

# Hero MotoCorp

BSE SENSEX 71,484 S&P CNX 21,457

**CMP: INR3,897**

**TP:4,480 INR (+15%)**

**Buy**



|                       |             |
|-----------------------|-------------|
| Bloomberg             | HMCL IN     |
| Equity Shares (m)     | 200         |
| M.Cap.(INRb)/(USDb)   | 778.9 / 9.4 |
| 52-Week Range (INR)   | 3940 / 2246 |
| 1, 6, 12 Rel. Per (%) | 14/22/24    |
| 12M Avg Val (INR M)   | 1822        |

## Financials & Valuations (INR b)

| Y/E March      | 2023  | 2024E | 2025E |
|----------------|-------|-------|-------|
| Sales          | 338.1 | 374.2 | 407.4 |
| EBITDA         | 39.9  | 52.4  | 57.2  |
| Adj. PAT       | 29.1  | 40.2  | 42.7  |
| Adj. EPS (INR) | 145.6 | 201.0 | 213.2 |
| EPS Gr. (%)    | 17.7  | 38.0  | 6.1   |
| BV/Sh. (INR)   | 836   | 930   | 1,034 |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 17.9 | 22.8 | 21.7 |
| RoCE (%)   | 17.6 | 22.3 | 21.3 |
| Payout (%) | 68.7 | 52.2 | 51.6 |

## Valuations

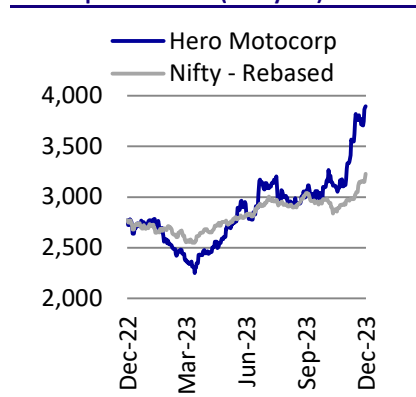
|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 26.8 | 19.4 | 18.3 |
| P/BV (x)       | 4.7  | 4.2  | 3.8  |
| Div. Yield (%) | 2.6  | 2.7  | 2.8  |
| FCF Yield (%)  | 2.6  | 4.7  | 5.5  |

## Shareholding pattern (%)

| As on    | Sep-23 | Jun-23 | Sep-22 |
|----------|--------|--------|--------|
| Promoter | 34.8   | 34.8   | 34.8   |
| DII      | 29.2   | 27.3   | 26.9   |
| FII      | 26.8   | 28.1   | 27.8   |
| Others   | 9.3    | 9.9    | 10.5   |

Note: FII includes depository receipts

## Stock's performance (one-year)



## Better growth visibility driven by recovery in 2W demand

### Growth strategies in place for expansion in premium and EV segments

- Domestic 2W demand witnessed a strong rebound during the festival period, reporting record volumes of 2.2m units (+22% YoY) during the 33-days period. Normally, growth tends to slow down after the festivals, but this year it has continued well beyond that period. This is partly due to the strong demand in the marriage season, especially in the central and northern regions.
- This, we believe, should benefit HMCL the most, as it has a strong presence in states like UP (~54% market share), Rajasthan (~58%), MP (~42%) and Bihar (~45%). These states collectively contribute ~35% of the domestic 2W demand. The ongoing growth momentum should ensure an expansion in HMCL's core 100CC/110CC portfolio, which contributes ~80% of its overall volumes.
- Recovery in its core product portfolio, coupled with its well-planned strategy to expand in both premium and electric vehicles (EVs) make HMCL better placed in the 2W OEM space. To account for this, we have increased the target multiple for HMCL. We now value it at 18x Dec'25E EPS (vs. 16x Sep'25E EPS earlier). Additionally, we assign INR231/INR74 to Hero FinCorp/Ather after applying a 20% holding company discount). We, therefore, arrive at our TP of INR4,480. Reiterate BUY.

### HMCL to be the major beneficiary of recovery in domestic demand

- Witnessed signs of improvement in 1HFY24:** Demand picked up gradually in 1HFY24 as volumes grew ~4% YoY. This was driven by stable demand in the urban areas, while rural areas too showed signs of improvement, largely led by healthy festive demand. The 2W segment reported record sales of 2.2m units (+22% YoY) during the 33-days festive period this year.
- Demand momentum likely to sustain further in 2HFY24:** Gradual rural recovery and ongoing wedding period demand is further expected to drive the growth momentum. The marriage season typically accounts for 20-25% of the total demand, particularly in key states such as Uttar Pradesh, Madhya Pradesh, Rajasthan, and Bihar. Hence, this becomes significant for the overall growth of the 2W industry as these states together contribute ~35% of the domestic 2W demand.
- HMCL's core product segment last to recover, yet far away from FY19 peak:** With demand picking up in key motorcycling states, growth has begun to return in the 100cc segment, leading to an increase in the product mix to ~12.8% of the domestic industry until Oct'23 (vs. 12.4% in FY23). However, it is still far behind its FY19 mix of ~19%. We believe that the sustained growth in both the 100cc and 110cc categories will benefit HMCL the most, as they contribute ~19%/61% to HMCL's overall volumes respectively.
- The 2W segment has a better scope of growth vis-à-vis other segments:** During FY23-26E, 2Ws are expected to experience relatively stronger growth due to improving demand sentiments. This is further supported by their weaker recovery over the last two years, resulting in a lower base. This should be followed by a gradual, but orderly, rebound in exports. We anticipate a 9-11% CAGR for the segment from FY23 to FY26.

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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.

