

BUY **TVS Motor**

Your success is our success

Strength of an incumbent with the agility of a start-upAuto & Auto Ancillaries ▶ Company Update ▶ **October 30, 2023****TARGET PRICE (Rs) : 2,100**

TVSL, led by its ability to identify 'growth' categories with consumer insight-led multiple product actions and scale-up of several newer brands (rare in the 2W industry), has further expanded its market share across categories in H1FY24 with sustained portfolio premiumization. Over the past decade, while TVSL has emerged as a strong incumbent (#2/3 player in 'growth' categories), its proactive and aggressive approach in EVs (already a revenue leader in E-2Ws) is also reminiscent of a start-up's nimbleness even as it strengthens its ICE business. With accelerating 2W industry's growth, market share gains and margin levers, we upgrade FY24E/FY25E/FY26E EPS by ~3%/~9%/~7% (~20% ahead of consensus). We maintain BUY (top pick in autos) with a revised TP of Rs2,100 (Rs1,550 earlier; unchanged 25x PER rolled-over to FY26E + Rs130 for captive financing arm).

TVS Motor: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,07,905	2,63,781	3,40,467	3,98,404	4,56,861
EBITDA	19,617	26,747	38,780	49,983	59,154
Adj. PAT	9,237	14,910	23,243	31,218	37,442
Adj. EPS (Rs)	19.4	31.4	48.9	65.7	78.8
EBITDA margin (%)	9.4	10.1	11.4	12.5	12.9
EBITDA growth (%)	37.3	36.3	45.0	28.9	18.3
Adj. EPS growth (%)	46.0	66.9	55.9	34.3	19.9
RoE (%)	20.5	27.4	33.3	34.7	33.1
RoIC (%)	83.5	77.7	93.8	111.4	115.4
P/E (x)	81.9	50.7	32.5	24.2	20.2
EV/EBITDA (x)	39.3	29.2	19.8	15.1	12.5
P/B (x)	15.7	12.5	9.6	7.5	6.0
FCFF yield (%)	1.0	1.3	3.6	2.9	4.3

Source: Company, Emkay Research

Consistently improving position in 'growth categories'

Historically, TVSL has successfully navigated multiple transitions (from scooters/mopeds to motorcycles, from motorcycles to premium motorcycles, from domestic to exports) through deep customer insights-led innovation (identifying growth categories, consumer preferences, incubating and growing multiple new brands – a rare phenomenon in the industry; ~13% R&D CAGR over the past five years vs. ~3% on average for industry) and emerged as a strong #2/3 player in the high-growth scooter and premium motorcycle space. It remains the only 2W maker to have substantially expanded its presence in 'growth categories' (premium motorcycles, scooters, exports; ~74% volume share in FY23 vs. ~37% in FY13) with noticeable share gains (FY23 market share in domestic premium motorcycles/domestic scooters/export 2Ws at 15%/24%/25% vs. 8%/15%/11% in FY13); moreover, this has been achieved while consistently gaining revenue/EBITDA share vs. peers on improving brand franchise and operating leverage.

Fast emerging as the E-2W market leader

TVSL has been a proactive incumbent w.r.t. electrification with efforts spanning i) products (several launches over the coming quarters apart from iQube ramp-up), ii) investments (EV-specific capex of Rs10bn apart from stakes in Ultraviolette and Swiss e-Mobility), and iii) partnerships (BMW, Swiggy and Rapido). Despite the recent reduction in FAME-II subsidy support, TVSL's retail volumes are back to earlier peak levels of ~16K units/m – barely ~2K behind Ola. In terms of revenue, TVSL is already a market leader in E-2Ws. It claims EVs are already contribution-margin positive. 'Right-sizing' cost structures along with volume ramp-up would scale up profitability further.

Maintain BUY (top pick in autos) with a 32% upside

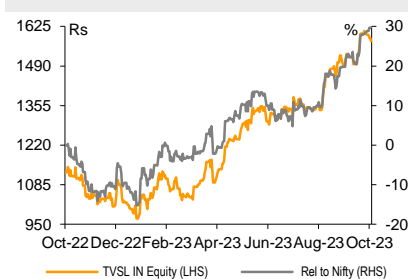
We have built a 15%/36% FY23-26E volume/EPS CAGR (accelerating 2W industry growth, improving competitive positioning across ICE and EVs, and margin triggers), and maintain BUY with a revised TP of Rs2,100 (unchanged 25x PER multiple rolled over to FY26E + Rs130 for the captive financing arm – refer [report](#)).

Target Price – 12M	Sep-24
Change in TP (%)	35.5
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	31.9
CMP (27-Oct-23) (Rs)	1,591.9

Stock Data	Ticker
52-week High (Rs)	1,617
52-week Low (Rs)	968
Shares outstanding (mn)	475.1
Market-cap (Rs bn)	756
Market-cap (USD mn)	9,085
Net-debt, FY24E (Rs mn)	9,815
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,583.3
ADTV-3M (USD mn)	19.0
Free float (%)	49.7
Nifty-50	19,047
INR/USD	83.2
Shareholding, Sep-23	
Promoters (%)	50.3
FPIs/MFs (%)	18.5/23.1

