

# Hero Motocorp

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## Q3 EBITDA slightly below estimates; volume outlook remains positive

- Hero Motocorp's Q3FY23 EBITDA declined by 4% YoY to Rs9.2bn, coming in 3% below our estimates, on higher spends in the emerging business unit. Revenue increased by 2% to Rs80.3bn, in line with estimates. We maintain our positive stance, underpinned by: 1) expectations of 8% volume CAGR over FY23-25E on a cyclical upturn in domestic 2Ws and new products; 2) margin expansion of 160bps over FY23-25E emanating from better scale and cost savings; and 4) inexpensive valuations. The stock trades at P/E of 15x/14x on FY24/25 estimates. We reaffirm BUY on the stock, with TP of Rs3,380/sh (unchanged), based on 17x core FY25E EPS and value of investments/cash at Rs517/share. Key downside risks: lower-than-expected demand in key geographies, increased competitive intensity, failure of new products, and adverse movement in commodity prices/currency rates.**
- Q3 EBITDA slightly below estimates:** Revenue grew by 2% YoY to Rs80.3bn, in line with estimates. Volume declined by 4% and Realization grew by 6%. Spare-part revenues grew by 6% to Rs12.6bn. EBITDA declined by 4% to Rs9.2bn, standing 3% lower than estimates, due to higher spends in the emerging business-unit relating to manpower & marketing costs. EBITDA margin contracted by 70bps YoY to 11.5%. Gross margin expanded by 160bps to 30.6%, owing to price increases and commodity deflation, while other expenses/revenues increased by 200bps to 12.3%. Other income grew by 51% to Rs1.8bn, as there was no mark-to-market loss and yield having improved. Accordingly, adjusted PAT grew 4% to Rs7.1bn (Emkay est.: Rs6.7bn), above our estimates owing to higher other income. Share of profit from associates (Hero FinCorp and Ather Energy) stood at Rs830mn in Q3FY23 vs. loss of Rs241mn in Q2FY23 and profit of Rs198mn in Q3FY22. **What we liked:** Improved gross margin on sequential basis due to price increases and commodity deflation. **What we did not like:** Margin pressure owing to the emerging business unit at ~70bps in Q3.
- Earnings-Call KTAs:** 1) Focus to remain on strengthening the product portfolio, with new products every quarter in areas such as Scooters, Executive motorcycles and Premium motorcycles. 2) The recently-launched *Maestro Xoom* model is receiving positive feedback, and should support volumes and market share ahead. 3) Demand to improve in rural areas, on marriage-season demand in coming months. States such as UP, MP, Rajasthan, Bihar and West Bengal are seeing improvement. 4) *Vida V1* electric scooter has witnessed 5,300 units of order bookings and is likely to be launched in more cities in imminent months. 5) Q3 margin was negatively impacted by ~70bps due to emerging business-unit spends relating to manpower & marketing spends. 6) Expects margin improvement in EVs ahead, on better scale, PLI incentives and cost savings. Also expects ICE margins to improve ahead, on better scale and net pricing.

### Financial Snapshot (Standalone)

| (Rs mn)           | FY21    | FY22    | FY23E   | FY24E   | FY25E   |
|-------------------|---------|---------|---------|---------|---------|
| Revenue           | 308,006 | 292,455 | 334,197 | 371,552 | 405,598 |
| EBITDA            | 40,192  | 33,688  | 38,083  | 47,582  | 52,756  |
| EBITDA Margin (%) | 13.0    | 11.5    | 11.4    | 12.8    | 13.0    |
| APAT              | 29,642  | 24,730  | 26,894  | 34,074  | 37,666  |
| EPS (Rs)          | 148.4   | 123.8   | 134.6   | 170.5   | 188.5   |
| EPS (% chg)       | (6.9)   | (16.6)  | 8.7     | 26.7    | 10.5    |
| ROE (%)           | 20.2    | 16.0    | 16.6    | 19.9    | 20.7    |
| P/E (x)           | 17.6    | 21.1    | 19.4    | 15.3    | 13.9    |
| EV/EBITDA (x)     | 10.9    | 13.0    | 11.7    | 9.3     | 8.3     |
| P/BV (x)          | 3.4     | 3.3     | 3.1     | 3.0     | 2.8     |

