,433</b>	<b>83,354</b>
Tax	16,177	15,081	17,145	20,280	14,802	13,844	17,052	20,021
Effective Rate (%)	29.2	28.3	29.6	30.3	22.5	23.3	23.9	24.0
<b>PAT</b>	<b>39,297</b>	<b>38,276</b>	<b>40,681</b>	<b>46,752</b>	<b>51,000</b>	<b>45,546</b>	<b>54,381</b>	<b>63,333</b>
Change (%)	39.7	-2.6	6.3	14.9	9.1	-10.7	19.4	16.5
Add: Share in profit of asso.	1,316	2,519	1,283	4,910	1,119	3,024	4,014	4,365
<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>48,570</b>	<b>58,394</b>	<b>67,698</b>
Change (%)	24.5	0.4	3.4	16.8	5.8	(6.8)	20.2	15.9

Balance Sheet								(INR Million)
Y/E March	2016	2017	2018	2019	2020	2021	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>1,32,666</b>	<b>1,70,341</b>	<b>1,91,039</b>	<b>2,17,799</b>	<b>1,99,255</b>	<b>2,52,023</b>	<b>2,55,764</b>	<b>2,64,116</b>
Deferred Tax	2,028	3,136	3,234	5,427	3,464	5,221	6,650	8,317
Loans	1,886	1,764	1,674	1,685	1,669	1,601	1,601	1,601
<b>Capital Employed</b>	<b>1,36,579</b>	<b>1,75,242</b>	<b>1,95,947</b>	<b>2,24,910</b>	<b>2,04,388</b>	<b>2,58,845</b>	<b>2,64,015</b>	<b>2,74,034</b>
Gross Fixed Assets	51,572	45,917	46,402	42,956	41,573	43,443	46,103	54,803
Less: Depreciation	24,183	25,900	27,619	25,317	24,583	26,762	29,448	32,425
<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>16,681</b>	<b>16,655</b>	<b>22,378</b>
Capital WIP	522	422	565	480	602	160	3,500	800
Investments	1,02,606	1,47,315	1,75,883	1,91,594	1,81,960	2,26,310	2,26,310	2,26,310
<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>72,183</b>	<b>93,344</b>	<b>1,09,691</b>
Inventory	7,191	7,284	7,426	9,615	10,635	14,939	19,285	21,664
Sundry Debtors	7,179	9,533	14,919	25,597	17,251	27,169	35,072	39,399
Cash & Bank Balances	8,176	2,798	7,609	9,054	2,773	5,051	6,683	12,339
Loans & Advances	365	362	369	380	386	372	480	539
Others	11,437	20,418	12,641	19,445	17,136	24,653	31,825	35,751
<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>56,457</b>	<b>75,794</b>	<b>85,144</b>
Sundry Creditors	20,270	22,357	32,443	37,867	31,997	45,738	59,044	66,328
Other Liabilities	6,410	8,559	7,427	9,475	8,964	9,175	11,844	13,306
Provisions	1,605	1,991	2,378	1,552	2,385	1,544	4,906	5,511
<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>15,727</b>	<b>17,551</b>	<b>24,547</b>
<b>Application of Funds</b>	<b>1,36,580</b>	<b>1,75,242</b>	<b>1,95,947</b>	<b>2,24,911</b>	<b>2,04,387</b>	<b>2,58,877</b>	<b>2,64,015</b>	<b>2,74,034</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E
<b>Basic (INR)</b>								
<b>Consol EPS</b>	<b>140.3</b>	<b>141.0</b>	<b>145.8</b>	<b>170.3</b>	<b>180.1</b>	<b>167.8</b>	<b>201.8</b>	<b>233.9</b>
EPS growth (%)	24.5	0.4	3.4	16.8	5.8	-6.8	20.2	15.9
Consol Cash EPS	151.0	151.6	156.7	179.5	188.6	176.8	211.1	244.2
Book Value per Share	458.5	588.7	660.2	752.7	688.6	870.9	883.9	912.7
DPS	55.0	55.0	60.0	60.0	120.0	140.0	175.0	190.0
Payout (Incl. Div. Tax) %	47.1	47.0	49.6	42.4	80.1	83.4	86.7	81.2
<b>Valuation (x)</b>								
P/E	29.8	29.7	28.7	24.6	23.2	24.9	20.7	17.9
Cash P/E	27.7	27.6	26.7	23.3	22.2	23.7	19.8	17.1
EV/EBITDA	23.1	24.0	21.3	19.5	20.2	19.9	15.7	13.1
EV/Sales	4.9	4.9	4.1	3.3	3.4	3.5	2.7	2.4
Price to Book Value	9.1	7.1	6.3	5.6	6.1	4.8	4.7	4.6
Dividend Yield (%)	1.3	1.3	1.4	1.4	2.9	3.3	4.2	4.5
<b>Profitability Ratios (%)</b>								
RoE	33.9	26.9	23.3	24.1	25.0	21.5	23.0	26.0
RoCE	32.0	24.6	22.0	21.1	23.8	19.7	20.8	23.6
RoIC	182	118	174	193	176	154	91	101
<b>Turnover Ratios</b>								
Debtors (Days)	11	15	21	31	21	36	36	36
Inventory (Days)	11	12	11	12	13	20	20	20
Creditors (Days)	31	35	46	46	39	60	60	60
Working Capital (Days)	-9	-9	-14	-3	-5	-5	-5	-5
Asset Turnover (x)	1.7	1.2	1.3	1.3	1.5	1.1	1.4	1.5
Fixed Asset Turnover	4.9	4.5	5.5	6.8	7.1	6.5	8.0	8.0
<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

