

# Hero MotoCorp

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USD\$)	522.3 / 6.3
52-Week Range (INR)	2939 / 2148
1, 6, 12 Rel. Per (%)	-5/-7/-6
12M Avg Val (INR M)	1748

## Financials & Valuations (INR b)

Y/E March	2023E	2024E	2025E
Sales	341.4	381.4	417.1
EBITDA	39.6	48.7	53.8
Adj. PAT	28.1	35.0	38.9
Adj. EPS (INR)	140.1	174.7	194.5
EPS Gr. (%)	13.2	24.6	11.4
BV/Sh. (INR)	828.5	878.2	932.7

## Ratios

RoE (%)	17.3	20.5	21.5
RoCE (%)	17.0	20.1	21.1
Payout (%)	71.4	71.6	72.0

## Valuations

P/E (x)	18.6	15.0	13.4
P/BV (x)	3.2	3.0	2.8
Div. Yield (%)	3.8	4.8	5.4
FCF Yield (%)	5.7	7.2	7.9

## Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	19.9	19.9	23.8
DII	13.7	14.9	13.3
FII	32.7	33.2	30.4
Others	33.7	32.0	32.6
FII Includes depository receipts			

**CMP: INR2,614 TP: INR3,100 (+19%) Buy**

## Inline operational performance, driven by better realizations

### FY24 would see double-digit revenue growth for 2W industry

- HMCL's 3QFY22 operating performance was broadly inline, driven by better realizations despite negative volume growth. HMCL is focused on gaining back the market share, driven by premiumization in the existing portfolio and new launches in the ICE/EVs categories.
- We maintain our FY23/FY24 EPS estimates. We reiterate our Buy rating with a TP of INR3,100 (15x Dec'24E EPS + INR166/INR86 for Hero FinCorp/Ather after the 20% holding company discount).

### Benefit of higher gross margins diluted by higher other expenses

- Revenue/EBITDA/PAT grew 2%/-4%/4% YoY to INR80.3b/INR9.2b/INR7.1b, respectively, in 3QFY23. The same grew 17%/14%/11% in 9MFY23.
- Volumes declined 4% YoY. Net realizations grew 6% YoY to INR64.8k (v/s est. INR62.3k), driven by price hikes and better mix.
- Gross margins expanded 160bp YoY/250bp QoQ to 30.6% (v/s est 29%), led by the benefit of softening commodity costs and price hikes.
- However, substantially higher other expenses (up 200bp YoY/up 170bp QoQ) resulted in EBITDA margins declining 70bp YoY (up 10bp QoQ) to 11.5% (v/s est 11.6%). EBITDA declined 4% YoY (down 11% QoQ) to INR9.2b (v/s est INR9b).
- Further higher-than-estimated 'other income' boosted adj. PAT by 4% YoY to INR7.1b (v/s est. INR6.4b).
- The company declared an interim dividend of INR65 for FY23.

### Highlights from the management commentary

- **Rural uptick has been slower than that of urban.** But the company is seeing green shoots in rural geographies in states such as MP, UP, Bihar, and Rajasthan. This will be followed by better crop output and marriage season, which is expected to last for six months. The management noted that replacement demand is coming back (~20% mix in overall demand).
- **EV update** - Commenced dispatches for Vida in 3Q across three cities - Delhi, Jaipur, and Bangalore. The company has registered 250-300 vehicles so far. The company hinted toward channel expansion in other cities as well in this quarter.
- There was a **70bp negative impact on the margins** due to EV business, largely attributable to Vida launch (employee and Ads expenses). Moreover, sales promotion expenses were quite high in 3Q due to i) EV spends which shall continue even in the current quarter (toward expanding to multiple cities), ii) CSR spends - this quarter was up INR200m and iii) spends around festive promotions.

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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.

**Valuation and view**

- We are seeing signs of demand recovery in the domestic 2W industry. This, coupled with stable commodity prices, can drive earnings over the next two-to-three years.
- HMCL is largely a pure play domestic 2W industry, with its stronghold being the 100cc motorcycle segment. It has low vulnerability to EVs as it garners just 8% volumes from Scooters, while its core 100cc Motorcycle is less prone to EVs. The stock currently trades at ~15x/13.4x FY24E/FY25E EPS. We reiterate our Buy rating with a TP of INR3,100.

