

# Ashok Leyland

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	AL IN
Equity Shares (m)	2,936
M.Cap.(INRb)/(USDb)	433.7 / 5.4
52-Week Range (INR)	169 / 93
1, 6, 12 Rel. Per (%)	-9/13/-2
12M Avg Val (INR M)	2113

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	216.9	328.2	400.6
EBITDA	9.9	22.6	38.3
EBITDA (%)	4.6	6.9	9.6
Adj. PAT	0.2	8.8	21.7
Adj. EPS (INR)	0.1	3.0	7.4
EPS Gr. (%)	-105.7	5,013.5	146.7
BV/Sh. (INR)	25.0	26.0	31.4

## Ratios

Net D:E (x)	0.5	0.4	0.2
RoE (%)	0.2	11.8	25.8
ROCE (%)	3.0	9.9	20.6
Payout (%)	1,703.5	66.6	27.0

## Valuations

P/E (x)	2,516.1	49.2	19.9
P/BV (x)	5.9	5.7	4.7
EV/EBITDA (x)	44.8	19.8	11.3
Div. Yield (%)	0.7	1.4	1.4
FCF Yield (%)	5.2	2.1	5.4

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	51.1	51.1	51.1
DII	19.4	21.6	19.5
FII	18.3	15.7	17.0
Others	11.2	11.5	12.4

FII Includes depository receipts

**CMP: INR148 TP: INR180 (+22%) Buy**

## Inline; a good recovery in market share and margin

### Reduction in steel prices to fully reflect from 3QFY23

- 2QFY23 witnessed a continued recovery in market share and start of a margin recovery, led by initial gains in commodity prices. Good demand, a stable pricing environment, and softening commodity prices should drive a strong recovery in its financial performance. AL is the best play on a CV cycle recovery, a market share recovery, and a bet on an expansion of revenue and profit pools.
- We reduce our FY23 EPS estimate by 7% to account for a higher tax rate and maintain our FY24 EPS estimate. We maintain our **Buy** rating with a TP of INR180 (11x Sep'24E EV/EBITDA based and ~INR17/share for its NBFC).

### Softening RM costs and lower other expenses aid margin

- Revenue/EBITDA/adjusted PAT grew 85%/3x/LTP YoY in 2QFY23 to INR82.7b/INR5.4b/INR1.94b (in line). 1HFY23 revenues/EBITDA/Adj. PAT grew 109%/LTP/LTP YoY.
- Realizations improved by 13% YoY to INR1.83m (in line) driven by price hikes and an improvement in its mix.
- Gross margin contracted by 130bp YoY (+130bp QoQ) to 22% (in line).
- However, higher-than-estimated staff costs diluted benefits from an operating leverage, restricting EBITDA margin expansion by 350bp YoY and 210bp QoQ to 6.5% (in line). Adjusted profit stood at INR1.93b (in line) v/s an adjusted loss of INR832m in 2QFY22.
- In 1HFY23, cash flow from operations saw an outflow of INR10.9b (v/s an outflow of INR850m in 1HFY22) due to a substantial increase in working capital outflow (INR18.5b v/s an outflow of INR1.95b in 1HFY22).
- FCF saw an outflow of INR13.1b in 1HFY23 (v/s an outflow of INR2.6b in 1HFY22) due to a weak operating performance and controlled capex at INR2.1b (v/s INR1.76b in 1HFY22).
- Hence, net debt increased QoQ to INR26.8b (v/s INR22.8b in Jun'22).

### Highlights from the management commentary

- AL raised prices by 1% in 2QFY23 and by another 1.5% recently. The retention of price increases has been better, as discounts have been stable on a QoQ basis. The management has chosen not to participate in discounting.
- The company gained market share, led by: a) filling of product gaps; b) astute network management, which aided market share increases in all its geographies; and c) the Avtar range of products, which offers a lower TCO.
- While steel price declined by INR10/kg QoQ, it didn't fully reflect in the P&L due to the high-cost inventory of finished goods, WIP, and RM. AL may see a further softening in steel prices in 3QFY23.
- Inter-corporate deposits of INR2b pertain to short-term loans offered to its subsidiary Switch Mobility. The fund raise in Switch Mobility has been delayed due to the prevailing market conditions.

**Jinesh Gandhi – Research Analyst** (Jinesh@MotilalOswal.com)

**Research Analyst: Amber Shukla** (Amber.Shukla@MotilalOswal.com) | **Aniket Desai** (Aniket.Desai@MotilalOswal.com)

**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.

**Valuation and view**

Valuations at 19.9x FY24E P/E and 11.3x EV/EBITDA reflect a mid-cycle recovery. However, this does not fully reflect AL's focus on adding new revenue streams and profit pools. Any fundraise in Switch Mobility (the EV business) can serve as a re-rating catalyst. We maintain our **Buy** rating with a TP of INR180 (~11x Sep'24E EV/EBITDA and INR17/share for its NBFC).