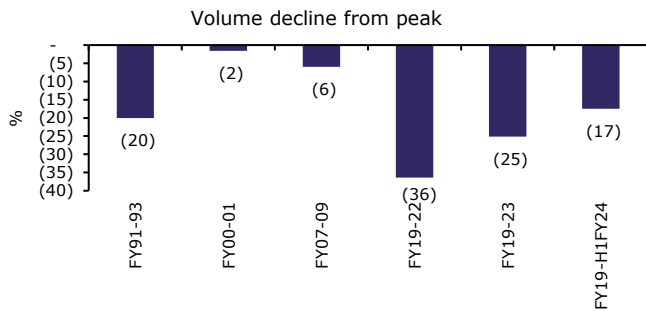
Price Performance

(%)	1M	3M	12M
Absolute	4.2	17.4	41.6
Rel. to Nifty	7.8	21.2	31.8

1-Year share price trend (Rs)**Chirag Jain**chirag.jain@emkayglobal.com
+91 22 6624 2428**Jaimin Desai**jaimin.desai@emkayglobal.com
+91 22 6612 1334**Vijay Naraharisetty**vijay.naraharisetty@emkayglobal.com
+91 22 6612 1306

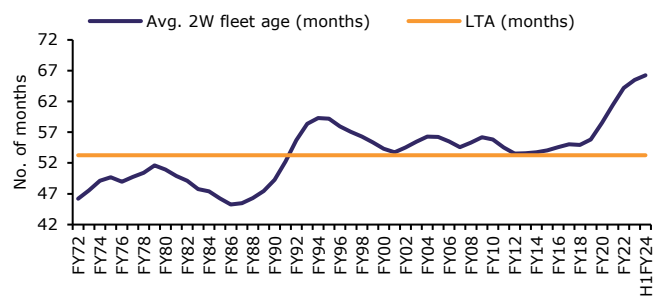
Story in Charts

Exhibit 1: Domestic 2W industry still around 25% off the FY19 peak despite 18% YoY growth in FY23



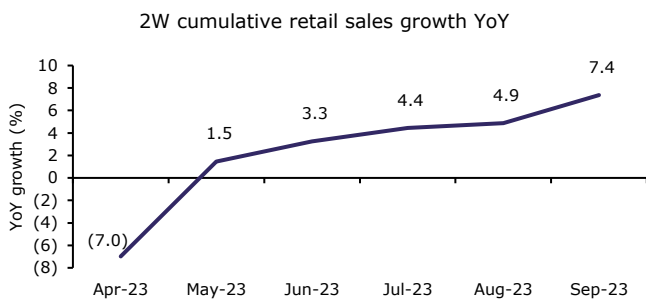
Source: SIAM, Emkay Research

Exhibit 2: Average fleet age at a record high post 4 years of struggle on multiple fronts; should trigger strong replacement demand



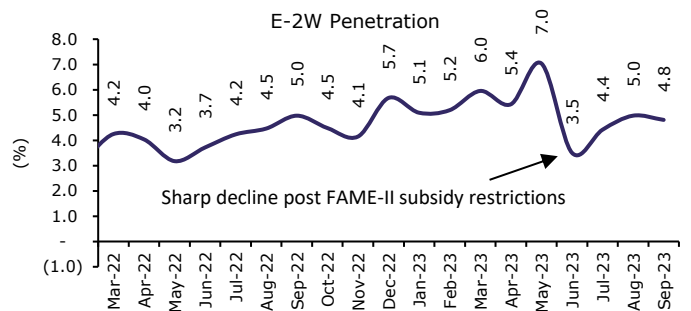
Source: SIAM, Emkay Research

Exhibit 3: 2W retail sales have been gathering momentum; industry volumes up ~7% on YTD basis; ~22% YoY growth in Sept-23



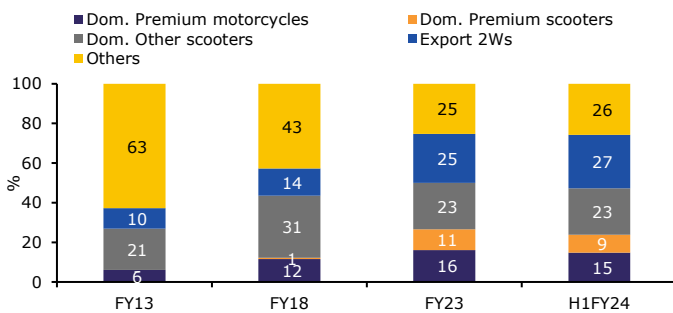
Source: Vahan, Emkay Research

Exhibit 4: E-2W penetration has fallen to sub-5% levels post curtailment of FAME-II subsidy



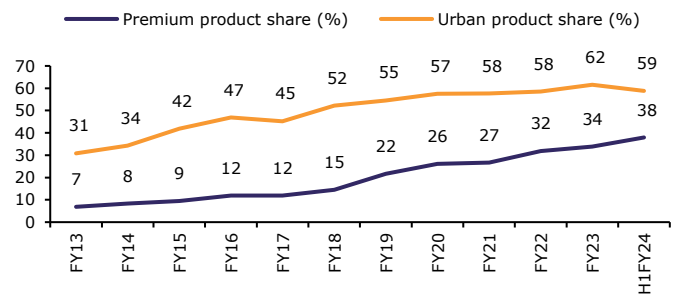
Source: Vahan, Emkay Research

Exhibit 5: 74% overall share from 'growth categories' (FY13: 37%)