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

Y/E March	FY22				FY23E				FY22	FY23E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Total Volumes ('000 nos)	1,024	1,439	1,292	1,189	1,390	1,428	1,240	1,337	4,944	5,395	1,240
Growth YoY (%)	81.4	-20.7	-30.0	-24.1	35.7	-0.7	-4.1	12.5	-14.6	9.1	-4.1
Net Realization	53,559	58,760	61,010	62,425	60,370	63,545	64,782	64,636	59,152	63,282	62,274
Growth YoY (%)	1.8	13.8	15.2	12.6	12.7	8.1	6.2	3.5	11.2	7.0	2.1
<b>Net Op Revenues</b>	<b>54,871</b>	<b>84,534</b>	<b>78,833</b>	<b>74,217</b>	<b>83,925</b>	<b>90,754</b>	<b>80,310</b>	<b>86,437</b>	<b>2,92,455</b>	<b>3,41,425</b>	<b>77,201</b>
Growth YoY (%)	84.7	-9.8	-19.4	-14.6	53.0	7.4	1.9	16.5	-5.0	16.7	-2.1
RM Cost (% sales)	72.5	72.3	71.0	69.3	72.8	72.0	69.4	70.0	71.2	71.1	71.0
Staff Cost (% sales)	7.9	6.0	6.6	6.4	6.4	6.0	6.8	6.4	6.6	6.4	6.9
Other Exp (% sales)	10.2	9.1	10.3	13.1	9.6	10.6	12.3	11.4	10.6	10.9	10.5
<b>EBITDA</b>	<b>5,148</b>	<b>10,664</b>	<b>9,600</b>	<b>8,276</b>	<b>9,408</b>	<b>10,383</b>	<b>9,241</b>	<b>10,560</b>	<b>33,688</b>	<b>39,592</b>	<b>8,957</b>
EBITDA Margins (%)	9.4	12.6	12.2	11.2	11.2	11.4	11.5	12.2	11.5	11.6	11.6
Other Income	1,386	1,569	1,216	1,398	530	921	1,832	1,228	5,569	4,510	1,250
Interest	61	65	65	67	70	33	49	48	258	200	60
Depreciation	1,630	1,639	1,644	1,585	1,630	1,634	1,620	1,731	6,498	6,615	1,650
<b>PBT before EO Exp/(Inc)</b>	<b>4,844</b>	<b>10,529</b>	<b>9,107</b>	<b>8,022</b>	<b>8,238</b>	<b>9,637</b>	<b>9,404</b>	<b>10,009</b>	<b>32,501</b>	<b>37,288</b>	<b>8,497</b>
Effective Tax Rate (%)	24.6	24.5	24.7	21.8	24.2	25.7	24.4	24.7	23.9	24.8	24.8
<b>Adj. PAT</b>	<b>3,654</b>	<b>7,944</b>	<b>6,861</b>	<b>6,271</b>	<b>6,245</b>	<b>7,161</b>	<b>7,111</b>	<b>7,541</b>	<b>24,730</b>	<b>28,057</b>	<b>6,391</b>
Growth (%)	496.1	-16.7	-36.7	-27.5	70.9	-9.9	3.6	20.3	-16.6	13.5	-6.9

**Key Performance Indicators**

Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY22	FY23E	3Q
Volumes ('000 units)	1,024	1,439	1,292	1,189	1,390	1,428	1,240	1,337	4,944	5,395	1,240
Growth (%)	81.4	-20.7	-30.0	-24.1	35.7	-0.7	-4.1	12.5	-14.6	1.2	-4.1
Dom. 2W Mkt Sh (%)	39.1	33.2	34.3	33.0	35.6	29.7	31.3		34.5		
<b>Net Realization</b>	<b>53,559</b>	<b>58,760</b>	<b>61,010</b>	<b>62,425</b>	<b>60,370</b>	<b>63,545</b>	<b>64,782</b>	<b>64,636</b>	<b>59,152</b>	<b>63,282</b>	<b>62,274</b>
Growth YoY (%)	1.8	13.8	15.2	12.6	12.7	8.1	6.2	3.5	11.2	7.0	2.1
<b>Cost Break-up</b>											
RM Cost (% of sales)	72.5	72.3	71.0	69.3	72.8	72.0	69.4	70.0	71.2	71.1	71.0
Staff Cost (% of sales)	7.9	6.0	6.6	6.4	6.4	6.0	6.8	6.4	6.6	6.4	6.9
Other Cost (% of sales)	10.2	9.1	10.3	13.1	9.6	10.6	12.3	11.4	10.6	10.9	10.5
Gross Margins (%)	27.5	27.7	29.0	30.7	27.2	28.0	30.6	30.0	28.8	29.0	29.0
EBITDA Margins (%)	9.4	12.6	12.2	11.2	11.2	11.4	11.5	12.2	11.5	11.6	11.6
EBIT Margins (%)	6.4	10.7	10.1	9.0	9.3	9.6	9.5	10.2	9.3	9.7	9.5