**Quarterly Performance (S/A)****(INR Million)**

	FY22				FY23E				FY22	FY23E	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Total Volumes (nos)	17,987	27,543	34,077	48,719	39,651	45,295	42,367	53,609	1,28,326	1,80,922	45,295
Growth %	371.6	41.7	2.0	10.6	120.4	64.5	24.3	10.0	27.4	41.0	64.5
Realizations (INR '000)	1,641	1,619	1,624	1,795	1,822	1,825	1,779	1,827	1,690	1,814	1,794
Change (%)	-3.9	10.9	12.7	13.0	11.0	12.8	9.5	1.8	11.2	7.3	10.9
<b>Net operating revenues</b>	<b>29,510</b>	<b>44,579</b>	<b>55,352</b>	<b>87,443</b>	<b>72,229</b>	<b>82,660</b>	<b>75,384</b>	<b>97,955</b>	<b>2,16,883</b>	<b>3,28,227</b>	<b>81,272</b>
Change (%)	353.4	57.2	15.0	24.9	144.8	85.4	36.2	12.0	41.7	51.3	82.3
RM/sales %	74.1	76.7	77.9	78.2	79.3	78.0	77.0	76.1	77.3	77.5	78.0
Staff/sales %	14.4	9.0	7.8	5.0	6.2	6.4	6.2	5.2	7.8	5.9	5.7
Other exp/sales %	16.2	11.3	10.2	7.9	10.1	9.1	9.5	10.0	10.3	9.7	10.0
<b>EBITDA</b>	<b>-1,401</b>	<b>1,347</b>	<b>2,239</b>	<b>7,760</b>	<b>3,203</b>	<b>5,373</b>	<b>5,527</b>	<b>8,497</b>	<b>9,945</b>	<b>22,600</b>	<b>5,153</b>
EBITDA Margins(%)	-4.7	3.0	4.0	8.9	4.4	6.5	7.3	8.7	4.6	6.9	6.3
Interest	707	871	668	765	689	771	750	722	3,011	2,931	700
Other Income	134	209	176	242	256	200	230	234	761	920	220
Depreciation	1,835	1,843	1,897	1,954	1,824	1,768	1,825	2,020	7,528	7,437	1,900
<b>PBT before EO Item</b>	<b>-3,809</b>	<b>-1,157</b>	<b>-149</b>	<b>5,284</b>	<b>946</b>	<b>3,035</b>	<b>3,182</b>	<b>5,989</b>	<b>168</b>	<b>13,152</b>	<b>2,773</b>
EO Exp/(Inc)	17	-2	-420	-4,703	-130	-82	0	0	-5,108	-212	0
<b>PBT after EO</b>	<b>-3,826</b>	<b>-1,155</b>	<b>271</b>	<b>9,987</b>	<b>1,077</b>	<b>3,117</b>	<b>3,182</b>	<b>5,989</b>	<b>5,276</b>	<b>13,364</b>	<b>2,773</b>
Effective Tax Rate (%)	26.2	28.1	78.7	9.7	36.8	36.1	31.0	31.8	-2.7	33.0	30.0
<b>Rep. PAT</b>	<b>-2,823</b>	<b>-830</b>	<b>58</b>	<b>9,014</b>	<b>681</b>	<b>1,993</b>	<b>2,195</b>	<b>4,085</b>	<b>5,418</b>	<b>8,954</b>	<b>1,941</b>
<b>Adj PAT</b>	<b>-2,806</b>	<b>-832</b>	<b>-374</b>	<b>4,184</b>	<b>593</b>	<b>1,938</b>	<b>2,195</b>	<b>4,085</b>	<b>172</b>	<b>8,812</b>	<b>1,941</b>
Change (%)	-27.6	-42.7	-338.6	96.7	-121.1	-332.8	-687.1	-2.4	-105.7	5,013.5	-333.1

E: MOFSL Estimates

**Key Performance Indicators**

Y/E March	FY22				FY23E				FY22	FY23E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
M&HCV	9,050	13,514	19,305	32,016	24,987	27,841	25,567	34,105	73,885	1,12,499	27841
Dom. M&HCV Mkt sh (%)	27.0	22.4	26.1	30.4	30.1	32.0			27.1		
LCV	8,937	14,029	14,772	16,703	14,664	17,454	16,801	19,505	54,441	68,423	17454
Dom. LCV Mkt sh (%)	11.3	11.8	10.9	10.2	9.7	11.2			11.0		
<b>Total Volumes (nos)</b>	<b>17,987</b>	<b>27,543</b>	<b>34,077</b>	<b>48,719</b>	<b>39,651</b>	<b>45,295</b>	<b>42,367</b>	<b>53,609</b>	<b>1,28,326</b>	<b>1,80,922</b>	<b>45295</b>
AL's CV Market Sh (%)	14.8	14.6	15.4	17.6	16.3	17.8			15.9		
Realizations (INR '000)	1,641	1,619	1,624	1,795	1,822	1,825	1,779	1,827	1,690	1,814	1794
Growth %	-3.9	10.9	12.7	13.0	11.0	12.8	9.5	1.8	17.3	14.2	11
<b>Cost Break-up</b>											
RM Cost (% of sales)	74.1	76.7	77.9	78.2	79.3	78.0	77.0	76.1	77.3	77.5	78.0
Staff Cost (% of sales)	14.4	9.0	7.8	5.0	6.2	6.4	6.2	5.2	7.8	5.9	5.7
Other Cost (% of sales)	16.2	11.3	10.2	7.9	10.1	9.1	9.5	10.0	10.3	9.7	10.0
<b>Gross Margin (%)</b>	<b>25.9</b>	<b>23.3</b>	<b>22.1</b>	<b>21.8</b>	<b>20.7</b>	<b>22.0</b>	<b>23.0</b>	<b>23.9</b>	<b>22.7</b>	<b>22.5</b>	<b>22.0</b>
<b>EBITDA Margins (%)</b>	<b>-4.7</b>	<b>3.0</b>	<b>4.0</b>	<b>8.9</b>	<b>4.4</b>	<b>6.5</b>	<b>7.3</b>	<b>8.7</b>	<b>4.6</b>	<b>6.9</b>	<b>6.3</b>
<b>EBIT Margins (%)</b>	<b>-11.0</b>	<b>-1.1</b>	<b>0.6</b>	<b>6.6</b>	<b>1.9</b>	<b>4.4</b>	<b>4.9</b>	<b>6.6</b>	<b>1.1</b>	<b>4.6</b>	<b>4.0</b>