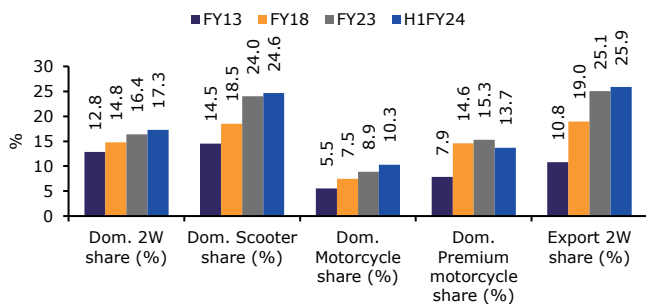
Source: SIAM, Emkay Research; Note – Premium motorcycles incl. Raider and premium scooters incl. Ntorq and iQube

Exhibit 6: Rising share of urban (premium motorcycles, scooters) and premium products (Apache, Ntorq, Raider) in domestic 2Ws



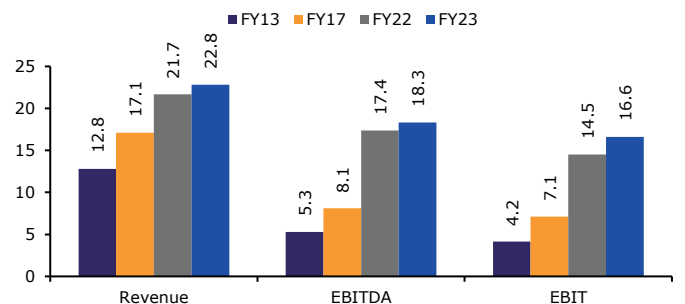
Source: SIAM, Emkay Research

Exhibit 7: TVSL is now a strong #2/#3 player in most 'growth categories' ...



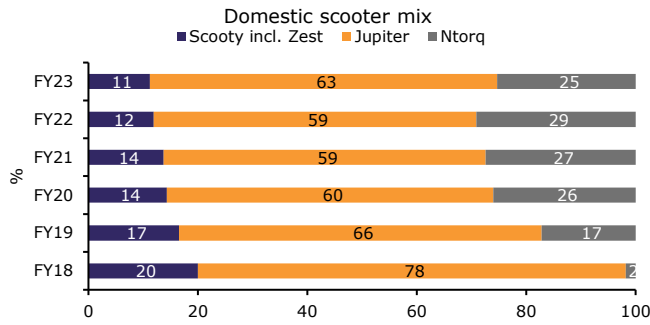
Source: Company, Emkay Research

Exhibit 8: ...accompanied by consistent market share gains in operational parameters