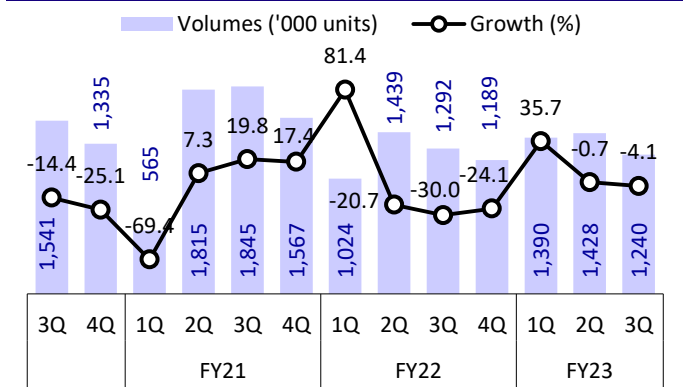
E:MOFSL Estimates



## Key takeaways from the management commentary

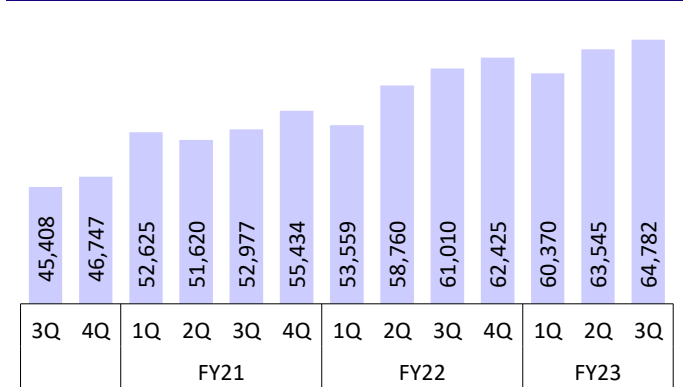
- **Expect double-digit revenue growth for 2W industry in FY24** - Rural uptick has been lower than that of the urban. **Green shoots in rural geographies are already visible** in states such as MP, UP, Bihar, and Rajasthan. This will be followed by better crop output and marriage season, which is expected to last for six months. The management noted that replacement demand is coming back (~20% mix in overall demand).
- **Retails in 3Q were higher vs wholesale.** Dealer inventory should be in the range of four to six weeks going forward.
- **Demand from both FTBs and replacement are coming back.** Used vehicle market is buoyant. The replacement mix would be ~20%.
- **Scooter** demand has been going up. Scooter mix has remained between 30% and 32% and is expected to remain in the same range.
- **125CC** - HMCL has made good progress with Glamour Xtec and will also come with Xtec for Super Splendor soon. Xtec contributes >30% of the overall portfolio. Have done inventory adjustment during 3Q by ~5%.
- **Exports** - Aims for global business at 10% of overall volumes. Several markets such as Sri Lanka are facing headwinds, however demands from these markets are expected to return gradually.
- **70bp negative impact on margin this quarter due to spend on EV business-** There was a 70bp negative impact due to the EV business, largely attributable to Vida launch (employee and Ads exp). Moreover, sales promotion expenses were quite high due to i) EV spends which shall continue even in the current quarter (toward expanding to multiple cities), ii) CSR spends - This quarter was up by INR20cr and iii) spends around the festive season.
- **Gross margin/vehicle stood at INR19.8k in 3QFY23, largely driven by price hikes.** This will be helpful once demand returns. The company has witnessed RM cost savings of 150bp YoY in 3Q. The last price hike was of INR930 on 1<sup>st</sup> of Dec. The earlier price hike was taken in Aug/Sep by INR300/INR500. Also, there has been a LEAP savings of ~80bp over nine months.
- **Part, accessories and merchandize business registered an all-time high quarterly revenue** of INR12.6b in 3QFY23 (v/s INR12.4b in 2QFY23 and INR11.9b in 3QFY22).
- **Higher 'other income' was reflective of MTM loss** on Gogoro, which were not a part of this quarter's financials.
- **Hero FinCorp** reported INR1.92b profit this quarter v/s a loss in 3Q last year. There was a one-time gain due to investment done in Ather by GIC. 9MFY23 profit stood at INR4.3b v/s loss of INR2.5b in 9MFY22.
- **EV update** - Commenced dispatches for Vida this quarter. With presence in three cities (Delhi, Bangalore, and Jaipur), the company reported ~350 bookings so far and hinted toward a launch in a few more cities this quarter. It has set up multiple charging stations in these three cities - roughly 18/15/15 stations in Blore/Delhi/Jaipur.
- Expect gross margins to be lower in EVs vs ICE. Will start accruing PLI benefits moving forward. As scale moves up and cost reduction improves, the cost of EV product will come down due to localization and other benefits.

**Exhibit 1: Trend in volumes**



Source: SIAM

**Exhibit 2: Trend in blended realizations**



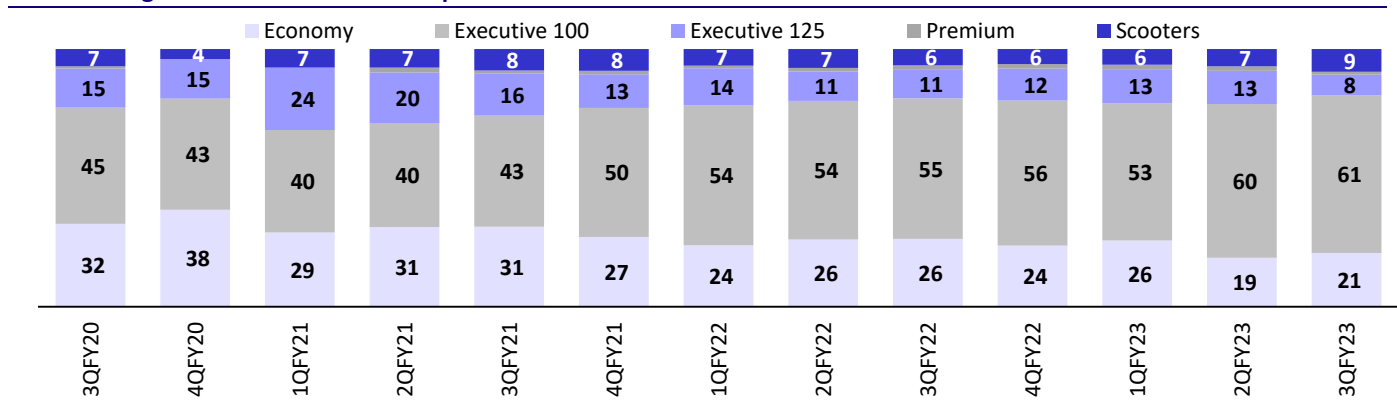
Source: Company, MOFSL

**Exhibit 3: Trend in segmental mix ('000 units)**

	3QFY23	3QFY22	YoY %	2QFY23	QoQ %	FY23E	FY22	YoY %
<b>Total Motorcycles</b>	<b>1,129</b>	<b>1,212</b>	<b>-6.8</b>	<b>1,332</b>	<b>-15.3</b>	<b>4,889</b>	<b>4,627</b>	<b>5.7</b>
% of total	90.9	93.5		93.3		93.1	93.5	
<b>Scooters</b>	<b>114</b>	<b>85</b>	<b>34.0</b>	<b>96</b>	<b>18.6</b>	<b>360</b>	<b>321</b>	<b>12.2</b>
% of total	9.1	6.5		6.7		6.9	6.5	
<b>Total 2Ws</b>	<b>1,243</b>	<b>1,297</b>	<b>-4.2</b>	<b>1,428</b>	<b>-13.0</b>	<b>5,250</b>	<b>4,948</b>	<b>6.1</b>
Of which exports	36	61	(41.5)	39	-8.7	220	301	(26.9)
% of total	2.9	4.7		2.7		4.2	6.1	