(INR Million)

Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E
Profit before Tax	55,473	53,356	57,826	67,032	65,802	59,390	59,932	71,429
Depreciation & Amort.	3,072	3,073	3,148	2,657	2,464	2,593	2,686	2,977
Direct Taxes Paid	-18,195	-15,026	-16,851	-19,643	-16,777	-13,397	-15,623	-18,354
(Inc)/Dec in Working Capital	5,753	2,533	10,451	-7,030	3,765	-5,105	-192	-1,341
Other Items	-9236	-10269	-11738	-18061	-16635	-12339	-11500	
<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>31,142</b>	<b>58,378</b>	<b>66,711</b>
Extra-ordinary Items	-298	-275	-228	-58	-3	-4	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>31,139</b>	<b>58,378</b>	<b>66,711</b>
(Inc)/Dec in FA+CWIP	-2,582	-1,970	-1,833	-1,082	-2,800	-2,509	-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>28,630</b>	<b>52,378</b>	<b>60,711</b>
(Pur)/Sale of Invest.	2,280	-34,899	-17,111	-1,629	20,367	-26,157	0	0
<b>CF from Inv. Activity</b>	<b>-303</b>	<b>-36,868</b>	<b>-18,944</b>	<b>-2,710</b>	<b>17,567</b>	<b>-28,665</b>	<b>-6,000</b>	<b>-6,000</b>
Interest Paid	-5	-6	-4	-35	-21	-108	-75	-75
Dividends Paid	-34,337	-2,022	-18,848	-20,733	-62,444	-87	-50,640	-54,980
<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>-195</b>	<b>-50,715</b>	<b>-55,055</b>
<b>Inc/(Dec) in Cash</b>	<b>2,425</b>	<b>-5,377</b>	<b>4,811</b>	<b>1,444</b>	<b>-6,281</b>	<b>2,278</b>	<b>1,664</b>	<b>5,656</b>
Add: Beginning Bal.	5,751	8,176	2,798	7,609	9,054	2,773	5,051	6,683
<b>Closing Balance</b>	<b>8,176</b>	<b>2,798</b>	<b>7,609</b>	<b>9,054</b>	<b>2,773</b>	<b>5,051</b>	<b>6,715</b>	<b>12,339</b>

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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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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