### Premiumization: Stepping towards the right direction

- **New product launch pipeline to help grow HMCL's presence:** HMCL's market share in the >125CC category has remained below 4% since FY17. Due to its inability to showcase suitable products in the category vis-à-vis players such as RE, Yamaha, and TVS, HMCL has lagged behind its peers. However, the company currently has multiple products planned in the 200-400cc category, which should elevate competition in the higher-end of the segment.
- **Response to Harley Davidson (HD) starting to improve:** Our channel checks indicate that the response to Harley Davidson has started to improve across all regions. For bookings made during the previous three months, the majority of dealers reported fewer or no cancellations. According to a dealer based in Tamil Nadu, HD could capture 10-12% of the market share if it manages to meet the demand. Triumph is also receiving a similar kind of response and together these models can dent RE's competitiveness in premium category.
- **Karizma XMR – completely redesigned, mass dispatches not started yet:** Several notable changes have been made in the new model mainly the lighting style, and it now includes segment-first features such as a windscreen. Despite most dealers not having received the model yet, they have already started recording some small booking numbers for it.
- **Ramping up production for HD X440 and Karizma:** HMCL reported bookings of over 14k units for the recently launched Karizma and over 25k units for HD X440 at the beginning of Nov'23. It aims to fulfill these bookings over the next 4-5 months. Additionally, the company plans to increase the combined production of these two models to ~10k units by 4QFY24.
- **Elevating the retail buying experience through new channels:** It is focused on enhancing the purchasing experience for its customers by expanding the presence of its premium dealerships. This includes: 1) Premia – a premium-exclusive showroom for selected models, 2) Hero 2.0 – upgrading the existing stores, some of which will feature its premium brands, and 3) exclusive HD dealerships.

### Adopting a multi-pronged strategy to penetrate the EV market

- **Growing through network expansion, product additions, and experience enrichment:** HMCL aims to expand to 100 cities by the end of Dec'23 (vs. three cities in Mar'23). In order to stand out in the competitive EV industry, the company is also expanding its network and focusing on establishing experience centers such as VIDA Corner, Hub, and Pods, as well as opening new exclusive Vida dealerships. HMCL is currently in the 'Transform' phase and will move to the 'Disrupt' phase from FY25 onwards. During this phase, it will launch new products at various price points, beginning with more affordable options.
- **Core product needs a lot of catching:** Being a late entrant in the category, HMCL has a market share of ~2% in the domestic e2W space. However, sales of HMCL Vida are increasing at a gradual pace, with reported volumes of 3.8k units in Oct'23. During the festive period, HMCL maintained production of ~1k units per week and it aims to increase production as the network expands. Our feedback suggests that customers still have concerns about the range anxiety aspect of Vida, as they have reported some technical issues.
- **Ather – performing well in the premium category:** Despite the reduction in FAME-2 subsidy in FY24, the monthly volume run rate has increased to ~8.1k units in the

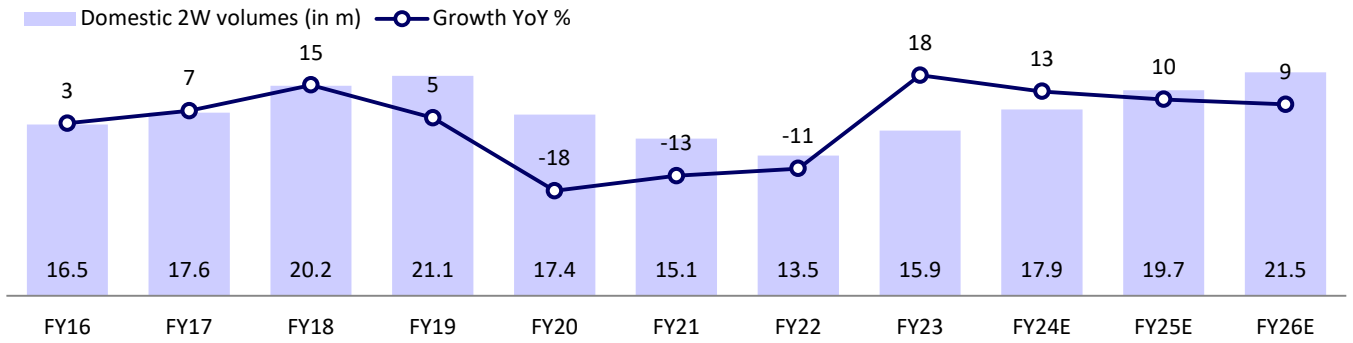
first eight months of FY24 (vs. ~4.7k units YoY). This has resulted in a market share of 12.1% in FY24YTD (vs. 10.6% in FY23). Along with its investee company (~35% stake), we believe HMCL would be able to establish a much broader presence across segments. We currently assign a value of INR74 per share to Ather after applying a 20% holding company discount.

#### **Growth strategy in place; reiterate HMCL among our top picks in OEM**

- **We expect HMCL to deliver a 7% volume CAGR over FY23-25**, driven by its: 1) increased competitiveness in the Economy and the Executive segments after the recent launches, 2) growth in the Premium segment, 3) faster growth in Scooters, and 4) ramp-up in exports. The company will benefit from a rural recovery, thanks to its strong brand equity in the Economy and Executive segments, which contribute over 90% of its overall volumes.
- **Multiple growth drivers at play:** HMCL's newest co-developed product with HD, X440, has received a strong response with over 25k bookings. We are observing increased interest in the core Executive segment (Splendor and Passion) due to a reduced percentage-wise price differential between the Entry and Executive models. Any improvement in its competitive positioning within the Scooters, Premium Motorcycles, or EV segments will serve as catalysts for re-rating of the stock.
- **We now value HMCL at 18x Dec'25E EPS (vs. 16x Sep'25E EPS earlier).** HMCL is currently trading at a one-year forward valuation of 18x, which is in line with its 10-year LPA. In comparison, its peers BJAUT and TVSL are trading at a premium of ~17% and 26% to their respective historical valuations. We expect a revenue/EBITDA/PAT CAGR of ~10%/20%/21% over FY23-25. We reiterate HMCL as our top pick in OEMs (along with TTMT) and maintain our **BUY** rating with a revised TP of INR4,480 (premised on 18x Dec'25E EPS + INR231/INR74 for Hero FinCorp/Ather after applying a 20% holding company discount).