Source: Company, Emkay Research

| CMP                                  | Target Price              |
|--------------------------------------|---------------------------|
| Rs 2,615<br>as of (February 8, 2023) | Rs 3,380 (■)<br>12 months |
| Rating                               | Upside                    |
| BUY (■)                              | 29.3 %                    |

### Change in Estimates

|                         |         |
|-------------------------|---------|
| EPS Chg FY23E/FY24E (%) | 0.4/0.1 |
| Target Price change (%) | -       |
| Target Period (Months)  | 12      |
| Previous Reco           | BUY     |

### Emkay vs Consensus

|                         | EPS Estimates |       |
|-------------------------|---------------|-------|
|                         | FY23E         | FY24E |
| Emkay                   | 134.6         | 170.5 |
| Consensus               | 144.3         | 181.0 |
| Mean Consensus TP (12M) | Rs 2,925      |       |

### Stock Details

|                             |               |
|-----------------------------|---------------|
| Bloomberg Code              | HMCL IN       |
| Face Value (Rs)             | 2             |
| Shares outstanding (mn)     | 200           |
| 52 Week H/L                 | 2,939 / 2,147 |
| M Cap (Rs bn/USD bn)        | 522 / 6.33    |
| Daily Avg Volume (nos.)     | 390,445       |
| Daily Avg Turnover (USD mn) | 13.0          |

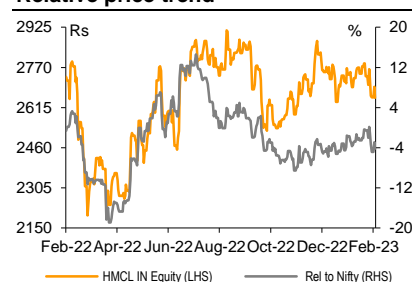
### Shareholding Pattern Dec '22

|                   |       |
|-------------------|-------|
| Promoters         | 34.8% |
| FIIs              | 27.5% |
| DIIIs             | 27.3% |
| Public and Others | 10.5% |

### Price Performance

| (%)           | 1M  | 3M | 6M  | 12M |
|---------------|-----|----|-----|-----|
| Absolute      | (5) | -  | (5) | (2) |
| Rel. to Nifty | (5) | 2  | (6) | (5) |

### Relative price trend



Source: Bloomberg

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**Exhibit 1: Key volume assumptions; expect volume CAGR of 8% over FY23-25E**

| Volume (no. of units)  | FY21             | FY22             | FY23E            | FY24E            | FY25E            | FY23-25E CAGR (%) |
|------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Domestic Motorcycles   | 5,156,401        | 4,337,634        | 4,748,279        | 5,147,739        | 5,488,363        | 8                 |
| Growth (%)             | (11.5)           | (15.9)           | 9.5              | 8.4              | 6.6              |                   |
| Export Motorcycles     | 171,963          | 290,131          | 155,220          | 178,503          | 192,783          | 11                |
| Growth (%)             | 6.4              | 68.7             | (46.5)           | 15.0             | 8.0              |                   |
| Domestic Scooters      | 443,458          | 305,892          | 367,070          | 422,131          | 455,901          | 11                |
| Growth (%)             | 10.1             | (31.0)           | 20.0             | 15.0             | 8.0              |                   |
| Export Scooters        | 14,552           | 10,491           | 11,330           | 13,030           | 14,072           | 11                |
| Growth (%)             | (12.8)           | (27.9)           | 8.0              | 15.0             | 8.0              |                   |
| <b>Total Volume</b>    | <b>5,786,374</b> | <b>4,944,148</b> | <b>5,281,900</b> | <b>5,761,403</b> | <b>6,151,120</b> | <b>8</b>          |
| Growth (%)             | (9.7)            | (14.6)           | 6.8              | 9.1              | 6.8              |                   |
| Realization/unit (Rs)  | 53,230           | 59,152           | 63,272           | 64,490           | 65,939           | 2                 |
| Growth (%)             | 18.3             | 11.1             | 7.0              | 1.9              | 2.2              |                   |
| <b>Revenue (Rs mn)</b> | <b>308,006</b>   | <b>292,455</b>   | <b>334,197</b>   | <b>371,552</b>   | <b>405,598</b>   | <b>10</b>         |
| Growth (%)             | 6.8              | (5.0)            | 14.3             | 11.2             | 9.2              |                   |