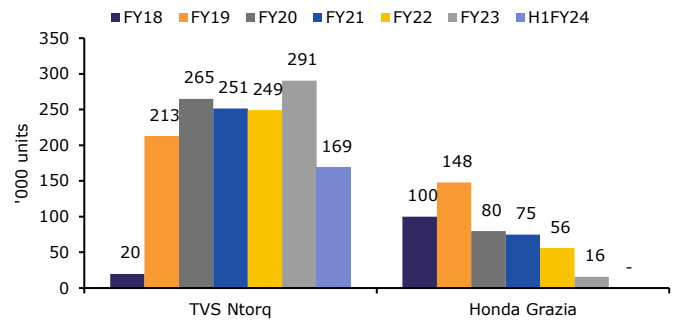
Source: Company, Emkay Research

Exhibit 9: TVSL has been able to grow multiple brands



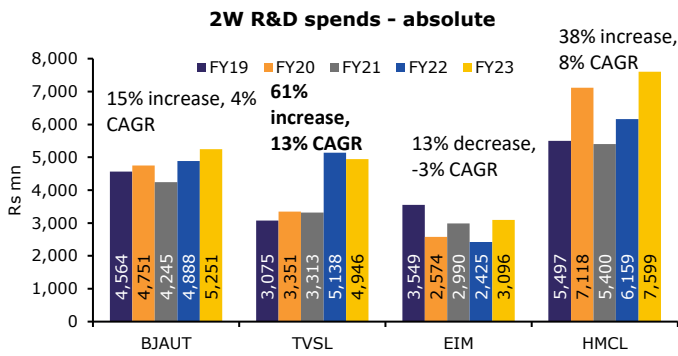
Source: SIAM, Emkay Research

Exhibit 10: ...unlike some competitor OEMs



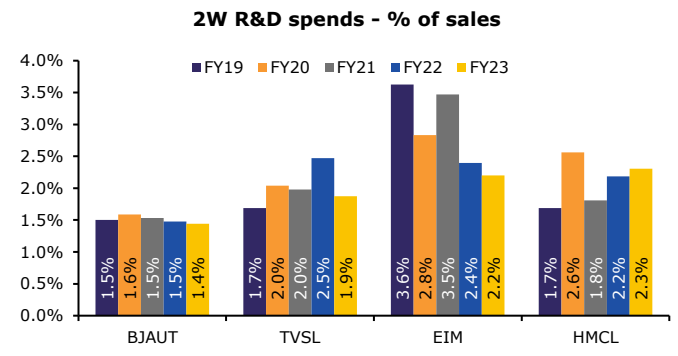
Source: SIAM, Emkay Research

Exhibit 11: TVL's R&D spends have risen at a 13% CAGR since FY18



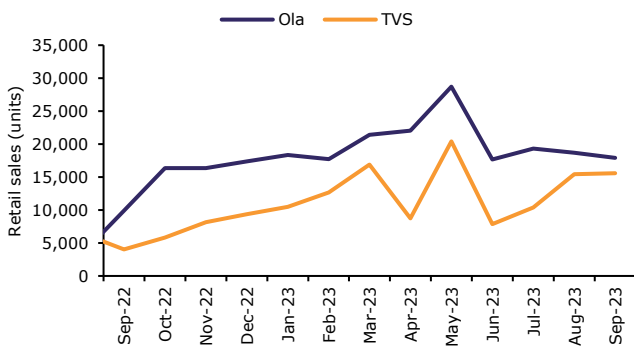
Source: Company, Emkay Research

Exhibit 12: R&D spends at ~2% of sales



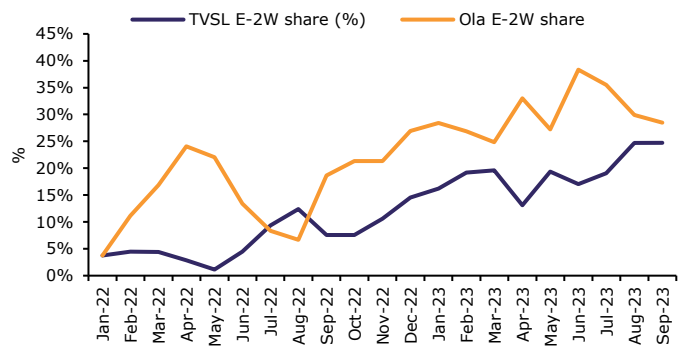
Source: Company, Emkay Research

Exhibit 13: TVSL already the revenue leader in E-2Ws; closing in on volume leadership as well, with significant gap reduction vs. Ola



Source: Vahan, Emkay Research

Exhibit 14: TVSL's E-2W market share now at ~25%; has risen sharply even post the FAME-II subsidy reduction



Source: Vahan, Emkay Research

Exhibit 15: Actions underway on multiple fronts to address electrification

Area	EV plans
Existing product	iQube's sales are expected to cross 200K units in FY24E with production capacity set to be expanded to 50K/m vs. current 25K/m; it is planning to expand exports coverage to markets in Asia, Latin America, etc.
Future launch pipeline	EV launch pipeline across 5-25kW range (E-2Ws and E-3Ws) over the next few quarters.
Capex	Announced EV-specific capex of Rs10bn for products/technologies and capacity expansion.
EV subsidiary	Set up a separate EV subsidiary for freedom, flexibility, focus, and scale.
Partnerships	Tie-up with BMW for the design and development of future BMW products; includes common platforms with exclusive global products for both companies; tie-up with Swiggy for testing EV adoption in the latter's delivery fleet; tie-up with Rapido, a leading bike-taxi platform for the 'hyper-local' segment.
Investments	Invested in Switzerland-based e-bike company for presence in developed markets including Europe; recently invested further Rs750mn in e-motorcycle startup, Ultraviolette

Source: Company, Emkay Research

Exhibit 16: Product mix: 74% contribution from 'growth categories' in FY23 vs. 37% in FY13

TVSL product mix (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24
Motorcycles	26	27	27	27	26	23	21	21	25	31	27
Commuter	18	17	16	15	14	12	10	11	15	20	20
Premium	8	10	10	12	12	11	11	10	10	11	7
Scooters	27	29	29	32	32	31	30	26	34	34	36
Mopeds	30	27	31	25	22	20	20	14	12	11	11
Domestic 2W	83	83	86	83	80	74	71	62	71	76	74
Exports 2W	12	13	12	14	16	21	25	33	25	21	22
Total 2W	96	96	98	97	96	95	96	95	95	96	96
Domestic 3W	1	1	0	0	0	0	0	0	0	0	0
Exports 3W	4	4	2	2	4	5	4	5	4	3	4
Total 3W	4	4	2	3	4	5	4	5	5	4	4
Total domestic	84	84	86	84	81	74	71	62	71	76	74
Total exports	16	16	14	16	19	26	29	38	29	24	26
Total volumes	100	100	100	100	100	100	100	100	100	100	100

Source: SIAM, Emkay Research

Exhibit 17: Domestic operations: TVSL has consistently gained market share across premium motorcycles and scooters

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24
Dom. 2Ws	13.1	13.4	14.1	14.2	14.8	13.8	14.3	15.1	16.4	17.4	17.2
Motorcycles	6.1	6.7	6.9	7.3	7.5	6.7	6.3	7.9	8.9	10.8	9.8
Commuter	5.3	5.3	5.5	5.3	5.2	4.5	3.8	5.3	7.0	8.9	9.6
Premium	10.0	11.8	11.8	13.8	14.6	14.7	14.7	18.1	15.3	17.3	10.5
Scooters	15.1	15.4	14.8	16.4	18.5	18.3	20.5	21.1	24.0	24.7	24.6

Source: Company, Emkay Research

Exhibit 18: Export operations: Market share at all-time highs

TVS market share (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24
2W Exports	13.2	14.1	15.6	17.5	19.0	19.3	23.3	24.5	25.1	24.9	26.7
3W Exports	22.3	23.6	21.0	21.6	24.6	32.3	29.3	32.6	41.9	41.5	46.4