E:MOFSL Estimates

### Key takeaways from the management commentary

- AL has raised prices by 1% in 2Q and another 1.5% recently. The retention of price increase has been better, as discounts have been stable on QoQ basis. AL is focused on not participating in discounting.
- AL has gained market share driven by a) filling of product gaps, b) astute network management, helping to increase market share in all geographies and c) Avatar range of products, which offers lower TCO.
- While steel price declined by INR10/Kg QoQ, it didn't fully reflect in P&L due to high cost inventory of finish goods/WIP and RM. 3Q may see further softening in steel prices.
- Inter corporate deposit of INR2b pertains to the short term loan given to its subsidiary Switch Mobility. Fund raise in Switch Mobility is getting delayed due to market conditions. Also, it is very careful as it wants right kind of investors. Switch Mobility would need to invest USD200-250m over 2-3 years.
- Exports have seen some stress, though some markets like GCC countries are doing well. AL is focused on launching new products and expanding distribution. It has appointed 15 new distributors in last 3 quarters in the African market.
- Working capital increased by INR650cr in 2QFY23, resulting in INR400cr in net debt.
- Net debt increased QoQ to INR26.8bcr (vs INR22.8b in Jun-22), due to increase in working capital by INR6.6b QoQ.
- Capex for FY23 at Rs600cr (vs Rs214cr in 1H). Capex for electric trucks would be done by AL and for e-LCV/e-buses by Switch Mobility.

Exhibit 1: M&HCV sales trend

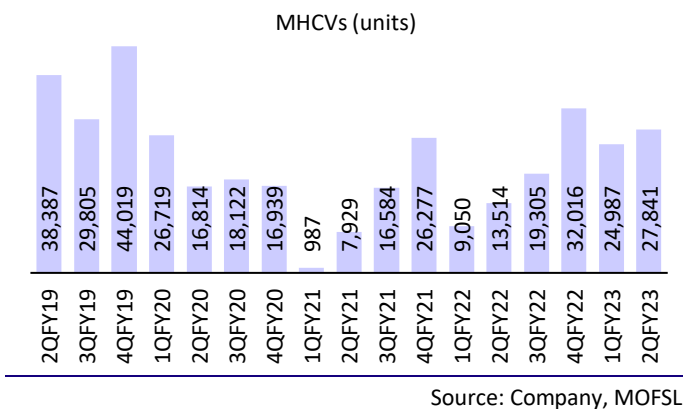


Exhibit 2: Growth trend in M&HCV

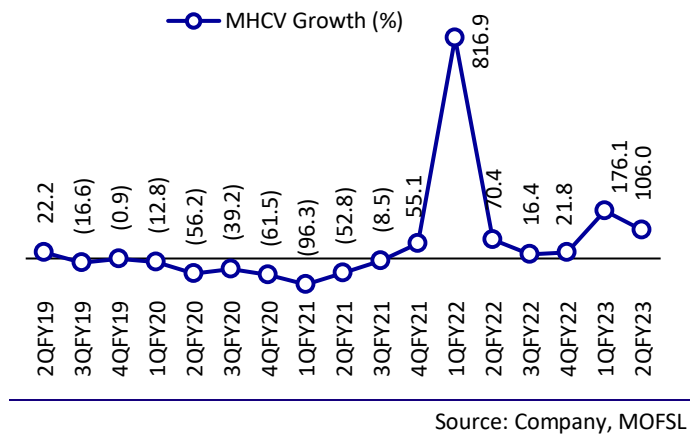
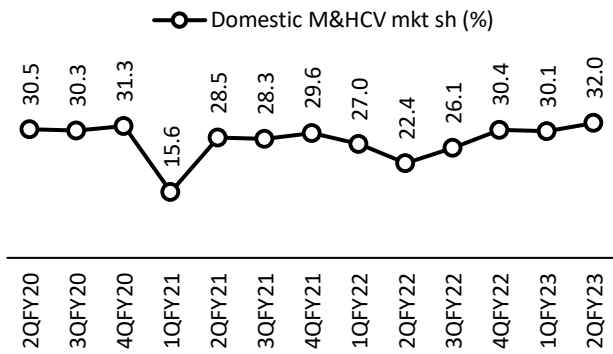
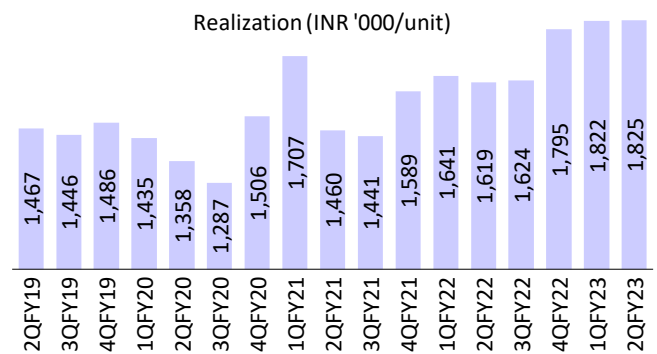