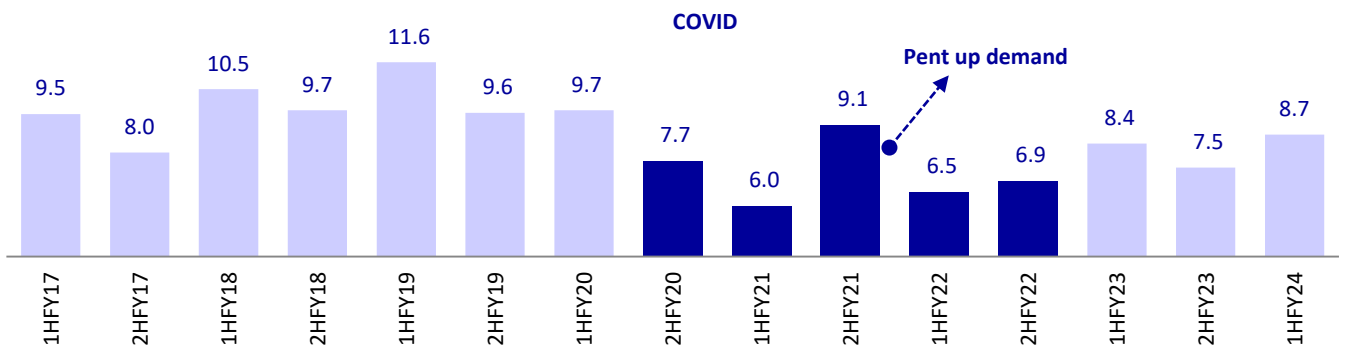
**Sustenance of domestic demand recovery to help HMCL’s core portfolio**

**Exhibit 1: Domestic 2W industry volumes likely to report ~11% CAGR over FY23-26E**



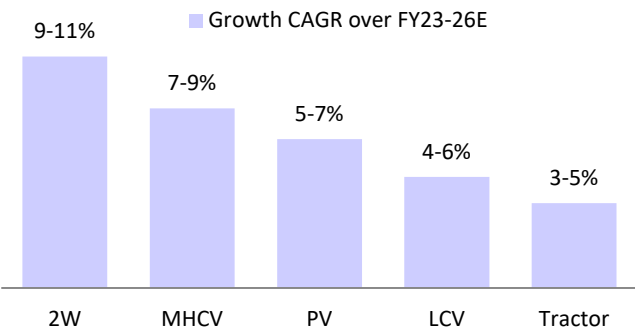
Source: SIAM, MOFSL

**Exhibit 2: Domestic 2W industry volumes (in m) approaching normalcy**



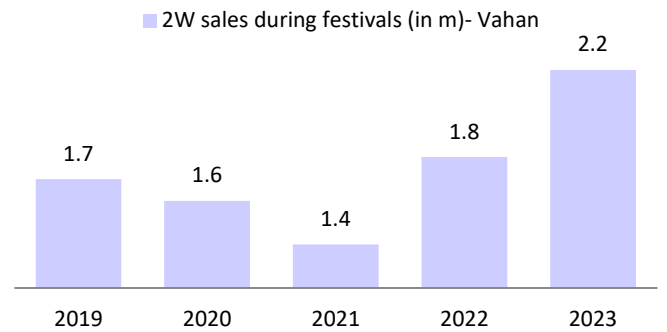
Source: SIAM, MOFSL

**Exhibit 3: 2Ws have better growth potential vis-à-vis other segments**



Source: SIAM, MOFSL

**Exhibit 4: 2Ws recorded the highest ever festive volumes during the 33-day period in 2023**



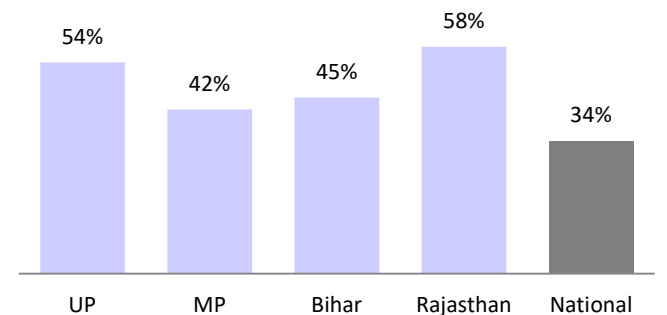
Source: Vahan, MOFSL

**Exhibit 5: 2W demand has sustained post-festive period in 2023 unlike previous years, indicating positive momentum**

| Year | Volume growth YoY during the 33-day festive period | Post-festive growth YoY over the next three weeks |
|------|--|---|
| 2020 | -3%  | -5%   |
| 2021 | -16%   | -7%   |
| 2022 | 29%  | 12%   |
| 2023 | 22%  | 15%   |