Source: Company, Emkay Research

Exhibit 19: We expect the 2W industry to post a ~12% CAGR over FY23-26E, surpassing the previous peak in FY25E

(Units mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Domestic ICE-2Ws	20.2	21.2	17.4	15.1	13.6	15.9	18.2	20.1	21.9
Growth YoY (%)	14.8	5.0	(17.8)	(13.3)	(10.3)	16.9	14.7	10.5	9.0
Motorcycles	12.6	13.6	11.2	10.0	9.0	10.2	11.526	12.789	13.9
Domestic Motorcycles Growth YoY (%)	13.7	7.8	(17.5)	(10.6)	(10.3)	13.9	12.7	11.0	8.8
Motorcycle share in ICE-2Ws (%)	62.5	64.1	64.3	66.3	66.2	64.5	63.4	63.7	63.6
Economy Motorcycles	3.2	3.9	3.3	2.6	2.1	1.9	1.9	2.1	2.2
Growth YoY (%)	23.0	22.7	(15.5)	(21.3)	(17.8)	(10.9)	(2.3)	11.5	7.0
Share within Motorcycles (%)	25.1	28.6	29.3	25.8	23.7	18.5	16.1	16.1	15.9
Executive Motorcycles	6.5	6.5	5.4	5.2	5.0	6.0	6.8	7.5	8.1
Growth YoY (%)	9.0	(0.9)	(16.4)	(4.1)	(3.2)	19.6	13.3	9.3	8.6
Share within Motorcycles (%)	51.9	47.7	48.4	51.9	56.0	58.9	59.2	58.4	58.2
Premium Motorcycles	2.9	3.2	2.5	2.2	1.8	2.3	2.8	3.3	3.6
Growth YoY (%)	15.2	11.2	(22.3)	(10.7)	(18.4)	26.9	23.2	14.5	10.5
Share within Motorcycles (%)	22.9	23.7	22.3	22.3	20.3	22.6	24.7	25.5	25.9
Scoters	6.7	6.7	5.6	4.5	4.1	5.2	6.221	6.836	7.5
Domestic Scooters Growth YoY (%)	20.0	(0.3)	(16.9)	(19.5)	(8.2)	26.2	19.9	9.9	9.5
Scooter share in ICE-2Ws (%)	33.3	31.6	31.9	29.6	30.3	32.7	34.2	34.0	34.2
Mopeds	0.9	0.9	0.6	0.6	0.5	0.4	0.4	0.5	0.5
Growth YoY (%)	(3.5)	2.4	(27.7)	(3.1)	(23.3)	(6.7)	-	5.0	6.0
Mopeds share in ICE-2Ws (%)	4.3	4.2	3.7	4.1	3.5	2.8	2.4	2.3	2.2
Domestic EV-2Ws (Vahan)	-	-	-	0.0	0.2	0.7	0.9	1.1	1.4
Growth YoY (%)					479.5	190.1	21.0	25.0	25.0
Domestic 2Ws total	20.2	21.2	17.4	15.2	13.8	16.6	19.1	21.2	23.3
Growth YoY (%)	14.8	5.0	(17.8)	(13.1)	(8.9)	20.0	14.9	11.1	9.8
Export ICE-2Ws	2.5	2.9	3.1	3.0	4.1	3.2	3.2	3.7	4.3
Growth YoY (%)	22.6	15.4	9.4	(3.0)	34.2	(20.9)	-	15.0	15.0
Total 2Ws	22.7	24.1	20.6	18.2	17.9	19.8	22.3	24.9	27.5
Growth YoY (%)	15.6	6.1	(14.5)	(11.5)	(1.7)	10.7	12.5	11.7	10.6

Source: SIAM, Vahan, Emkay Research

Exhibit 20: We expect TVSL to continue gaining market share across categories

Particulars	FY20	FY21	FY22	FY23	H1FY24	FY24E	FY25E	FY26E
TVSL's Dom. 2W market share (%)	13.8	14.3	15.1	16.4	17.3	17.6	18.1	18.5
TVSL's scooter market share (%)	18.3	20.5	21.1	24.0	24.6	25.1	26.2	27.1
TVSL's motorcycle market share (%)	6.7	6.3	7.9	8.9	10.3	10.5	10.7	11.0
TVSL's premium motorcycle market share (%)	14.7	14.7	18.1	15.3	13.7	14.4	15.4	16.0