Exhibit 3: Domestic M&amp;HCV market share trend



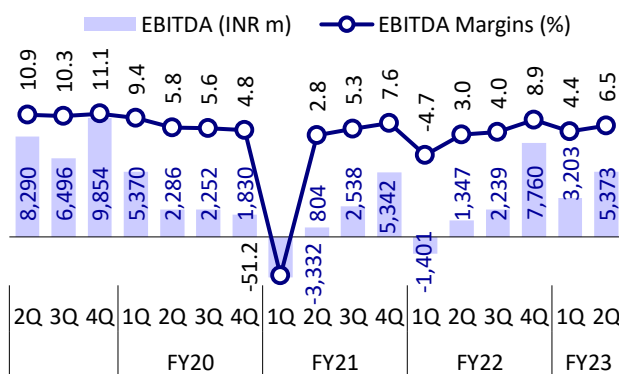
Source: Company, MOFSL

Exhibit 4: Realization trend



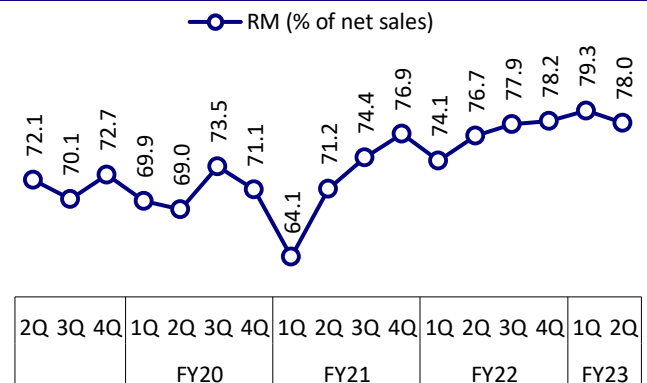
Source: Company, MOFSL

Exhibit 5: Trends in EBITDA and EBITDA margins



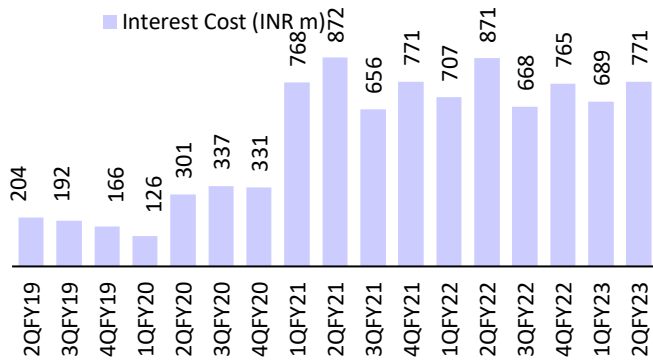
Source: Company, MOFSL

Exhibit 6: Trend in RM cost



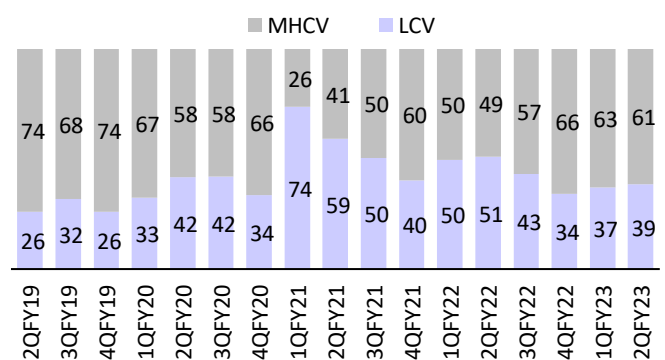
Source: Company, MOFSL

Exhibit 7: Trend in interest cost



Source: Company, MOFSL

Exhibit 8: M&amp;HCV and LCV contribution in sales mix



Source: SIAM, MOFSL

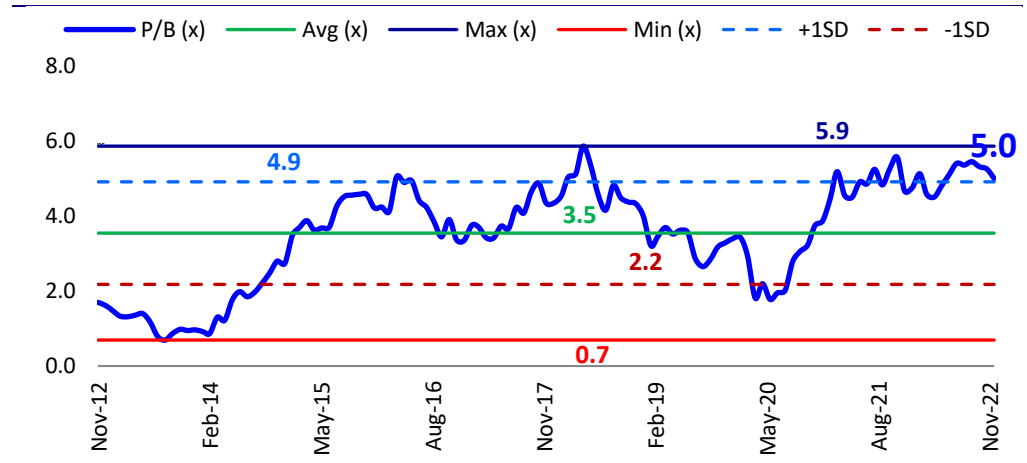
## Valuation and view

- **Focus on market share recovery in M&HCV and gains in LCVs:** Unlike in PV, the modular strategy is uncommon in M&HCV globally due to the very high number of SKUs as well as deeper changes required in the normal way of doing business. This could be an important driver of market share gains for AL as it improves its response time and is a better application fit for the customer. These, coupled with launches in the LCV segment, would expand AL's addressable market in India (in LCV by 2x) and globally (by offering a wide range of products – from LCV to M&HCV).
- **Domestic M&HCV on recovery path, but peak FY19 volumes only in FY24E:** We expect CV demand recovery to sustain in FY23E. However, with recovery in FY23E on a low base of FY21, we estimate domestic M&HCV volumes to recover to FY20 volume levels in FY22. FY23E volumes would still be lower than the peak of FY19, with FY24E possibly nearing peak volumes of FY19. The voluntary scrapping of trucks would have some benefit for the CV demand though not a very substantial one. We estimate domestic M&HCV industry volumes to grow at ~21% CAGR over FY22-25E.
- **Focus on creating and expanding profit/revenue pools:** AL is focused on expanding and creating new revenue and profit pools. De-risking of the M&HCV business, along with the expansion of nascent businesses – such as Spares (9% of FY22 sales) – Exports (7% of sales), LCV (15% sales), and Defense (2% of sales), is a key focus area. Further, AL has set up a new business vertical – Customer Solutions – targeting a higher share of the customer wallet across the life cycle in areas such as finance, spares, and fuel.
- **Expect recovery to continue with market share gains:** AL's revenue/EBITDA/PAT is estimated to grow at a CAGR of 45%/70.5%/361% over FY22–25E on the low base of FY22. In the long term, AL's focus on expanding and creating new profit/revenue pools is likely to de-risk the business – the share of domestic trucks in revenue is likely to shrink from 68% in FY19.
- **Switch Mobility (EV sub) offers option value:** AL's EV subsidiary, Switch Mobility, is focusing on LCVs (including pick-ups and vans) and buses for both India and globally. While Switch Mobility had sold 1% stake in the company to its supplier Dana for implied valuations of USD1.8b, the management has made it amply clear that it would be looking to raise funds in this subsidiary. This can potentially lead to re-rating of AL, similar to what happened in TTMT post minority stake sale in EV business to TPG. Assuming, fund raise happens at least at USD1.6-1.8b valuation, it implies INR30-35/share addition for AL!
- **Valuation and view:** We reduce our FY23E EPS estimates by 7% to account for higher tax rate and maintain FY24E EPS estimates. Unlike the previous cycles, AL is on a strong footing (lean cost structure and reasonable debt) and is focused on adding new revenue/profit pools. Valuations at x 19.9FY24E EPS and 11.3x FY24E EV/EBITDA are at a mid-cycle recovery. However, this does not fully reflect AL's focus on adding new revenue streams and profit pools, as well as its EV business. Maintain **BUY** with a TP of INR180 (premised on 11x Sep'24 EV/EBITDA+ INR17/share of NBFC).
- **Key risks** include: a) loss of road share for freight movement from the upcoming DFCC and b) increasing competitive intensity, resulting in a loss of market share and shrinking margins.

**Exhibit 9: Revised Estimates**

	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	181	182	-0.4	218	223	-2.0
Net Sales	3,28,227	3,27,329	0.3	4,00,561	4,02,154	-0.4
EBITDA	22,600	22,945	-1.5	38,304	38,053	0.7
EBITDA margins (%)	6.9	7.0	-10bp	9.6	9.5	10bp
Net Profit	8,742	9,393	-6.9	21,736	21,351	1.8
EPS (INR)	3.0	3.2	-6.9	7.4	7.3	1.8