Source: SIAM

**Exhibit 4: Segment-wise contribution in product mix**



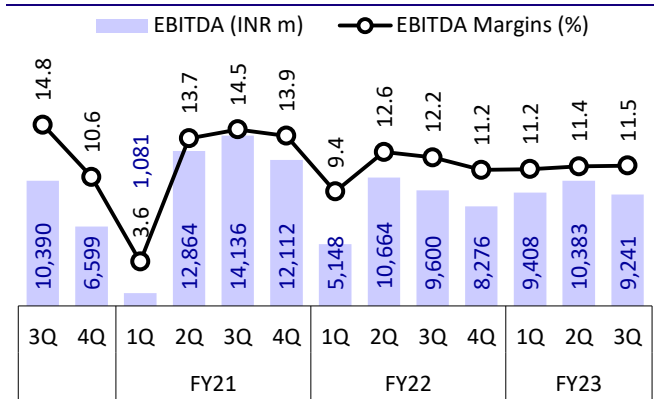
Source: SIAM

**Exhibit 5: Segment-wise market share**

Segment	3QFY23	3QFY22	Chg YoY (BP)	2QFY23	Chg QoQ (BP)
Economy	53.3	50.8	250	43.5	980
Executive - 100	95.6	92.4	320	92.8	270
Executive - 125	14.6	24.8	-1,020	22.2	-770
Premium	3.2	6.2	-300	5.1	-190
<b>Dom. Motorcycles</b>	<b>43.3</b>	<b>47.1</b>	<b>-390</b>	<b>43.1</b>	<b>20</b>
Dom. Scooters	8.8	7.7	110	6.0	270
<b>Total 2W (Domestic M.S.)</b>	<b>31.3</b>	<b>34.3</b>	<b>-310</b>	<b>29.7</b>	<b>160</b>

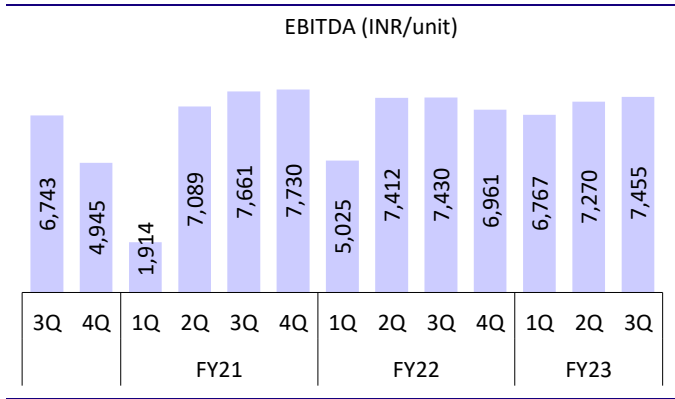
Source: SIAM

Exhibit 6: Trend in EBITDA and EBITDA margin



Source: Company, MOFSL

Exhibit 7: Trend in EBITDA per unit



Source: Company, MOFSL

### Valuation and view

- **We estimate 2W industry volumes to register an 8% CAGR over FY23E-25E**, driven by increasing penetration in rural markets and replacement demand in urban markets. Within Motorcycles, we expect the Premium segment (over 150cc)/Entry/Executive segment to deliver 10-12%/6-8%/6-7% CAGR, respectively. We expect HMCL to deliver a 9% volume CAGR over FY23E-25E, driven by its increased competitiveness in the Economy and Executive segment after the transition to BS-VI emission norms, growth of the Premium segment, faster growth in Scooters, and ramp-up in exports. The company will benefit from a rural recovery, with strong brand equity in the Economy and Executive segments. It is expanding its presence in the fast-growing Scooters and Premium Motorcycles segments, which will further drive volume growth.
- **HMCL to benefit from a strong Economy and Executive portfolio:** It is poised for a faster recovery over other 2W peers due to its rural-focused portfolio and market leadership in the Entry and Executive segments. We are seeing more traction in its core Executive segment (Splendor and Passion) due to a decrease in percentage-wise price differential between the Entry and Executive model. Any improvement in its competitive positioning in Scooters, Premium Motorcycles, or EVs will further act as re-rating triggers.
- **EVs pose a challenge and an opportunity:** EVs pose a threat to incumbents in the Scooter segment (HMSI and TVSL) and an opportunity for OEMs that are ready with a compelling e-scooter package. With its alliance with Gogoro, HMCL now has a three-pronged strategy for EVs: a) stake in Ather, b) own development (led by a German R&D center) on a fixed battery system, and c) a JV with Gogoro for a battery swapping system. Its first EV product under V1 Vida brand is a premium offering and the initial response has been encouraging in the three cities launched. The management plans to launch products under the Gogoro JV in FY23 and a few other mass market offerings over the next two years.
- **Export market to offer huge headroom for growth, but scale-up will be a challenge and back-ended:** HMCL plans to double its target export market to 40 countries over the next few years from its current 20. While Motorcycle exports to emerging markets presents a huge opportunity (~2x that of the Indian market), HMCL, being one of the last entrants, may find it difficult to compete with incumbents (especially BJAUT) due to the limited scope to differently

position its product. It has been working on its distribution over the last few years and is concentrating on market-specific products. Recovery in some of these markets, after the recent currency turmoil, works in HMCL's favor.