Source: Company, Emkay Research

Exhibit 21: We expect a ~36% EPS CAGR over FY23-26E

Revenue Model	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Domestic 2Ws (units)	24,10,758	21,64,228	20,47,564	25,97,936	32,06,814	36,32,249	40,49,303
Growth (%)	(23.1)	(10.2)	(5.4)	26.9	23.4	13.3	11.5
Scooters (units)	10,18,427	9,19,325	8,66,851	12,45,993	15,59,591	17,94,109	20,31,529
Growth (%)	(18.0)	(9.7)	(5.7)	43.7	25.2	15.0	13.2
Motorcycles (units)	7,55,391	6,27,656	7,07,563	9,10,376	12,05,656	13,74,495	15,26,310
Growth (%)	(25.6)	(16.9)	12.7	28.7	32.4	14.0	11.0
Mopeds (units)	6,36,940	6,17,247	4,73,150	4,41,567	4,41,567	4,63,645	4,91,464
Growth (%)	(27.6)	(3.1)	(23.3)	(6.7)	-	5.0	6.0
Domestic 3Ws (units)	11,934	8,266	8,823	16,075	18,486	19,411	20,381
Growth (%)	(28.6)	(30.7)	6.7	82.2	15.0	5.0	5.0
Domestic Total (units)	24,22,692	21,72,494	20,56,387	26,14,011	32,25,300	36,51,660	40,69,684
Growth (%)	(23.2)	(10.3)	(5.3)	27.1	23.4	13.2	11.4
Export 2Ws (units)	6,78,841	7,64,039	10,90,139	9,15,018	10,43,121	12,20,451	13,60,803
Growth (%)	9.1	12.6	42.7	(16.1)	14.0	17.0	11.5
Export 3Ws (units)	1,61,927	1,15,330	1,63,052	1,53,039	1,72,934	1,93,686	2,13,055
Growth (%)	15.9	(28.8)	41.4	(6.1)	13.0	12.0	10.0
Export Total (units)	8,40,768	8,79,369	12,53,191	10,68,057	12,16,055	14,14,137	15,73,858
Growth (%)	10.4	4.6	42.5	(14.8)	13.9	16.3	11.3
Volumes (units)	32,63,460	30,51,863	33,09,578	36,82,068	44,41,355	50,65,797	56,43,542
Growth (%)	(16.6)	(6.5)	8.4	11.3	20.6	14.1	11.4
ASP (Rs/unit)	50,327	54,886	62,819	71,639	76,658	78,646	80,953
Growth (%)	8.2	9.1	14.5	14.0	7.0	2.6	2.9
Revenues	1,64,233	1,67,505	2,07,905	2,63,781	3,40,467	3,98,404	4,56,861
Growth (%)	(9.8)	2.0	24.1	26.9	29.1	17.0	14.7
EBITDA	13,459	14,286	19,617	26,747	38,780	49,983	59,154
EBITDA margin (%)	8.2	8.5	9.4	10.1	11.4	12.5	12.9
EBITDA growth (%)	(6.1)	6.1	37.3	36.3	45.0	28.9	18.3
EBITDA/unit (Rs)	4,124	4,681	5,927	7,264	8,732	9,867	10,482
EBIT	8,889	9,678	13,693	21,440	32,967	42,949	51,124
EBIT margin (%)	5.4	5.8	6.6	8.1	9.7	10.8	11.2
EPS (Rs)	13.0	12.9	19.4	31.4	48.9	65.7	78.8

Source: Company, Emkay Research

Exhibit 22: Implied residual volume run-rate for TVSL

Units	FY23YTD	FY24YTD	YoY (%)	FY23 residual	FY24 residual	YoY (%)
Dom. Motorcycles	4,04,927	5,84,784	44	5,05,449	6,20,872	23
Economy	1,03,773	1,09,618	6	93,541	1,11,641	19
Executive	1,40,119	2,91,223	108	2,19,522	2,83,853	29
Premium	1,61,035	1,83,943	14	1,92,386	2,25,378	17
Dom. Scooters	6,57,703	7,06,130	7	5,88,290	8,53,461	45
Dom. Mopeds	2,27,620	2,22,907	(2)	2,13,947	2,18,660	2
Dom. 2Ws	12,90,250	15,13,821	17	13,07,686	16,92,993	29
Export 2Ws	5,47,471	4,36,033	(20)	3,67,547	6,07,088	65
Total 2Ws	18,37,721	19,49,854	6	16,75,233	23,00,081	37
Dom. 3Ws	7,739	9,365	21	8,336	9,121	9
Export 3Ws	88,768	68,403	(23)	64,271	1,04,531	63
Total 3Ws	96,507	77,768	(19)	72,607	1,13,652	57
Grand total	19,34,228	20,27,622	5	17,47,840	24,13,733	38

Source: Company, Emkay Research

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Exhibit 23: We raise our FY24E/FY25E/FY26E EPS by ~3.4%/~8.9%/~7.2%