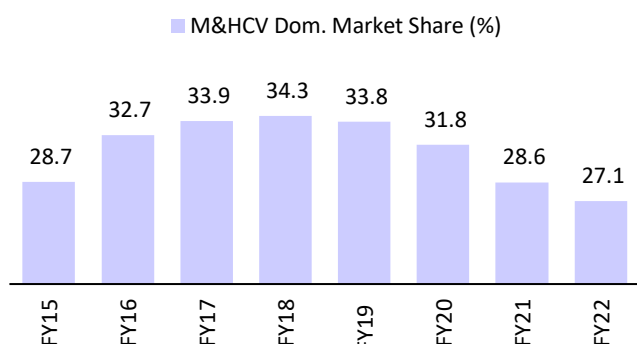
Source: MOFSL

**Exhibit 10: ALs trend in P/B (x)**

Source: MOFSL

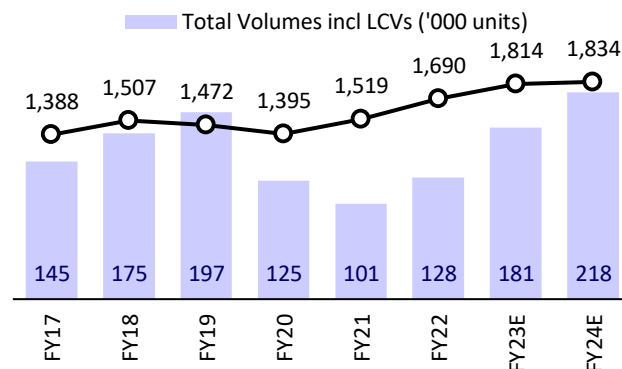
## Story in charts: Better prepared for recovery