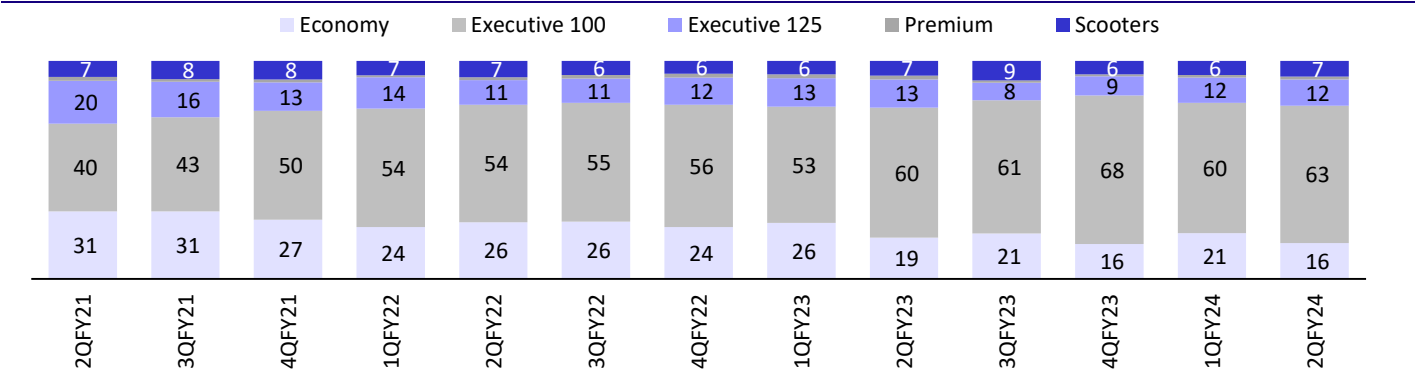
Source: Vahan, MOFSL

**Exhibit 6: Recovery is rather strong in the following states where HMCL has a dominant market share**



Source: SIAM, MOFSL

**Exhibit 7: Economy and Executive segments form a major part of HMCL’s volumes; likely to benefit from the recovery in rural demand**



Source: SIAM, MOFSL

**Premiumization: Stepping towards the right direction**

**Exhibit 8: Focusing on establishing a presence in the high-end segment via multiple routes**

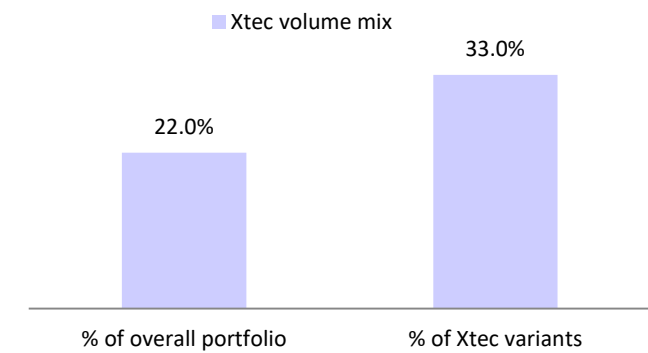
The exhibit shows a strategic approach to premiumization through four main routes:
 

- Power brands:** Images of various motorcycle models.
- Premium properties:** Media content including 'XCLAN', 'XTRACCS', and 'HERO DIRT BIKING CHALLENGE'.
- Merchandise:** Apparel and accessories like 'RALLY LIFE COLLECTION'.
- Premiumization:** The XTEC brand logo.

 These are combined with the **Harley-Davidson** brand and a **Hero** motorcycle to target the high-end segment.