Source: Company, Emkay Research

**Exhibit 2: Changes in estimates**

| Rs mn      | FY23E     |           |          |          | FY24E     |           |          |         | FY25E     |           |          |        |
|------------|-----------|-----------|----------|----------|-----------|-----------|----------|---------|-----------|-----------|----------|--------|
|            | Earlier   | Revised   | % Change | % YoY    | Earlier   | Revised   | % Change | % YoY   | Earlier   | Revised   | % Change | % YoY  |
| Volumes    | 5,280,938 | 5,281,900 | 0.0      | 6.8      | 5,760,297 | 5,761,403 | 0.0      | 9.1     | 6,149,925 | 6,151,120 | 0.0      | 6.8    |
| Net Sales  | 335,041   | 334,197   | (0.3)    | 14.3     | 372,491   | 371,552   | (0.3)    | 11.2    | 406,614   | 405,598   | (0.2)    | 9.2    |
| EBITDA     | 38,579    | 38,083    | (1.3)    | 13.0     | 47,898    | 47,582    | (0.7)    | 24.9    | 52,936    | 52,756    | (0.3)    | 10.9   |
| Margin (%) | 11.5      | 11.4      | (12) bps | (12) bps | 12.9      | 12.8      | (5) bps  | 141 bps | 13.0      | 13.0      | (1) bps  | 20 bps |
| APAT       | 26,777    | 26,894    | 0.4      | 8.7      | 34,057    | 34,074    | 0.1      | 26.7    | 37,504    | 37,666    | 0.4      | 10.5   |
| EPS (Rs)   | 134.0     | 134.6     | 0.4      | 8.7      | 170.5     | 170.5     | 0.1      | 26.7    | 187.7     | 188.5     | 0.4      | 10.5   |

Source: Company, Emkay Research

**Exhibit 3: Actual vs. Estimates (Q3FY23)**

| (Rs mn)             | Actual | Estimates |           | % Variation |           | Comment   |
|---------------------|--------|-----------|-----------|-------------|-----------|---|
|                     |        | Emkay     | Consensus | Emkay       | Consensus |   |
| Total Revenue       | 80,310 | 80,321    | 80,630    | (0.0)       | (0.4)     | In line with estimates  |
| EBITDA              | 9,241  | 9,514     | 9,617     | (2.9)       | (3.9)     | Lower than estimates, due to higher spends in the emerging business unit relating to manpower & marketing costs |
| EBITDA Margin (%)   | 11.5   | 11.8      | 11.9      | (34) bps    | (42) bps  |   |
| Adjusted net profit | 7,111  | 6,680     | 7,152     | 6.4         | (0.6)     | Above estimates, owing to higher other income   |