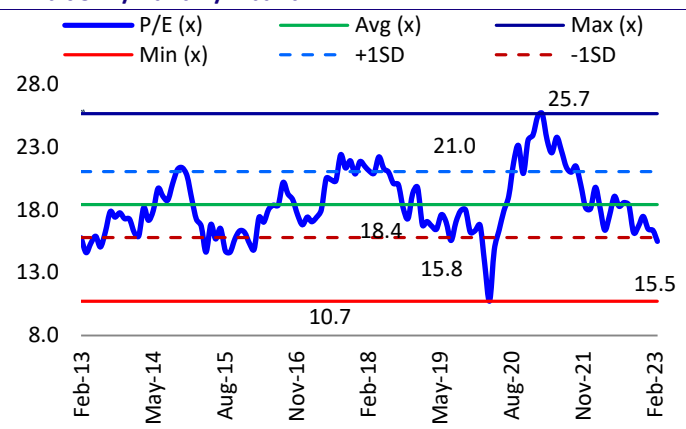
- Valuations fair; reiterate Buy:** We reiterate our FY23/FY24 EPS estimates. HMCL is a good proxy on a rural market recovery, with its stronghold being the 100cc Motorcycle segment. It has low vulnerability to EVs, as it garners 8% volumes from Scooters while its core 100cc Motorcycle is less prone to EVs. Unlike the last five years, we expect ~18% EPS CAGR over FY23-25. The stock currently trades at ~15.0x/13.4x FY24E/FY25E EPS. We reiterate our Buy rating with a TP of INR3,100 (15x Dec'24E EPS + INR166/INR84 for Hero FinCorp/Ather after the 20% holding company discount).

**Exhibit 8: Revisions to our estimates**

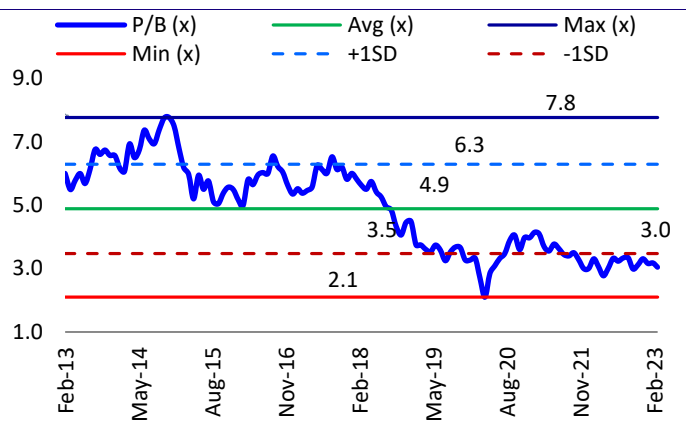
(INR B)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	5,395	5,395	0.0	5,907	5,907	0.0
Net Sales	341.4	336	1.6	381.4	372	2.5
EBITDA	39.6	39	2.5	48.7	48	0.9
EBITDA Margins (%)	11.6	11.5	10	12.8	13.0	-20
Net Profit	28.1	27	4.4	35.0	35	1.2
EPS (Rs)	140.1	134.2	4.4	174.7	172.6	1.2