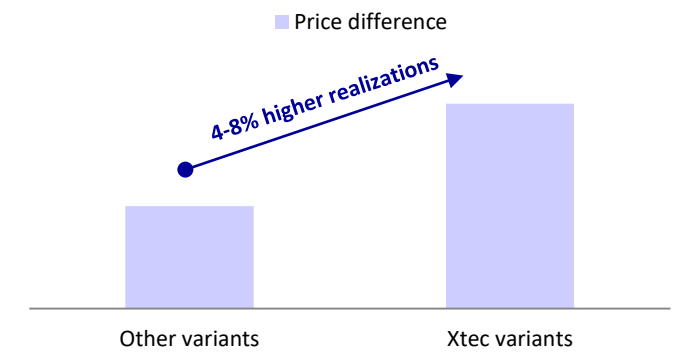
Source: Company, MOFSL

**Exhibit 9: Xtec forms ~22% of volumes for HMCL where...**



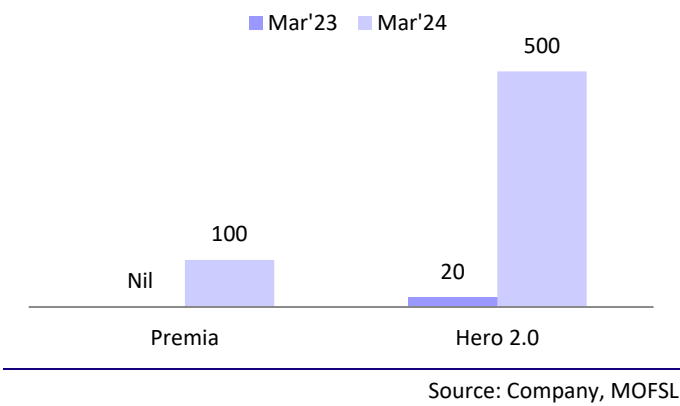
Source: Company, MOFSL

**Exhibit 10: ...ASP is higher by 4-8% vs. respective variants**

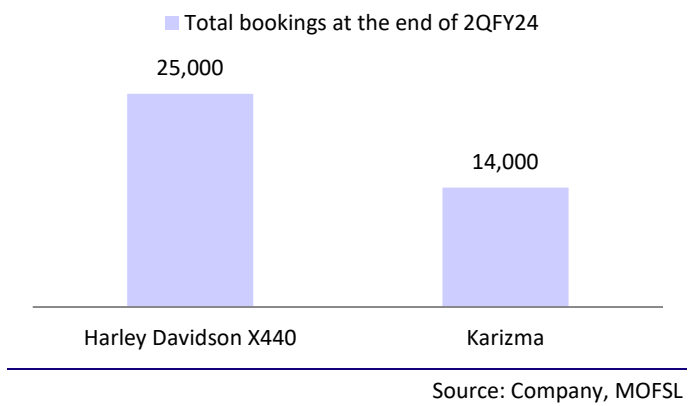


Source: Company, MOFSL

**Exhibit 11: Elevating buying experience by increasing its premium touchpoints**

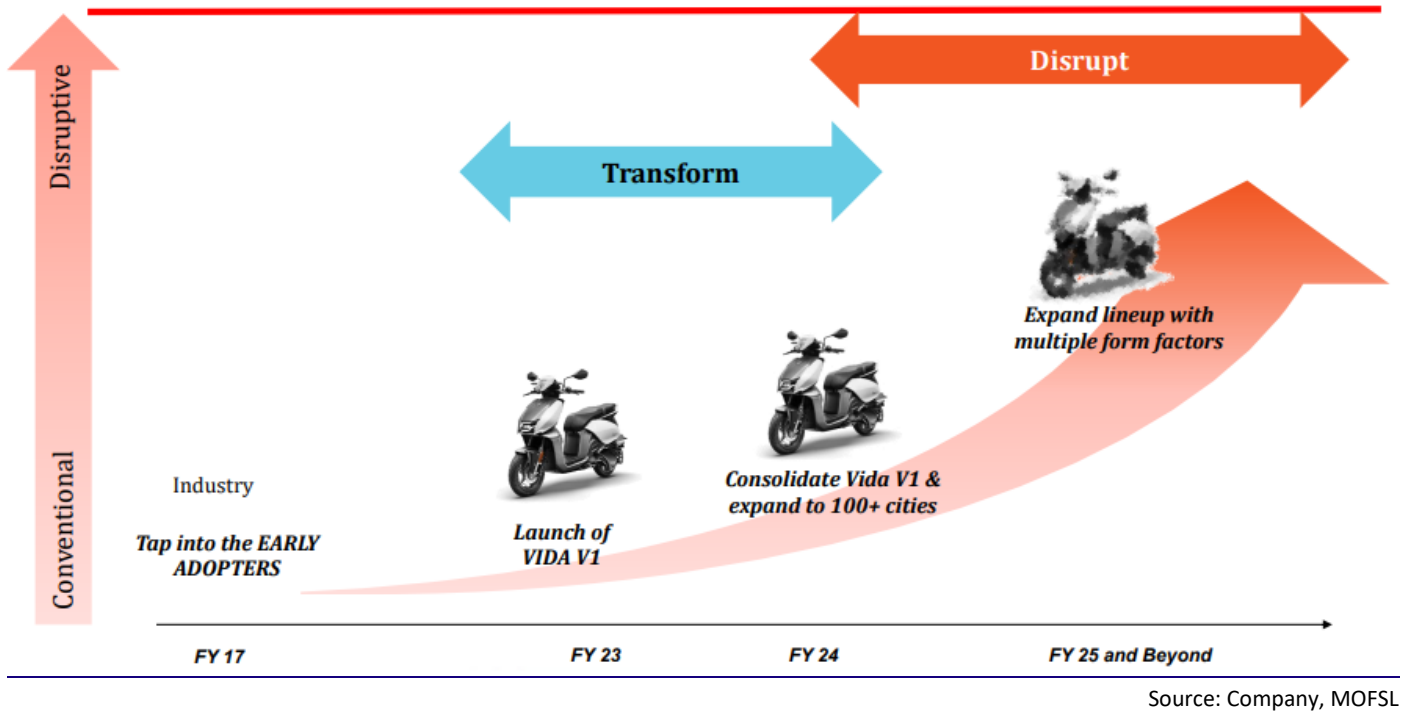


**Exhibit 12: Decent initial response for HD and Karizma, bookings stand at 25k and 14k, respectively**

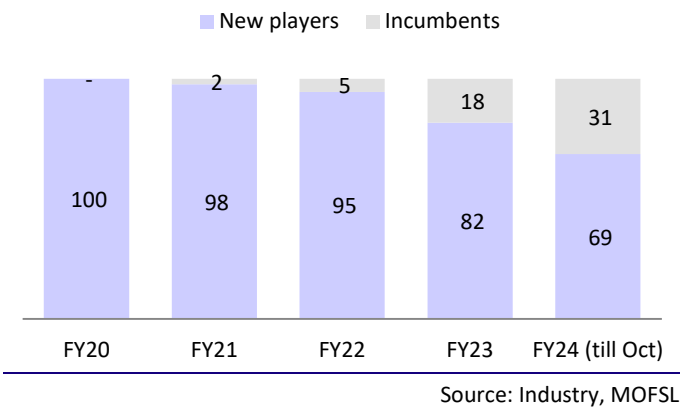


**EV: a multi-pronged strategy**

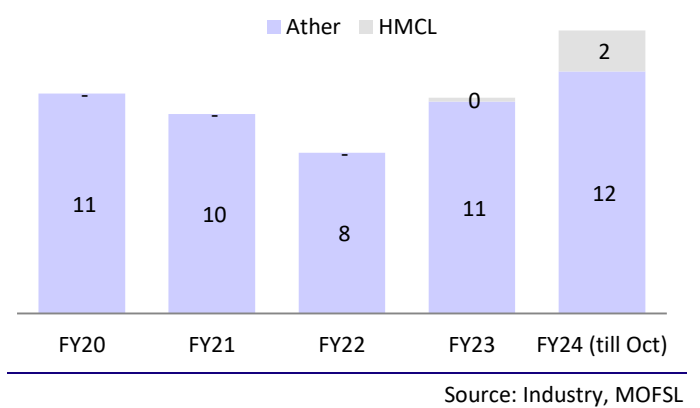
**Exhibit 13: Product lineup to transform and expand the market**