Source: Bloomberg, Company, Emkay Research

## Exhibit 4: Quarterly performance

| Rs mn                            | Q3FY22        | Q4FY22        | Q1FY23        | Q2FY23        | Q3FY23        | YoY (%)      | QoQ (%)       | FY23 YTD       | FY22 YTD       | YoY (%)     |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|----------------|----------------|-------------|
| <b>Revenue</b>                   | <b>78,833</b> | <b>74,217</b> | <b>83,925</b> | <b>90,754</b> | <b>80,310</b> | <b>1.9</b>   | <b>(11.5)</b> | <b>254,989</b> | <b>218,237</b> | <b>16.8</b> |
| <b>Expenditure</b>               | <b>69,233</b> | <b>65,942</b> | <b>74,518</b> | <b>80,370</b> | <b>71,068</b> | <b>2.7</b>   | <b>(11.6)</b> | <b>225,956</b> | <b>192,825</b> | <b>17.2</b> |
| as % of sales                    | 87.8          | 88.8          | 88.8          | 88.6          | 88.5          |              |               | 352.8          | 257.9          |             |
| Consumption of RM                | 55,943        | 51,424        | 61,074        | 65,301        | 55,743        | (0.4)        | (14.6)        | 182,118        | 156,843        | 16.1        |
| as % of sales                    | 71.0          | 69.3          | 72.8          | 72.0          | 69.4          |              |               | 285.3          | 212.0          |             |
| Employee Cost                    | 5,180         | 4,763         | 5,382         | 5,490         | 5,456         | 5.3          | (0.6)         | 16,328         | 14,591         | 11.9        |
| as % of sales                    | 6.6           | 6.4           | 6.4           | 6.0           | 6.8           |              |               | 25.4           | 16.4           |             |
| Other expenditure                | 8,109         | 9,754         | 8,062         | 9,579         | 9,869         | 21.7         | 3.0           | 27,510         | 21,391         | 28.6        |
| as % of sales                    | 10.3          | 13.1          | 9.6           | 10.6          | 12.3          |              |               | 42.2           | 29.5           |             |
| <b>EBITDA</b>                    | <b>9,600</b>  | <b>8,276</b>  | <b>9,408</b>  | <b>10,383</b> | <b>9,241</b>  | <b>(3.7)</b> | <b>(11.0)</b> | <b>29,032</b>  | <b>25,412</b>  | <b>14.2</b> |
| <b>EBITDA margin (%)</b>         | <b>12.2</b>   | <b>11.2</b>   | <b>11.2</b>   | <b>11.4</b>   | <b>11.5</b>   |              |               | <b>11.4</b>    | <b>11.6</b>    |             |
| Depreciation                     | 1,644         | 1,585         | 1,630         | 1,634         | 1,620         | (1.5)        | (0.9)         | 4,884          | 4,913          | (0.6)       |
| <b>EBIT</b>                      | <b>7,956</b>  | <b>6,691</b>  | <b>7,778</b>  | <b>8,749</b>  | <b>7,621</b>  | <b>(4.2)</b> | <b>(12.9)</b> | <b>24,149</b>  | <b>20,499</b>  | <b>17.8</b> |
| Other Income                     | 1,216         | 1,398         | 530           | 921           | 1,832         | 50.6         | 99.0          | 3,282          | 4,172          | (21.3)      |
| Interest                         | 65            | 67            | 70            | 33            | 49            | (24.7)       | 48.0          | 152            | 191            | (20.6)      |
| <b>PBT</b>                       | <b>9,107</b>  | <b>8,022</b>  | <b>8,238</b>  | <b>9,637</b>  | <b>9,404</b>  | <b>3.3</b>   | <b>(2.4)</b>  | <b>27,279</b>  | <b>24,479</b>  | <b>11.4</b> |
| Total Tax                        | 2,246         | 1,752         | 1,993         | 2,476         | 2,294         | 2.1          | (7.4)         | 6,763          | 6,020          | 12.3        |
| <b>Adjusted PAT</b>              | <b>6,861</b>  | <b>6,271</b>  | <b>6,245</b>  | <b>7,161</b>  | <b>7,111</b>  | <b>3.6</b>   | <b>(0.7)</b>  | <b>20,517</b>  | <b>18,460</b>  | <b>11.1</b> |
| Extra ordinary items Loss/(Gain) | 0             | 0             | 0             | 0             | 0             |              |               | 0              | 0              |             |
| <b>Reported PAT</b>              | <b>6,861</b>  | <b>6,271</b>  | <b>6,245</b>  | <b>7,161</b>  | <b>7,111</b>  | <b>3.6</b>   | <b>(0.7)</b>  | <b>20,517</b>  | <b>18,460</b>  | <b>11.1</b> |
| <b>Adjusted EPS (Rs)</b>         | <b>34.4</b>   | <b>31.4</b>   | <b>31.3</b>   | <b>35.9</b>   | <b>35.6</b>   | <b>3.6</b>   | <b>(0.7)</b>  | <b>102.7</b>   | <b>92.4</b>    | <b>11.1</b> |