Exhibit 11: AL's market share trend



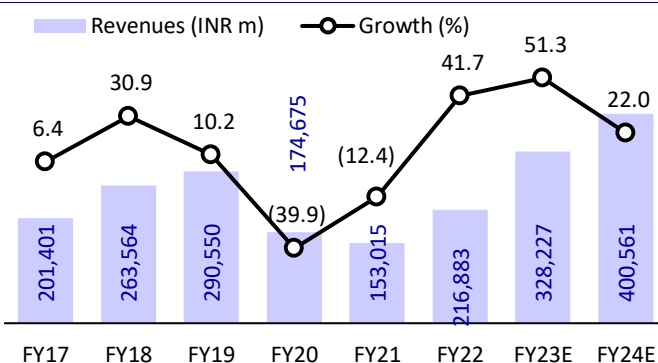
Source: Company, MOFSL

Exhibit 12: Volume and realization growth trends



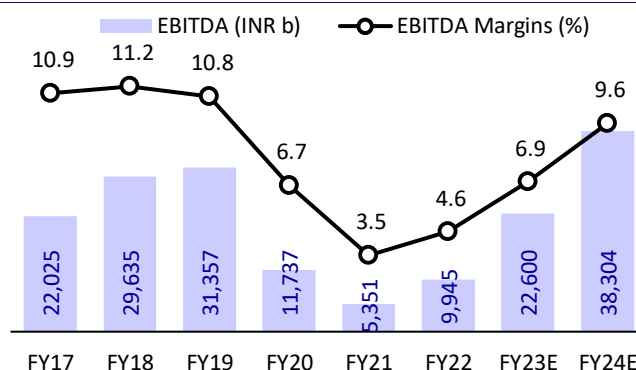
Source: Company, MOFSL

Exhibit 13: Revenue growth trend



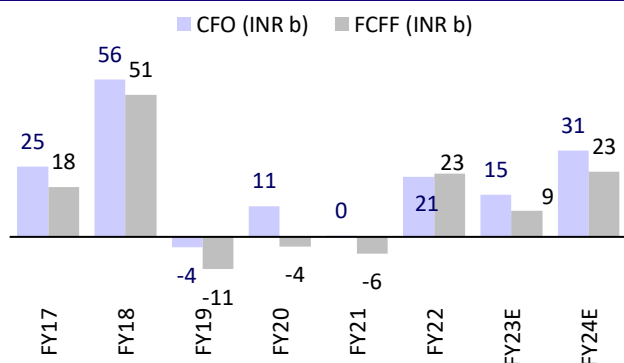
Source: Company, MOFSL

Exhibit 14: EBITDA and EBITDA margin trends



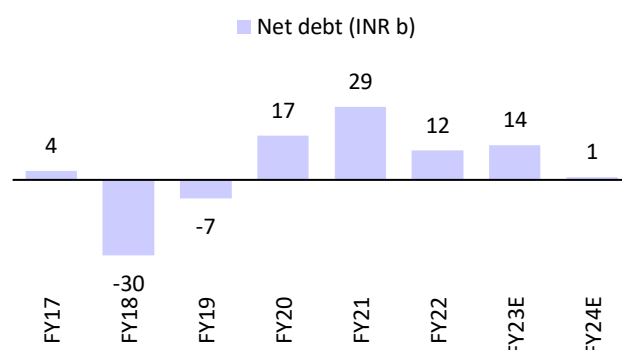
Source: Company, MOFSL

Exhibit 15: CFO and FCFF trends



Source: Company, MOFSL

Exhibit 16: AL's net debt is expected to decline in FY24



Source: Company, MOFSL



## Financials and valuations

Income Statement							(INR Million)
Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
Volumes ('000 units)	197	125	101	128	181	218	252
Growth (%)	12.9	-36.5	-19.6	27.4	41.0	20.7	15.4
<b>Net Sales</b>	<b>2,90,550</b>	<b>1,74,675</b>	<b>1,53,015</b>	<b>2,16,883</b>	<b>3,28,227</b>	<b>4,00,561</b>	<b>4,67,029</b>
Change (%)	10.2	-39.9	-12.4	41.7	51.3	22.0	16.6
<b>EBITDA</b>	<b>31,357</b>	<b>11,737</b>	<b>5,351</b>	<b>9,945</b>	<b>22,600</b>	<b>38,304</b>	<b>49,286</b>
Change (%)	5.8	-62.6	-54.4	85.8	127.2	69.5	28.7
EBITDA Margins (%)	10.8	6.7	3.5	4.6	6.9	9.6	10.6
Depreciation	6,210	6,698	7,477	7,528	7,437	7,985	8,535
<b>EBIT</b>	<b>25,147</b>	<b>5,039</b>	<b>-2,126</b>	<b>2,418</b>	<b>15,163</b>	<b>30,319</b>	<b>40,750</b>
Interest & Fin. Charges	704	1,095	3,068	3,011	2,931	2,237	1,600
Other Income	1,099	1,233	1,195	761	920	1,280	1,900
<b>PBT</b>	<b>24,968</b>	<b>3,619</b>	<b>-4,119</b>	<b>5,276</b>	<b>13,364</b>	<b>29,362</b>	<b>41,051</b>
Tax	5,136	1,224	(982)	(142)	4,410	7,626	10,659
Effective Rate (%)	20.6	33.8	23.8	-2.7	33.0	26.0	26.0
<b>Rep. PAT</b>	<b>19,832</b>	<b>2,395</b>	<b>-3,137</b>	<b>5,418</b>	<b>8,954</b>	<b>21,736</b>	<b>30,392</b>
Change (%)	15.5	-87.9	-231.0	-272.7	65.3	142.8	39.8
% of Net Sales	6.8	1.4	-2.0	2.5	65.3	142.8	39.8
<b>Adjusted PAT</b>	<b>20,268</b>	<b>3,426</b>	<b>-3,016</b>	<b>310</b>	<b>8,742</b>	<b>21,736</b>	<b>30,392</b>