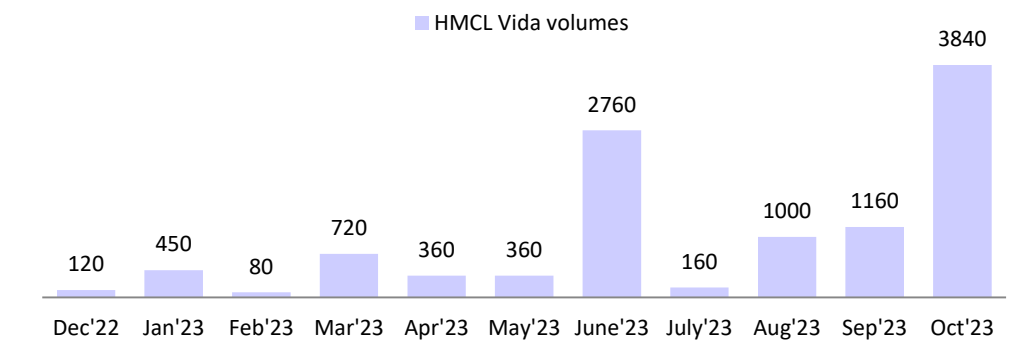
**Exhibit 14: Share of incumbents have grown in the EV industry**



**Exhibit 15: Ather, HMCL together have 14% market share**



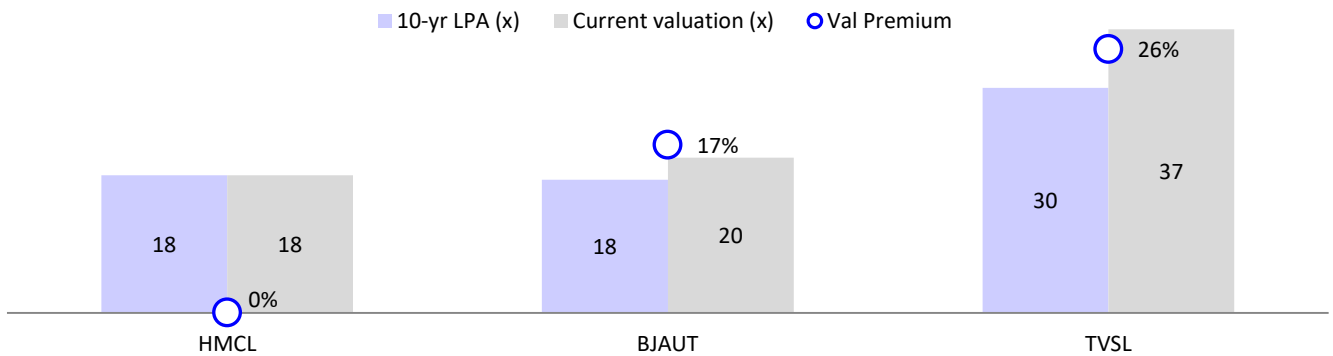
**Exhibit 16: The trend in Vida volumes begins to catch up following the Jun'23 announcement of lowering the FAME-II subsidy**



Source: SIAM, MOFSL

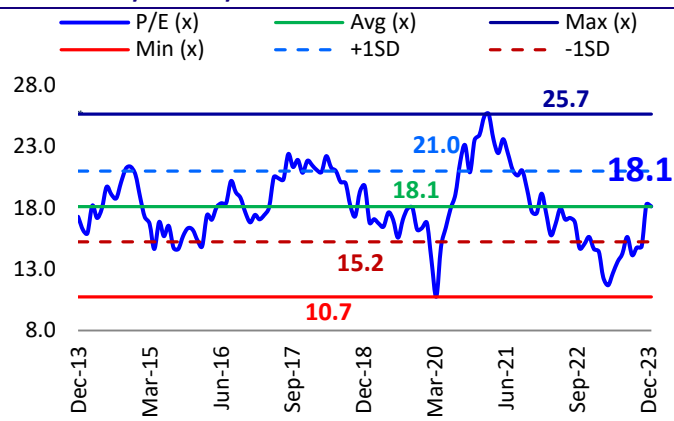
**HMCL trading at par with its 10-year LPA vs. 17%/26% premium for BJAUT/TVSL**