Source: Company, Emkay Research

**Key Financials (Standalone)****Income Statement**

| Y/E Mar (Rs mn)                  | FY21           | FY22           | FY23E          | FY24E          | FY25E          |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>                   | <b>308,006</b> | <b>292,455</b> | <b>334,197</b> | <b>371,552</b> | <b>405,598</b> |
| <b>Expenditure</b>               | <b>267,814</b> | <b>258,767</b> | <b>296,114</b> | <b>323,971</b> | <b>352,841</b> |
| <b>EBITDA</b>                    | <b>40,192</b>  | <b>33,688</b>  | <b>38,083</b>  | <b>47,582</b>  | <b>52,756</b>  |
| Depreciation                     | 6,769          | 6,498          | 6,525          | 7,140          | 7,745          |
| <b>EBIT</b>                      | <b>33,424</b>  | <b>27,190</b>  | <b>31,559</b>  | <b>40,442</b>  | <b>45,011</b>  |
| Other Income                     | 5,799          | 5,569          | 4,269          | 4,640          | 4,846          |
| Interest expenses                | 218            | 258            | 206            | 248            | 297            |
| <b>PBT</b>                       | <b>39,004</b>  | <b>32,501</b>  | <b>35,621</b>  | <b>44,834</b>  | <b>49,561</b>  |
| Tax                              | 9,362          | 7,771          | 8,727          | 10,760         | 11,895         |
| Extraordinary Items              | 0              | 0              | 0              | 0              | 0              |
| Minority Int./Income from Assoc. | 0              | 0              | 0              | 0              | 0              |
| <b>Reported Net Income</b>       | <b>29,642</b>  | <b>24,730</b>  | <b>26,894</b>  | <b>34,074</b>  | <b>37,666</b>  |
| <b>Adjusted PAT</b>              | <b>29,642</b>  | <b>24,730</b>  | <b>26,894</b>  | <b>34,074</b>  | <b>37,666</b>  |

**Balance Sheet**

| Y/E Mar (Rs mn)                            | FY21            | FY22           | FY23E          | FY24E          | FY25E          |
|--|-----------------|----------------|----------------|----------------|----------------|
| Equity share capital                       | 400             | 400            | 400            | 400            | 400            |
| Reserves & surplus                         | 151,585         | 157,430        | 165,498        | 175,720        | 187,020        |
| <b>Net worth</b>                           | <b>151,984</b>  | <b>157,829</b> | <b>165,897</b> | <b>176,120</b> | <b>187,419</b> |
| <b>Minority Interest</b>                   | <b>0</b>        | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>Loan Funds</b>                          | <b>0</b>        | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| Net deferred tax liability                 | 4,041           | 3,833          | 4,011          | 4,235          | 4,483          |
| <b>Total Liabilities</b>                   | <b>156,025</b>  | <b>161,662</b> | <b>169,908</b> | <b>180,355</b> | <b>191,902</b> |
| <b>Net block</b>                           | <b>59,884</b>   | <b>58,065</b>  | <b>64,122</b>  | <b>68,583</b>  | <b>72,838</b>  |
| <b>Investment</b>                          | <b>104,997</b>  | <b>106,523</b> | <b>110,023</b> | <b>115,023</b> | <b>121,023</b> |
| <b>Current Assets</b>                      | <b>52,364</b>   | <b>47,970</b>  | <b>56,087</b>  | <b>62,112</b>  | <b>68,503</b>  |
| Cash & bank balance                        | 2,572           | 1,751          | 2,145          | 2,141          | 3,036          |
| Other Current Assets                       | 5,849           | 6,525          | 7,456          | 8,289          | 9,049          |
| <b>Current liabilities &amp; Provision</b> | <b>65,585</b>   | <b>55,478</b>  | <b>62,324</b>  | <b>67,763</b>  | <b>72,861</b>  |
| <b>Net current assets</b>                  | <b>(13,222)</b> | <b>(7,508)</b> | <b>(6,237)</b> | <b>(5,651)</b> | <b>(4,359)</b> |
| Misc. exp                                  | 0               | 0              | 0              | 0              | 0              |
| <b>Total Assets</b>                        | <b>156,025</b>  | <b>161,662</b> | <b>169,908</b> | <b>180,355</b> | <b>191,902</b> |