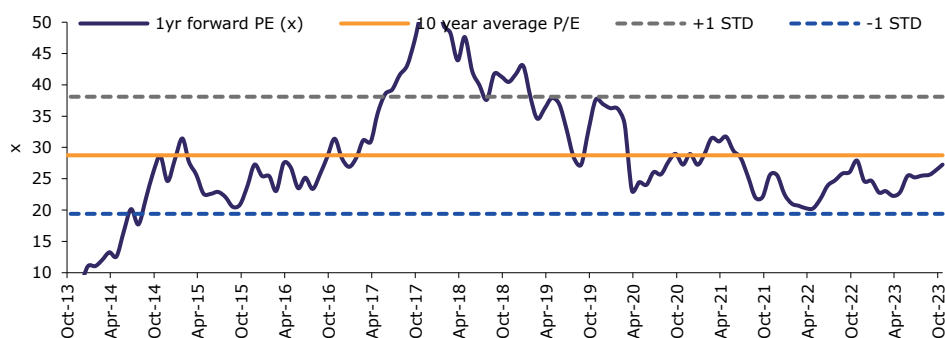
(Rs mn)	FY24E				FY25E				FY26E			
	Earlier	Revised	Change (%)	YoY (%)	Earlier	Revised	Change (%)	YoY (%)	Earlier	Revised	Change (%)	YoY (%)
Dom. 2Ws	30,98,546	32,06,814	3.5	23.4	34,99,066	36,32,249	3.8	13.3	39,67,918	40,49,303	2.1	11.5
Dom. 3Ws	18,486	18,486	0.0	15.0	19,411	19,411	(0.0)	5.0	20,381	20,381	0.0	5.0
Total Domestic	31,17,032	32,25,300	3.5	23.4	35,18,476	36,51,660	3.8	13.2	39,88,299	40,69,684	2.0	11.4
Export 2W	10,43,121	10,43,121	(0.0)	14.0	12,20,451	12,20,451	0.0	17.0	13,60,803	13,60,803	(0.0)	11.5
Export 3W	1,72,934	1,72,934	0.0	13.0	1,93,686	1,93,686	0.0	12.0	2,13,055	2,13,055	(0.0)	10.0
Total Exports	12,16,055	12,16,055	(0.0)	13.9	14,14,137	14,14,137	0.0	16.3	15,73,858	15,73,858	(0.0)	11.3
Total Volumes	43,33,087	44,41,355	2.5	20.6	49,32,614	50,65,797	2.7	14.1	55,62,157	56,43,542	1.5	11.4
Sales	3,31,945	3,40,467	2.6	29.1	3,87,323	3,98,404	2.9	17.0	4,47,993	4,56,861	2.0	14.7
EBITDA	37,752	38,780	2.7	45.0	46,182	49,983	8.2	28.9	55,168	59,154	7.2	18.3
Margin (%)	11.4	11.4	2 bps	125 bps	11.9	12.5	62 bps	116 bps	12.3	12.9	63 bps	40 bps
Net Profit	22,486	23,243	3.4	55.9	28,667	31,218	8.9	34.3	34,929	37,442	7.2	19.9
EPS (Rs)	47.3	48.9	3.4	55.9	60.3	65.7	8.9	34.3	73.5	78.8	7.2	19.9

Source: Emkay Research

Exhibit 24: Emkay vs. Consensus estimates

TVSL	Emkay Estimates			Bloomberg Estimates			Difference (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net revenue	3,40,467	3,98,404	4,56,861	3,10,282	3,54,789	3,98,930	9.7%	12.3%	14.5%
EBITDA	38,780	49,983	59,154	34,005	40,875	47,077	14.0%	22.3%	25.7%
EBITDA margin (%)	11.4	12.5	12.9	11.0	11.5	11.8			
EPS (Rs)	49	66	79	41	52	61	17.9%	26.7%	30.0%

Source: Bloomberg, Emkay Research

Exhibit 25: TVSL's forward PER in-line with LTA

Source: Bloomberg, Emkay Research

TVS Motor : Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,07,905	2,63,781	3,40,467	3,98,404	4,56,861
Revenue growth (%)	24.1	26.9	29.1	17.0	14.7
EBITDA	19,617	26,747	38,780	49,983	59,154
EBITDA growth (%)	37.3	36.3	45.0	28.9	18.3
Depreciation & Amortization	6,114	6,312	7,025	8,118	9,164
EBIT	13,503	20,435	31,755	41,865	49,990
EBIT growth (%)	44.4	51.3	55.4	31.8	19.4
Other operating income	0	0	0	0	0
Other income	190	1,006	1,212	1,084	1,133
Financial expense	1,259	1,407	1,737	1,004	816
PBT	12,434	20,034	31,230	41,946	50,308
Extraordinary items	(302)	0	0	0	0
Taxes	3,197	5,123	7,987	10,727	12,866
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	8,936	14,910	23,243	31,218	37,442
PAT growth (%)	46.0	66.9	55.9	34.3	19.9
Adjusted PAT	9,237	14,910	23,243	31,218	37,442
Diluted EPS (Rs)	19.4	31.4	48.9	65.7	78.8
Diluted EPS growth (%)	46.0	66.9	55.9	34.3	19.9
DPS (Rs)	3.8	5.0	9.8	19.7	27.6
Dividend payout (%)	19.9	15.9	20.0	30.0	35.0
EBITDA margin (%)	9.4	10.1	11.4	12.5	12.9
EBIT margin (%)	6.5	7.7	9.3	10.5	10.9
Effective tax rate (%)	25.7	25.6	25.6	25.6	25.6
NOPLAT (pre-IndAS)	10,032	15,209	23,634	31,159	37,206
Shares outstanding (mn)	475.1	475.1	475.1	475.1	475.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	12,434	20,034	31,230	41,946	50,308
Others (non-cash items)	6,905	13,591	7,151	4,826	6,630
Taxes paid	(3,100)	(4,826)	(7,851)	(10,545)	(12,648)
Change in NWC	(962)	(8,870)	4,458	(4,285)	(2,397)
Operating cash flow	14,976	19,929	34,988	31,941	41,894
Capital expenditure	(7,279)	(9,847)	(7,653)	(10,000)	(10,000)
Acquisition of business	(14,240)	(13,222)	(9,000)	(13,000)	(13,000)
Interest & dividend income	109	0	0	0	0
Investing cash flow	(21,410)	(23,118)	(16,653)	(23,000)	(23,000)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	4,813	7,226	(14,899)	(2,768)	(1,766)
Payment of lease liabilities	(546)	0	0	0	0
Interest paid	(1,231)	(1,407)	(1,737)	(1,004)	(816)
Dividend paid (incl tax)	(1,904)	(2,376)	(4,649)	(9,366)	(13,105)
Others	(529)	(1,848)	2,273	4,717	3,739
Financing cash flow	1,150	1,596	(19,011)	(8,421)	(11,947)
Net chg in Cash	(5,285)	(1,593)	(676)	521	6,946
OCF	14,976	19,929	34,988	31,941	41,894
Adj. OCF (w/o NWC chg.)	15,937	28,799	30,530	36,226	44,291
FCFF	7,697	10,081	27,335	21,941	31,894
FCFE	6,547	8,675	25,598	20,938	31,078
OCF/EBITDA (%)	76.3	74.5	90.2	63.9	70.8
FCFE/PAT (%)	73.3	58.2	110.1	67.1	83.0
FCFF/NOPLAT (%)	76.7	66.3	115.7	70.4	85.7