**Exhibit 17: HMCL trading at par with its 10-year LPA vs. 17%/26% premium for BJAUT/TVSL**

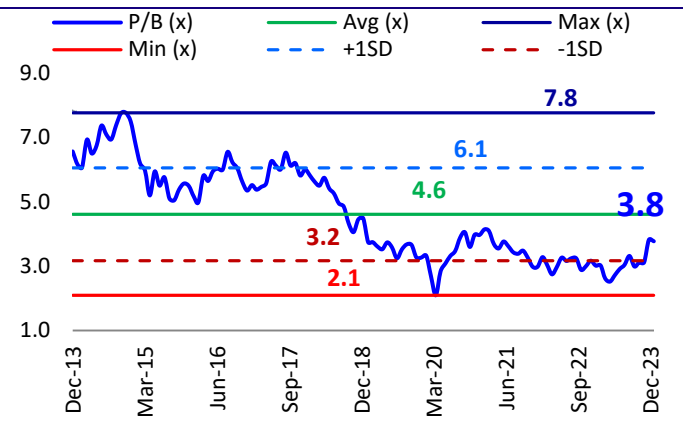


Source: Company, MOFSL

**Exhibit 18: P/E and P/B bands**



Source: MOFSL



Source: MOFSL

## Financials and valuations

| Income Statement       |                 |                 |                 |                 |                 |                 | (INR Million)   |                 |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March              | 2018            | 2019            | 2020            | 2021            | 2022            | 2023            | 2024E           | 2025E           |
| <b>Volumes ('000)</b>  | <b>7,587</b>    | <b>7,821</b>    | <b>6,410</b>    | <b>5,792</b>    | <b>4,944</b>    | <b>5,329</b>    | <b>5,653</b>    | <b>6,133</b>    |
| Volume Growth (%)      | 13.9            | 3.1             | -18.0           | -9.6            | -14.6           | 7.8             | 6.1             | 8.5             |
| <b>Net Revenues</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>3,38,057</b> | <b>3,74,161</b> | <b>4,07,421</b> |
| Change (%)             | 13.1            | 4.4             | -14.3           | 6.8             | -5.0            | 15.6            | 10.7            | 8.9             |
| <b>EBITDA</b>          | <b>52,802</b>   | <b>49,301</b>   | <b>39,579</b>   | <b>40,192</b>   | <b>33,688</b>   | <b>39,862</b>   | <b>52,353</b>   | <b>57,174</b>   |
| EBITDA Margin (%)      | 16.4            | 14.7            | 13.7            | 13.0            | 11.5            | 11.8            | 14.0            | 14.0            |
| Depreciation           | 5,556           | 6,020           | 8,180           | 6,769           | 6,498           | 6,570           | 7,020           | 7,462           |
| <b>EBIT</b>            | <b>47,246</b>   | <b>43,281</b>   | <b>31,400</b>   | <b>33,424</b>   | <b>27,190</b>   | <b>33,293</b>   | <b>45,332</b>   | <b>49,712</b>   |
| Interest cost          | 63              | 86              | 220             | 218             | 258             | 199             | 200             | 200             |
| Other Income           | 5,258           | 6,913           | 7,283           | 5,799           | 5,569           | 5,652           | 8,300           | 7,250           |
| Non-recurring Expense  | 0               | 0               | -7,274          | 0               | 0               | 0               | 1,600           | 0               |
| <b>PBT</b>             | <b>52,442</b>   | <b>50,107</b>   | <b>45,736</b>   | <b>39,004</b>   | <b>32,501</b>   | <b>38,746</b>   | <b>51,832</b>   | <b>56,762</b>   |
| Tax                    | 15,468          | 16,259          | 9,404           | 9,362           | 7,771           | 9,640           | 12,799          | 14,088          |
| Effective Tax Rate (%) | 29.5            | 32.4            | 20.6            | 24.0            | 23.9            | 24.9            | 24.7            | 24.8            |
| <b>Adj. PAT</b>        | <b>36,974</b>   | <b>33,849</b>   | <b>30,554</b>   | <b>29,642</b>   | <b>24,730</b>   | <b>29,106</b>   | <b>40,238</b>   | <b>42,674</b>   |
| Change (%)             | 9.5             | -8.5            | -9.7            | -3.0            | -16.6           | 17.7            | 38.2            | 6.1             |

| Balance Sheet                    |                 |                 |                 |                 |                 |                 | (INR Million)   |                 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                        | 2018            | 2019            | 2020            | 2021            | 2022            | 2023            | 2024E           | 2025E           |
| Sources of Funds                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Share Capital                    | 399             | 400             | 400             | 400             | 400             | 400             | 400             | 400             |
| Reserves                         | 1,17,289        | 1,28,172        | 1,40,965        | 1,51,585        | 1,57,430        | 1,66,651        | 1,85,868        | 2,06,520        |
| <b>Net Worth</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>1,67,051</b> | <b>1,86,269</b> | <b>2,06,921</b> |
| Deferred Tax                     | 5,117           | 5,365           | 3,928           | 4,041           | 3,833           | 4,054           | 4,054           | 4,054           |
| Loans                            | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>Capital Employed</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>1,71,105</b> | <b>1,90,322</b> | <b>2,10,974</b> |
| Application of Funds             |                 |                 |                 |                 |                 |                 |                 |                 |
| Gross Fixed Assets               | 1,11,344        | 1,16,282        | 1,38,161        | 1,42,362        | 1,46,657        | 1,51,942        | 1,60,080        | 1,71,580        |
| Less: Depreciation               | 64,799          | 70,097          | 76,991          | 82,478          | 88,592          | 94,328          | 1,01,348        | 1,08,811        |
| <b>Net Fixed Assets</b>          | <b>46,545</b>   | <b>46,186</b>   | <b>61,171</b>   | <b>59,884</b>   | <b>58,065</b>   | <b>57,614</b>   | <b>58,732</b>   | <b>62,769</b>   |
| Capital WIP                      | 3,184           | 5,419           | 3,413           | 4,366           | 4,582           | 4,638           | 6,500           | 5,000           |
| Investments                      | 75,252          | 59,686          | 82,227          | 1,04,997        | 1,06,523        | 1,10,104        | 1,10,104        | 1,10,104        |
| <b>Curr.Assets, L &amp; Adv.</b> | <b>42,407</b>   | <b>65,121</b>   | <b>40,683</b>   | <b>52,364</b>   | <b>47,970</b>   | <b>60,276</b>   | <b>82,988</b>   | <b>1,07,107</b> |
| Inventory                        | 8,236           | 10,724          | 10,920          | 14,696          | 11,227          | 14,341          | 16,960          | 18,491          |
| Sundry Debtors                   | 15,202          | 28,216          | 16,031          | 24,268          | 23,043          | 27,982          | 29,930          | 30,456          |
| Cash & Bank Balances             | 1,413           | 1,365           | 2,419           | 2,572           | 1,751           | 3,455           | 20,077          | 40,691          |
| Loans & Advances                 | 732             | 850             | 896             | 892             | 402             | 436             | 482             | 525             |
| Others                           | 16,823          | 23,968          | 10,417          | 9,938           | 11,547          | 14,062          | 15,540          | 16,943          |
| <b>Current Liab. &amp; Prov.</b> | <b>44,583</b>   | <b>42,476</b>   | <b>42,201</b>   | <b>65,585</b>   | <b>55,478</b>   | <b>61,527</b>   | <b>68,001</b>   | <b>74,005</b>   |
| Sundry Creditors                 | 33,188          | 33,553          | 30,305          | 52,046          | 42,603          | 47,045          | 54,871          | 59,825          |
| Other Liabilities                | 9,647           | 7,161           | 9,207           | 10,211          | 9,490           | 10,744          | 9,977           | 10,877          |
| Provisions                       | 1,747           | 1,762           | 2,689           | 3,328           | 3,385           | 3,738           | 3,153           | 3,303           |
| <b>Net Current Assets</b>        | <b>-2,176</b>   | <b>22,646</b>   | <b>-1,518</b>   | <b>-13,222</b>  | <b>-7,508</b>   | <b>-1,251</b>   | <b>14,987</b>   | <b>33,101</b>   |
| <b>Application of Funds</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>1,71,105</b> | <b>1,90,322</b> | <b>2,10,974</b> |