**Cash Flow**

| Y/E Mar (Rs mn)                       | FY21            | FY22            | FY23E           | FY24E           | FY25E           |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>PBT (Ex-Other income) (NI+Dep)</b> | <b>33,205</b>   | <b>26,932</b>   | <b>31,352</b>   | <b>40,194</b>   | <b>44,714</b>   |
| Other Non-Cash items                  | 0               | 0               | 0               | 0               | 0               |
| Chg in working cap                    | 10,700          | (6,825)         | (1,182)         | (798)           | (544)           |
| <b>Operating Cashflow</b>             | <b>35,929</b>   | <b>14,634</b>   | <b>33,081</b>   | <b>36,070</b>   | <b>43,044</b>   |
| Capital expenditure                   | (5,101)         | (5,240)         | (10,000)        | (12,000)        | (12,000)        |
| <b>Free Cash Flow</b>                 | <b>30,828</b>   | <b>9,393</b>    | <b>23,081</b>   | <b>24,070</b>   | <b>31,044</b>   |
| Investments                           | (18,287)        | 1,713           | (3,500)         | (5,000)         | (6,000)         |
| Other Investing Cash Flow             | 1,288           | 2,008           | (4,269)         | (4,640)         | (4,846)         |
| <b>Investing Cashflow</b>             | <b>(16,301)</b> | <b>4,050</b>    | <b>(13,500)</b> | <b>(17,000)</b> | <b>(18,000)</b> |
| Equity Capital Raised                 | 78              | 50              | 0               | 0               | 0               |
| Loans Taken / (Repaid)                | 0               | 0               | 0               | 0               | 0               |
| Dividend paid (incl tax)              | (18,978)        | (18,981)        | (18,981)        | (18,826)        | (23,852)        |
| Other Financing Cash Flow             | (357)           | (315)           | 0               | 0               | 0               |
| <b>Financing Cashflow</b>             | <b>(19,475)</b> | <b>(19,504)</b> | <b>(19,187)</b> | <b>(19,074)</b> | <b>(24,149)</b> |
| <b>Net chg in cash</b>                | <b>153</b>      | <b>(820)</b>    | <b>394</b>      | <b>(4)</b>      | <b>895</b>      |
| Opening cash position                 | 2,419           | 2,572           | 1,751           | 2,145           | 2,141           |
| <b>Closing cash position</b>          | <b>2,572</b>    | <b>1,751</b>    | <b>2,145</b>    | <b>2,141</b>    | <b>3,036</b>    |

Source: Company, Emkay Research

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**Key Ratios**

| <b>Profitability (%)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin            | 13.0        | 11.5        | 11.4         | 12.8         | 13.0         |
| EBIT Margin              | 10.9        | 9.3         | 9.4          | 10.9         | 11.1         |
| Effective Tax Rate       | 24.0        | 23.9        | 24.5         | 24.0         | 24.0         |
| Net Margin               | 9.6         | 8.5         | 8.0          | 9.2          | 9.3          |
| ROCE                     | 16.6        | 13.0        | 14.3         | 17.4         | 18.2         |
| ROE                      | 20.2        | 16.0        | 16.6         | 19.9         | 20.7         |
| RoIC                     | 50.1        | 44.5        | 45.6         | 52.8         | 54.2         |