Source: MOFSL

**Exhibit 9: P/E and P/B band**



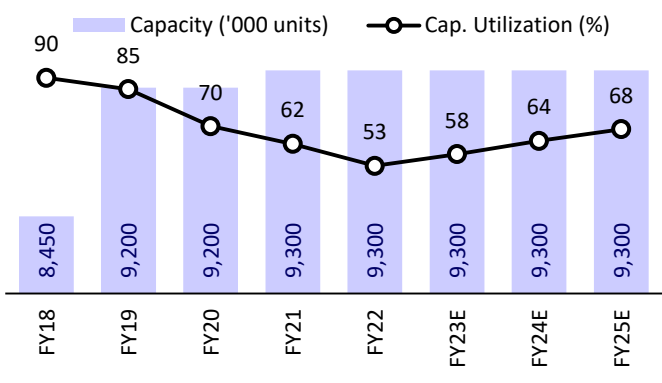
Source: MOFSL



Source: MOFSL

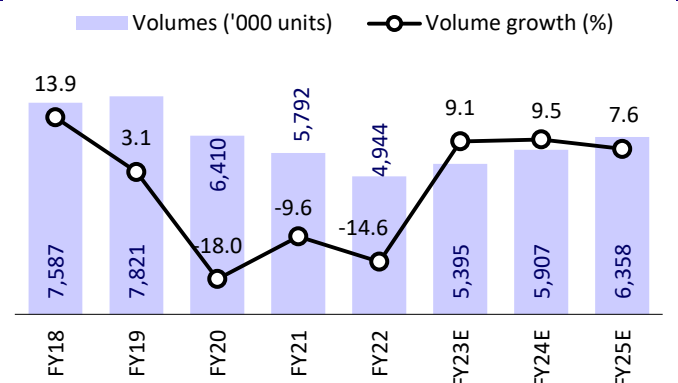
Story in charts

Exhibit 10: Adding capacity ahead of growth



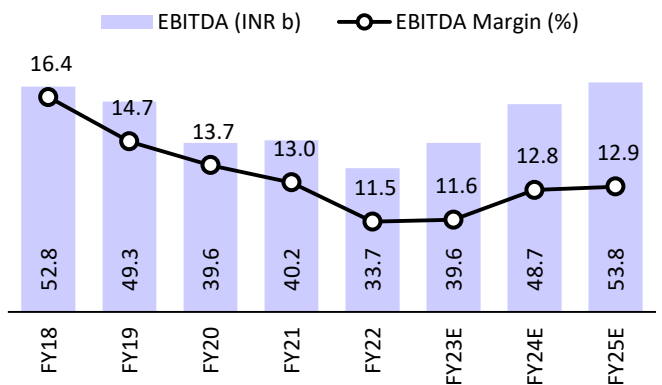
Source: Company, MOFSL

Exhibit 11: Volume sustainability led by rural recovery



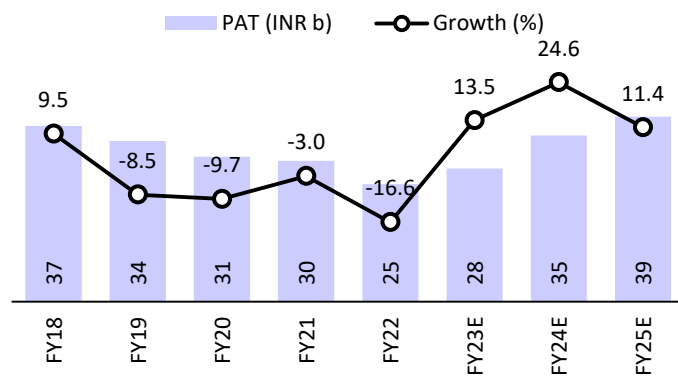
Source: Company, MOFSL

Exhibit 12: EBITDA margin trajectory



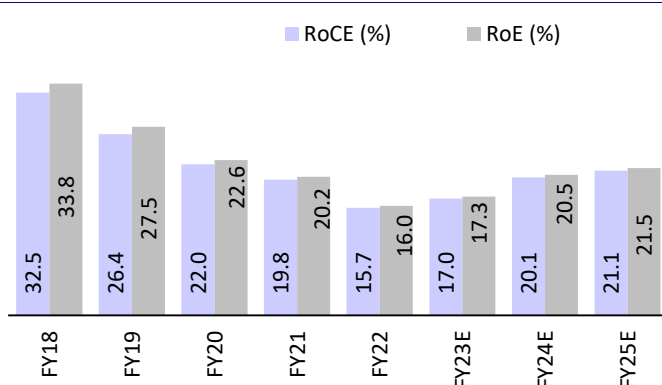
Source: Company, MOFSL

Exhibit 13: PAT growth to be muted



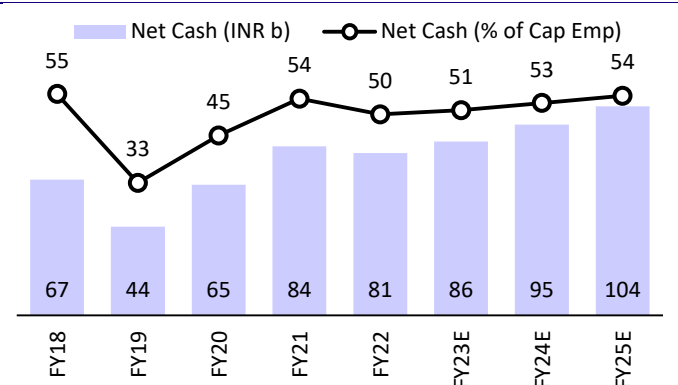
Source: Company, MOFSL

Exhibit 14: Trend in return ratios



Source: Company, MOFSL

Exhibit 15: Trend in cash levels



Source: Company, MOFSL

**Exhibit 16: Snapshot of the revenue model**

<b>000 units</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Total M/Cycles	6,677	7,081	5,990	5,333	4,628	5,047	5,531	5,952
Growth (%)	14.4	6.0	-15.4	-11.0	-13.2	9.1	9.6	7.6
% of total volumes	88.0	90.5	93.5	92.1	93.6	93.5	93.6	93.6
Total Scooters	910	740	419	458	316	348	376	406
Growth (%)	9.7	-18.7	-43.3	9.2	-30.9	10.0	8.0	8.0
% of total volumes	12.0	9.5	6.5	7.9	6.4	6.5	6.4	6.4
<b>Total volumes</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>4,944</b>	<b>5,395</b>	<b>5,907</b>	<b>6,358</b>
Growth (%)	13.9	3.1	-18.0	-9.6	-14.6	9.1	9.5	7.6
- of which Exports	178	187	162	172	290	363	471	589
% of total volumes	2.6	2.6	2.8	3.3	6.5	7.4	8.8	10.2
Net Realizations (INR/unit)	42,480	43,027	44,988	53,182	59,152	63,282	64,578	65,605
Growth (%)	-1.6	0.6	4.3	18.8	10.7	7.6	1.8	1.6
<b>Net Revenues (INR b)</b>	<b>322</b>	<b>337</b>	<b>288</b>	<b>308</b>	<b>292</b>	<b>341</b>	<b>381</b>	<b>417</b>
Growth (%)	13.1	4.4	-14.3	6.8	-5.0	16.7	11.7	9.4