Change (%)	16.8	-83.1	-188.0	-110.3	2,719.9	148.7	39.8

Balance Sheet							(INR Million)
Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
<b>Sources of Funds</b>							
Share Capital	2,936	2,936	2,936	2,936	2,936	2,936	2,936
Reserves	80,389	69,704	66,837	70,434	73,516	89,382	1,13,902
<b>Net Worth</b>	<b>83,324</b>	<b>72,640</b>	<b>69,772</b>	<b>73,369</b>	<b>76,452</b>	<b>92,317</b>	<b>1,16,838</b>
Loans	6,324	30,648	37,163	35,071	30,071	22,571	15,071
Deferred Tax Liability	2,497	2,648	1,708	1,444	2,112	3,580	5,632
<b>Capital Employed</b>	<b>92,145</b>	<b>1,05,936</b>	<b>1,08,642</b>	<b>1,09,884</b>	<b>1,08,635</b>	<b>1,18,468</b>	<b>1,37,541</b>
<b>Application of Funds</b>							
Gross Fixed Assets	71,437	91,913	1,01,269	1,03,773	1,08,715	1,16,215	1,24,215
Less: Depreciation	19,791	28,376	35,264	41,626	49,063	57,048	65,584
<b>Net Fixed Assets</b>	<b>51,646</b>	<b>63,537</b>	<b>66,005</b>	<b>62,146</b>	<b>59,652</b>	<b>59,167</b>	<b>58,632</b>
Capital WIP	6,576	5,941	3,719	1,943	3,000	3,000	3,000
Goodwill	4,499	4,499	4,499	4,499	4,499	4,499	4,499
Investments	26,365	27,196	30,687	48,196	50,696	53,196	55,696
<b>Curr.Assets, L &amp; Adv.</b>	<b>93,158</b>	<b>62,723</b>	<b>79,590</b>	<b>86,554</b>	<b>1,07,690</b>	<b>1,35,784</b>	<b>1,75,656</b>
Inventory	26,847	12,380	21,423	20,752	35,970	43,897	51,181
Sundry Debtors	25,055	11,804	28,163	31,111	35,970	43,897	51,181
Cash & Bank Balances	13,736	13,225	8,230	10,470	3,394	8,504	27,255
Loans & Advances	27,520	25,314	21,774	24,221	32,356	39,486	46,039
<b>Current Liab. &amp; Prov.</b>	<b>90,099</b>	<b>57,960</b>	<b>75,857</b>	<b>93,454</b>	<b>1,16,903</b>	<b>1,37,179</b>	<b>1,59,942</b>
Sundry Creditors	50,189	26,239	51,647	68,752	62,948	76,820	89,567
Other Liabilities	29,386	23,666	17,665	17,997	40,466	43,897	51,181
Provisions	10,524	8,055	6,545	6,705	13,489	16,461	19,193
<b>Application of Funds</b>	<b>92,145</b>	<b>1,05,936</b>	<b>1,08,642</b>	<b>1,09,884</b>	<b>1,08,635</b>	<b>1,18,468</b>	<b>1,37,541</b>