| <b>Per Share Data (Rs)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS                        | 148.4       | 123.8       | 134.6        | 170.5        | 188.5        |
| CEPS                       | 182.2       | 156.3       | 167.3        | 206.3        | 227.3        |
| BVPS                       | 760.7       | 789.9       | 830.3        | 881.5        | 938.0        |
| DPS                        | 105.0       | 95.0        | 94.2         | 119.4        | 132.0        |

| <b>Valuations (x)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER                   | 17.6        | 21.1        | 19.4         | 15.3         | 13.9         |
| P/CEPS                | 14.6        | 17.0        | 15.9         | 12.9         | 11.7         |
| P/BV                  | 3.4         | 3.3         | 3.1          | 3.0          | 2.8          |
| EV / Sales            | 1.5         | 1.6         | 1.4          | 1.2          | 1.1          |
| EV / EBITDA           | 10.9        | 13.0        | 11.7         | 9.3          | 8.3          |
| Dividend Yield (%)    | 4.0         | 3.6         | 3.6          | 4.6          | 5.0          |

| <b>Gearing Ratio (x)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity         | (0.6)       | (0.5)       | (0.5)        | (0.5)        | (0.5)        |
| Net Debt/EBIDTA          | (2.1)       | (2.5)       | (2.0)        | (1.7)        | (1.6)        |
| Working Cap Cycle (days) | (18.7)      | (11.6)      | (9.2)        | (7.7)        | (6.7)        |

| <b>Growth (%)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue           | 6.8         | (5.0)       | 14.3         | 11.2         | 9.2          |
| EBITDA            | 1.5         | (16.2)      | 13.0         | 24.9         | 10.9         |
| EBIT              | 6.4         | (18.6)      | 16.1         | 28.1         | 11.3         |
| PAT               | (18.4)      | (16.6)      | 8.7          | 26.7         | 10.5         |

| <b>Quarterly (Rs mn)</b> | <b>Q3FY22</b> | <b>Q4FY22</b> | <b>Q1FY23</b> | <b>Q2FY23</b> | <b>Q3FY23</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                  | 78,833        | 74,217        | 83,925        | 90,754        | 80,310        |
| EBITDA                   | 9,600         | 8,276         | 9,408         | 10,383        | 9,241         |
| <b>EBITDA Margin (%)</b> | <b>12.2</b>   | <b>11.2</b>   | <b>11.2</b>   | <b>11.4</b>   | <b>11.5</b>   |
| PAT                      | 6,861         | 6,271         | 6,245         | 7,161         | 7,111         |
| <b>EPS (Rs)</b>          | <b>34.3</b>   | <b>31.4</b>   | <b>31.3</b>   | <b>35.8</b>   | <b>35.6</b>   |

Source: Company, Emkay Research

| <b>Shareholding Pattern (%)</b> | <b>Dec-21</b> | <b>Mar-22</b> | <b>Jun-22</b> | <b>Sep-22</b> | <b>Dec-22</b> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters                       | 34.8          | 34.8          | 34.8          | 34.8          | 34.8          |
| FIs                             | 29.6          | 29.2          | 28.8          | 27.8          | 27.5          |
| DIs                             | 23.7          | 24.2          | 25.6          | 26.9          | 27.3          |
| Public and Others               | 12.0          | 11.8          | 10.8          | 10.6          | 10.5          |