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	475	475	475	475	475
Reserves & Surplus	47,745	60,003	78,598	1,00,451	1,24,789
Net worth	48,220	60,479	79,073	1,00,926	1,25,264
Minority interests	0	0	0	0	0
Deferred tax liability (net)	1,979	1,982	2,117	2,299	2,518
Total debt	19,040	28,376	13,477	10,709	8,943
Total liabilities & equity	69,239	90,837	94,668	1,13,935	1,36,724
Net tangible fixed assets	26,008	28,901	33,806	35,688	36,524
Net intangible assets	3,668	3,668	3,668	3,668	3,668
Net ROU assets	3,390	3,390	3,390	3,390	3,390
Capital WIP	4,245	6,277	2,000	2,000	2,000
Goodwill	0	0	0	0	0
Investments [JV/Associates]	45,858	54,920	63,920	70,920	77,920
Cash & equivalents	5,315	4,339	3,663	10,183	23,130
Current assets (ex-cash)	30,539	38,429	49,300	60,964	72,412
Current Liab. & Prov.	49,784	49,087	65,078	72,878	82,320
NWC (ex-cash)	(19,245)	(10,658)	(15,778)	(11,914)	(9,907)
Total assets	69,239	90,837	94,668	1,13,935	1,36,724
Net debt	13,725	24,037	9,815	526	(14,187)
Capital employed	69,239	90,837	94,668	1,13,935	1,36,724
Invested capital	13,822	25,301	25,086	30,832	33,675
BVPS (Rs)	101.5	127.3	166.4	212.4	263.7
Net Debt/Equity (x)	0.3	0.4	0.1	0.0	(0.1)
Net Debt/EBITDA (x)	0.7	0.9	0.3	0.0	(0.2)
Interest coverage (x)	0.1	0.1	0.1	0.0	0.0
RoCE (%)	16.5	20.1	26.7	30.9	30.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	81.9	50.7	32.5	24.2	20.2
P/CE (x)	49.3	35.6	25.0	19.2	16.2
P/B (x)	15.7	12.5	9.6	7.5	6.0
EV/Sales (x)	3.7	3.0	2.3	1.9	1.6
EV/EBITDA (x)	39.3	29.2	19.8	15.1	12.5
EV/EBIT(x)	57.0	38.2	24.1	18.1	14.8
EV/IC (x)	55.7	30.8	30.5	24.5	22.0
FCFF yield (%)	1.0	1.3	3.6	2.9	4.3
FCFE yield (%)	0.9	1.1	3.4	2.8	4.1
Dividend yield (%)	0.2	0.3	0.6	1.2	1.7
DuPont-RoE split					
Net profit margin (%)	4.4	5.7	6.8	7.8	8.2
Total asset turnover (x)	3.3	3.3	3.7	3.8	3.6
Assets/Equity (x)	1.4	1.5	1.3	1.2	1.1
RoE (%)	20.5	27.4	33.3	34.7	33.1
DuPont-RoIC					
NOPLAT margin (%)	4.8	5.8	6.9	7.8	8.1
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	83.5	77.7	93.8	111.4	115.4
Operating metrics					
Core NWC days	(33.8)	(14.7)	(16.9)	(10.9)	(7.9)
Total NWC days	(33.8)	(14.7)	(16.9)	(10.9)	(7.9)
Fixed asset turnover	3.1	3.5	4.0	4.1	4.3
Opex-to-revenue (%)	14.5	14.1	14.1	13.8	13.5

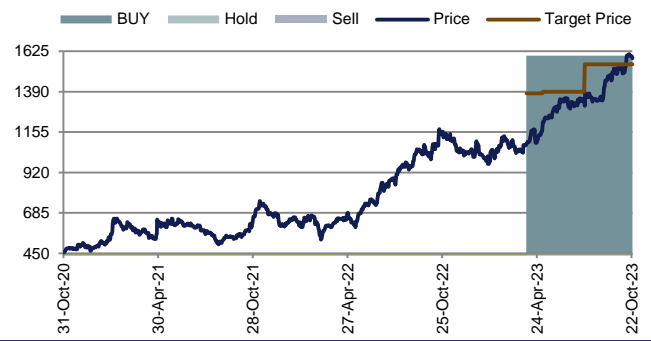
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
24-Jul-23	1,307	1,550	Buy	Chirag Jain
05-May-23	1,215	1,390	Buy	Chirag Jain
04-Apr-23	1,085	1,380	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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