SIAM, Company, MOFSL



## Financials and valuations

Income Statement							(INR Million)		
Y/E March	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Volumes ('000)</b>	<b>6,664</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>4,944</b>	<b>5,395</b>	<b>5,907</b>	<b>6,358</b>
Volume Growth (%)	0.5	13.9	3.1	-18.0	-9.6	-14.6	9.1	9.5	7.6
<b>Net Revenues</b>	<b>2,85,005</b>	<b>3,22,305</b>	<b>3,36,505</b>	<b>2,88,360</b>	<b>3,08,006</b>	<b>2,92,455</b>	<b>3,41,425</b>	<b>3,81,444</b>	<b>4,17,132</b>
Change (%)	0.2	13.1	4.4	-14.3	6.8	-5.0	16.7	11.7	9.4
<b>EBITDA</b>	<b>46,348</b>	<b>52,802</b>	<b>49,301</b>	<b>39,579</b>	<b>40,192</b>	<b>33,688</b>	<b>39,592</b>	<b>48,663</b>	<b>53,759</b>
EBITDA Margin (%)	16.3	16.4	14.7	13.7	13.0	11.5	11.6	12.8	12.9
Depreciation	4,927	5,556	6,020	8,180	6,769	6,498	6,615	6,813	7,074
<b>EBIT</b>	<b>41,421</b>	<b>47,246</b>	<b>43,281</b>	<b>31,400</b>	<b>33,424</b>	<b>27,190</b>	<b>32,978</b>	<b>41,850</b>	<b>46,685</b>
Interest cost	61	63	86	220	218	258	200	200	200
Other Income	5,224	5,258	6,913	7,283	5,799	5,569	4,510	4,893	5,353
Non-recurring Expense	0	0	0	-7,274	0	0	0	0	0
<b>PBT</b>	<b>46,585</b>	<b>52,442</b>	<b>50,107</b>	<b>45,736</b>	<b>39,004</b>	<b>32,501</b>	<b>37,288</b>	<b>46,543</b>	<b>51,837</b>
Tax	12,813	15,468	16,259	9,404	9,362	7,771	9,230	11,572	12,892
Effective Tax Rate (%)	27.5	29.5	32.4	20.6	24.0	23.9	24.8	24.9	24.9
<b>Adj. PAT</b>	<b>33,771</b>	<b>36,974</b>	<b>33,849</b>	<b>30,554</b>	<b>29,642</b>	<b>24,730</b>	<b>28,057</b>	<b>34,970</b>	<b>38,945</b>
Change (%)	6.9	9.5	-8.5	-9.7	-3.0	-16.6	13.5	24.6	11.4

Balance Sheet							(INR Million)		
Y/E March	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Sources of Funds</b>									
Share Capital	399	399	400	400	400	400	400	400	400
Reserves	1,00,714	1,17,289	1,28,172	1,40,965	1,51,585	1,57,430	1,65,467	1,75,412	1,86,330
<b>Net Worth</b>	<b>1,01,113</b>	<b>1,17,689</b>	<b>1,28,571</b>	<b>1,41,364</b>	<b>1,51,984</b>	<b>1,57,829</b>	<b>1,65,867</b>	<b>1,75,813</b>	<b>1,86,730</b>
Deferred Tax	4,143	5,117	5,365	3,928	4,041	3,833	3,833	3,833	3,833
Loans	0	0	0	0	0	0	0	0	0
<b>Capital Employed</b>	<b>1,05,256</b>	<b>1,22,805</b>	<b>1,33,936</b>	<b>1,45,292</b>	<b>1,56,025</b>	<b>1,61,662</b>	<b>1,69,700</b>	<b>1,79,646</b>	<b>1,90,563</b>
<b>Application of Funds</b>									
Gross Fixed Assets	1,03,772	1,11,344	1,16,282	1,38,161	1,42,362	1,47,040	1,53,622	1,59,622	1,65,622
Less: Depreciation	59,816	64,799	70,097	76,991	82,478	88,975	95,590	1,02,403	1,09,477
<b>Net Fixed Assets</b>	<b>43,956</b>	<b>46,545</b>	<b>46,186</b>	<b>61,171</b>	<b>59,884</b>	<b>58,065</b>	<b>58,032</b>	<b>57,219</b>	<b>56,145</b>
Capital WIP	4,651	3,184	5,419	3,413	4,366	4,582	3,500	3,500	3,500
Investments	58,899	75,252	59,686	82,227	1,04,997	1,06,523	1,06,523	1,06,523	1,06,523
<b>Curr.Assets, L &amp; Adv.</b>	<b>39,438</b>	<b>42,407</b>	<b>65,121</b>	<b>40,683</b>	<b>52,364</b>	<b>47,970</b>	<b>63,650</b>	<b>81,915</b>	<b>1,00,510</b>
Inventory	6,563	8,236	10,724	10,920	14,696	11,227	15,431	17,198	18,807
Sundry Debtors	15,619	15,202	28,216	16,031	24,268	23,043	22,693	25,292	27,658
Cash & Bank Balances	1,367	1,413	1,365	2,419	2,572	1,751	11,490	23,783	36,938
Loans & Advances	725	732	850	896	892	402	473	527	576
Others	15,163	16,823	23,968	10,417	9,938	11,547	13,563	15,116	16,530
<b>Current Liab. &amp; Prov.</b>	<b>41,686</b>	<b>44,583</b>	<b>42,476</b>	<b>42,201</b>	<b>65,585</b>	<b>55,478</b>	<b>62,005</b>	<b>69,512</b>	<b>76,115</b>
Sundry Creditors	32,473	33,188	33,553	30,305	52,046	42,603	49,925	55,642	60,847
Other Liabilities	8,071	9,647	7,161	9,207	10,211	9,490	9,077	10,117	11,063
Provisions	1,143	1,747	1,762	2,689	3,328	3,385	3,003	3,754	4,204
<b>Net Current Assets</b>	<b>-2,249</b>	<b>-2,176</b>	<b>22,646</b>	<b>-1,518</b>	<b>-13,222</b>	<b>-7,508</b>	<b>1,645</b>	<b>12,403</b>	<b>24,395</b>
<b>Application of Funds</b>	<b>1,05,256</b>	<b>1,22,805</b>	<b>1,33,936</b>	<b>1,45,292</b>	<b>1,56,025</b>	<b>1,61,662</b>	<b>1,69,700</b>	<b>1,79,646</b>	<b>1,90,563</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>169.1</b>	<b>185.1</b>	<b>169.5</b>	<b>153.0</b>	<b>148.4</b>	<b>123.8</b>	<b>140.1</b>	<b>174.7</b>	<b>194.5</b>
EPS Growth (%)	6.9	9.5	-8.5	-9.7	-3.0	-16.6	13.2	24.6	11.4
Cash EPS	193.8	213.0	199.6	222.8	182.2	156.3	173.2	208.7	229.9
Book Value per Share	506.3	589.3	643.7	707.7	760.7	789.9	828.5	878.2	932.7
DPS	85.0	95.0	87.0	90.0	105.0	95.0	100.0	125.0	140.0
Payout (Incl. Div. Tax) %	60.6	61.8	62.9	71.8	70.8	76.8	71.4	71.6	72.0
<b>Valuation (x)</b>									
P/E	15.5	14.1	15.4	17.1	17.6	21.1	18.6	15.0	13.4
EV/EBITDA	10.0	8.4	9.4	11.1	10.3	12.3	10.2	8.1	7.1
EV/Sales	1.6	1.4	1.4	1.5	1.3	1.4	1.2	1.0	0.9
Price to Book Value	5.2	4.4	4.1	3.7	3.4	3.3	3.2	3.0	2.8
Dividend Yield (%)	3.3	3.6	3.3	3.4	4.0	3.6	3.8	4.8	5.4
<b>Profitability Ratios (%)</b>									
RoE	35.7	33.8	27.5	22.6	20.2	16.0	17.3	20.5	21.5
RoCE	34.5	32.5	26.4	22.0	19.8	15.7	17.0	20.1	21.1
RoIC	77.3	80.0	53.0	40.0	50.1	44.5	51.2	66.9	78.4
<b>Turnover Ratios</b>									
Debtors (Days)	21	18	32	21	30	30	26	26	26
Inventory (Days)	9	10	12	15	18	15	17	17	17
Creditors (Days)	42	38	36	38	62	53	53	53	53
Working Capital (Days)	-3	-2	25	-2	-16	-9	2	12	21
Asset Turnover (x)	2.7	2.6	2.5	2.0	2.0	1.8	2.0	2.1	2.2
Fixed Asset Turnover	2.9	3.0	3.0	2.3	2.2	2.0	2.3	2.4	2.6