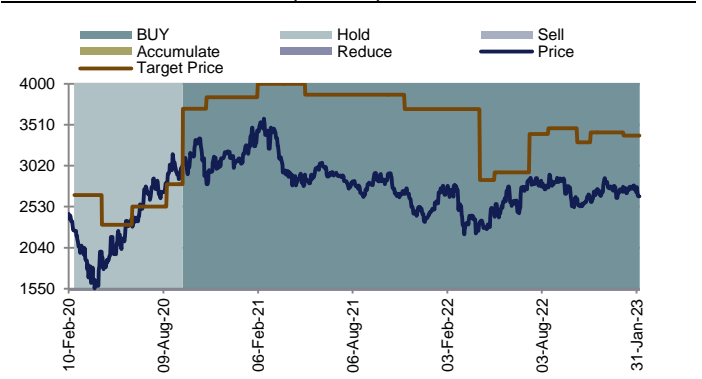
Source: Capitaline

## RECOMMENDATION HISTORY (Rs/share)

| Date      | Closing Price | TP    | Period (months) | Rating | Analyst         |
|-----------|---------------|-------|-----------------|--------|-----------------|
| 05-Feb-23 | 2,654         | 3,380 | 12m             | Buy    | Raghunandhan NL |
| 13-Jan-23 | 2,728         | 3,380 | 12m             | Buy    | Raghunandhan NL |
| 06-Jan-23 | 2,743         | 3,380 | 12m             | Buy    | Raghunandhan NL |
| 04-Nov-22 | 2,589         | 3,420 | 12m             | Buy    | Raghunandhan NL |
| 09-Oct-22 | 2,625         | 3,300 | 12m             | Buy    | Raghunandhan NL |
| 15-Aug-22 | 2,762         | 3,470 | 12m             | Buy    | Raghunandhan NL |
| 10-Jul-22 | 2,849         | 3,400 | 12m             | Buy    | Raghunandhan NL |
| 04-May-22 | 2,410         | 2,940 | 12m             | Buy    | Raghunandhan NL |
| 06-Apr-22 | 2,347         | 2,850 | 12m             | Buy    | Raghunandhan NL |
| 24-Feb-22 | 2,490         | 3,700 | 12m             | Buy    | Raghunandhan NL |
| 11-Feb-22 | 2,719         | 3,700 | 12m             | Buy    | Raghunandhan NL |
| 13-Nov-21 | 2,683         | 3,700 | 12m             | Buy    | Raghunandhan NL |
| 02-Jul-21 | 2,920         | 3,870 | 12m             | Buy    | Raghunandhan NL |
| 18-Jun-21 | 2,891         | 3,870 | 12m             | Buy    | Raghunandhan NL |
| 01-Jun-21 | 2,977         | 3,870 | 12m             | Buy    | Raghunandhan NL |
| 30-May-21 | 2,992         | 3,870 | 12m             | Buy    | Raghunandhan NL |
| 07-May-21 | 2,861         | 3,870 | 12m             | Buy    | Raghunandhan NL |
| 05-Feb-21 | 3,429         | 4,000 | 12m             | Buy    | Raghunandhan NL |
| 30-Oct-20 | 2,800         | 3,839 | 12m             | Buy    | Raghunandhan NL |
| 11-Oct-20 | 3,327         | 3,701 | 12m             | Buy    | Raghunandhan NL |
| 28-Sep-20 | 3,089         | 3,701 | 12m             | Buy    | Raghunandhan NL |
| 15-Sep-20 | 3,037         | 3,701 | 12m             | Buy    | Raghunandhan NL |
| 28-Aug-20 | 3,059         | 2,798 | 12m             | Hold   | Raghunandhan NL |
| 15-Aug-20 | 2,804         | 2,798 | 12m             | Hold   | Raghunandhan NL |
| 29-Jun-20 | 2,504         | 2,530 | 12m             | Hold   | Raghunandhan NL |
| 10-Jun-20 | 2,292         | 2,530 | 12m             | Hold   | Raghunandhan NL |
| 04-May-20 | 2,001         | 2,313 | 12m             | Hold   | Raghunandhan NL |
| 13-Apr-20 | 1,919         | 2,313 | 12m             | Hold   | Raghunandhan NL |
| 27-Feb-20 | 2,110         | 2,670 | 12m             | Hold   | Raghunandhan NL |
| 20-Feb-20 | 2,240         | 2,670 | 12m             | Hold   | Raghunandhan NL |

Source: Company, Emkay Research

## RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

## Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY     | Over 15%                                      |
| HOLD    | Between -5% to 15%                            |
| SELL    | Below -5%                                     |

Completed Date: 09 Feb 2023 00:12:05 (SGT)

Dissemination Date: 09 Feb 2023 00:13:05 (SGT)

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