E: MOFSL Estimates



## Financials and valuations

### Ratios

Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
<b>Basic (INR)</b>							
EPS	6.9	1.2	-1.0	0.1	3.0	7.4	10.4
EPS Fully Diluted	6.9	1.2	-1.0	0.1	3.0	7.4	10.4
EPS Growth (%)	16.4	-83.1	-188.0	-110.3	2,719.9	148.7	39.8
Cash EPS	9.0	3.4	1.5	2.7	5.5	10.1	13.3
Book Value per Share	28.4	24.7	23.8	25.0	26.0	31.4	39.8
DPS	3.4	0.5	0.6	1.0	2.0	2.0	2.0
Div. Payout (%)	59.4	51.5	-58.4	946.9	67.2	27.0	19.3
<b>Valuation (x)</b>							
P/E	21.4	126.5	-143.7	1,398.6	49.6	19.9	14.3
Cash P/E	16.4	42.8	97.2	55.3	26.8	14.6	11.1
EV/EBITDA	13.6	38.4	86.4	44.8	19.8	11.3	8.3
EV/Sales	1.5	2.6	3.0	2.1	1.4	1.1	0.9
Price to Book Value	5.2	6.0	6.2	5.9	5.7	4.7	3.7
Dividend Yield (%)	2.3	0.3	0.4	0.7	1.4	1.4	1.4
<b>Profitability Ratios (%)</b>							
ROE	26.0	4.4	-4.2	0.4	11.7	25.8	29.1
RoCE	23.2	4.2	-0.7	3.0	9.9	20.6	24.7
RoIC	64.0	6.3	-2.6	4.3	20.2	42.6	57.3
<b>Turnover Ratios</b>							
Debtors (Days)	31	25	67	52	40	40	40
Inventory (Days)	34	26	51	35	40	40	40
Creditors (Days)	63	55	123	116	70	70	70
Working Capital (Days)	2	-4	-5	-28	10	10	10
Fixed-Asset Turnover (x)	5.6	2.7	2.3	3.5	5.5	6.8	8.0
<b>Leverage Ratio</b>							
Net Debt/Equity (x)	-0.1	0.2	0.4	0.5	0.4	0.2	0.1

### Cash flow Statement

(INR Million)

Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
OP/(Loss) before Tax	24,968	3,619	-4,119	5,276	15,163	30,319	40,750
Int/Div Received	-413	-756	-945	-220	920	1,280	1,900
Depreciation	6,210	6,698	7,477	7,528	7,437	7,985	8,535
Direct Taxes Paid	-5,603	-941	779	714	-3,742	-6,158	-8,606
(Inc)/Dec in Work Cap.	-29,638	-1,756	-6,058	15,696	-4,764	-2,709	1,642
Other Items	853	4,105	3,198	-7,633	0	0	0
<b>CF from Oper. Activity</b>	<b>-3,624</b>	<b>10,969</b>	<b>332</b>	<b>21,361</b>	<b>15,015</b>	<b>30,718</b>	<b>44,222</b>
Extra-ordinary Items	-549	-1,558	-120	5,108	212	0	0
<b>CF after EO Items</b>	<b>-4,172</b>	<b>9,411</b>	<b>211</b>	<b>26,469</b>	<b>15,227</b>	<b>30,718</b>	<b>44,222</b>
(Inc)/Dec in FA+CWIP	-7,315	-12,923	-6,166	-3,933	-6,000	-7,500	-8,000
<b>Free Cash Flow</b>	<b>-11,487</b>	<b>-3,512</b>	<b>-5,954</b>	<b>22,536</b>	<b>9,227</b>	<b>23,218</b>	<b>36,222</b>
<b>CF from Inv. Activity</b>	<b>23,115</b>	<b>-21,775</b>	<b>-9,752</b>	<b>-14,589</b>	<b>-8,500</b>	<b>-10,000</b>	<b>-10,500</b>
Inc/(Dec) in Debt	-6,621	25,655	4,780	-2,721	-5,000	-7,500	-7,500
Interest Rec./(Paid)	-1,029	-1,463	-2,720	-2,755	-2,931	-2,237	-1,600
Dividends Paid	-8,598	-12,702	0	-1,761	-5,871	-5,871	-5,871
<b>CF from Fin. Activity</b>	<b>-16,162</b>	<b>11,490</b>	<b>2,060</b>	<b>-7,238</b>	<b>-13,802</b>	<b>-15,608</b>	<b>-14,971</b>
<b>Inc/(Dec) in Cash</b>	<b>2,781</b>	<b>-874</b>	<b>-7,481</b>	<b>4,643</b>	<b>-7,075</b>	<b>5,109</b>	<b>18,751</b>
Add: Beginning Balance	13,423	16,205	15,330	7,850	12,492	5,417	10,526
<b>Closing Balance</b>	<b>16,205</b>	<b>15,330</b>	<b>7,850</b>	<b>12,492</b>	<b>5,417</b>	<b>10,526</b>	<b>29,277</b>

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts", and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### **Analyst Certification**

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### **Terms & Conditions:**

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### **Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; [www.motilaloswal.com](http://www.motilaloswal.com).  
Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dpgrievances@motilaloswal.com](mailto:dpgrievances@motilaloswal.com).