### Cash Flow Statement

(INR Million)

Y/E March	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Profit before Tax	46,585	52,442	50,107	45,736	39,004	32,501	37,288	46,543	51,837
Depreciation & Amort.	4,927	5,556	6,020	8,180	6,769	6,498	6,615	6,813	7,074
Direct Taxes Paid	-11,865	-14,943	-20,515	-5,443	-9,759	-7,688	-9,230	-11,572	-12,892
(Inc)/Dec in Working Capital	4,208	-2,682	-19,189	12,027	10,700	-6,825	586	1,534	1,164
Other Items	-1,606	1,723	-6,634	-6,399	-4,987	-4,283	200	200	200
<b>CF from Oper. Activity</b>	<b>40,280</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>20,203</b>	<b>35,458</b>	<b>43,518</b>	<b>47,383</b>
Extra-ordinary Items	0	0	0	0	0	0	0	0	0
<b>CF after EO Items</b>	<b>40,280</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>20,203</b>	<b>35,458</b>	<b>43,518</b>	<b>47,383</b>
(Inc)/Dec in FA+CWIP	-11,491	-7,992	-9,179	-13,586	-5,101	-5,240	-5,500	-6,000	-6,000
<b>Free Cash Flow</b>	<b>28,790</b>	<b>31,816</b>	<b>611</b>	<b>40,515</b>	<b>36,626</b>	<b>14,963</b>	<b>29,958</b>	<b>37,518</b>	<b>41,383</b>
(Pur)/Sale of Invest.	-7,949	-11,160	22,392	-15,245	-16,998	3,721	0	0	0
<b>CF from Inv. Activity</b>	<b>-19,439</b>	<b>-19,152</b>	<b>13,212</b>	<b>-28,831</b>	<b>-22,099</b>	<b>-1,519</b>	<b>-5,500</b>	<b>-6,000</b>	<b>-6,000</b>
Interest Paid	-61	-63	-86	-874	-515	-458	-200	-200	-200
Dividends Paid	-20,896	-20,404	-22,854	-23,323	-18,900	-18,931	-20,020	-25,025	-28,028
<b>CF from Fin. Activity</b>	<b>-20,956</b>	<b>-20,467</b>	<b>-22,940</b>	<b>-24,198</b>	<b>-19,415</b>	<b>-19,389</b>	<b>-20,220</b>	<b>-25,225</b>	<b>-28,228</b>
<b>Inc/(Dec) in Cash</b>	<b>-116</b>	<b>190</b>	<b>63</b>	<b>1,072</b>	<b>213</b>	<b>-705</b>	<b>9,738</b>	<b>12,293</b>	<b>13,155</b>
Add: Beginning Balance	270	154	344	407	1,479	1,692	987	10,725	23,018
<b>Closing Balance</b>	<b>154</b>	<b>344</b>	<b>407</b>	<b>1,479</b>	<b>1,692</b>	<b>987</b>	<b>10,725</b>	<b>23,018</b>	<b>36,173</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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