E: MOFSL Estimates



## Financials and valuations

### Ratios

| Y/E March                       | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024E        | 2025E        |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Basic (INR)</b>              |              |              |              |              |              |              |              |              |
| <b>EPS</b>                      | <b>185.1</b> | <b>169.5</b> | <b>153.0</b> | <b>148.4</b> | <b>123.8</b> | <b>145.6</b> | <b>201.0</b> | <b>213.2</b> |
| EPS Growth (%)                  | 9.5          | -8.5         | -9.7         | -3.0         | -16.6        | 17.7         | 38.0         | 6.1          |
| Cash EPS                        | 213.0        | 199.6        | 222.8        | 182.2        | 156.3        | 178.5        | 230.0        | 250.4        |
| Book Value per Share            | 589.3        | 643.7        | 707.7        | 760.7        | 789.9        | 835.9        | 930.4        | 1,033.6      |
| DPS                             | 95.0         | 87.0         | 90.0         | 105.0        | 95.0         | 100.0        | 105.0        | 110.0        |
| Payout (Incl. Div. Tax) %       | 61.8         | 62.9         | 71.8         | 70.8         | 76.8         | 68.7         | 52.2         | 51.6         |
| <b>Valuation (x)</b>            |              |              |              |              |              |              |              |              |
| P/E                             | 21.0         | 23.0         | 25.5         | 26.3         | 31.5         | 26.8         | 19.4         | 18.3         |
| EV/EBITDA                       | 13.3         | 14.5         | 17.5         | 16.7         | 19.9         | 16.7         | 12.4         | 11.0         |
| EV/Sales                        | 2.2          | 2.1          | 2.4          | 2.2          | 2.3          | 2.0          | 1.7          | 1.5          |
| Price to Book Value             | 6.6          | 6.1          | 5.5          | 5.1          | 4.9          | 4.7          | 4.2          | 3.8          |
| Dividend Yield (%)              | 2.4          | 2.2          | 2.3          | 2.7          | 2.4          | 2.6          | 2.7          | 2.8          |
| <b>Profitability Ratios (%)</b> |              |              |              |              |              |              |              |              |
| RoE                             | 33.8         | 27.5         | 22.6         | 20.2         | 16.0         | 17.9         | 22.8         | 21.7         |
| RoCE                            | 32.5         | 26.4         | 22.0         | 19.8         | 15.7         | 17.6         | 22.3         | 21.3         |
| RoIC                            | 80.0         | 53.0         | 40.0         | 50.1         | 44.5         | 49.2         | 64.1         | 68.7         |
| <b>Turnover Ratios</b>          |              |              |              |              |              |              |              |              |
| Debtors (Days)                  | 18           | 32           | 21           | 30           | 30           | 32           | 31           | 29           |
| Inventory (Days)                | 10           | 12           | 15           | 18           | 15           | 16           | 17           | 17           |
| Creditors (Days)                | 38           | 36           | 38           | 62           | 53           | 51           | 54           | 54           |
| Working Capital (Days)          | -2           | 25           | -2           | -16          | -9           | -1           | 15           | 30           |
| Asset Turnover (x)              | 2.6          | 2.5          | 2.0          | 2.0          | 1.8          | 2.0          | 2.0          | 1.9          |
| Fixed Asset Turnover            | 3.0          | 3.0          | 2.3          | 2.2          | 2.0          | 2.3          | 2.4          | 2.5          |

### Cash Flow Statement

(INR Million)

| Y/E March                     | 2018           | 2019           | 2020           | 2021           | 2022           | 2023           | 2024E          | 2025E          |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Profit before Tax             | 52,442         | 50,107         | 45,736         | 39,004         | 32,501         | 38,746         | 51,832         | 56,762         |
| Depreciation & Amort.         | 5,556          | 6,020          | 8,180          | 6,769          | 6,498          | 6,570          | 7,020          | 7,462          |
| Direct Taxes Paid             | -14,943        | -20,515        | -5,443         | -9,759         | -7,688         | -8,496         | -12,799        | -14,088        |
| (Inc)/Dec in Working Capital  | -2,682         | -19,189        | 12,027         | 10,700         | -6,825         | -5,832         | 383            | 2,500          |
| Other Items                   | 1,723          | -6,634         | -6,399         | -4,987         | -4,283         | -5,197         | 200            | 200            |
| <b>CF from Oper. Activity</b> | <b>39,809</b>  | <b>9,791</b>   | <b>54,101</b>  | <b>41,727</b>  | <b>20,203</b>  | <b>25,791</b>  | <b>46,637</b>  | <b>52,837</b>  |
| Extra-ordinary Items          | 0              | 0              | 0              | 0              | 0              | 0              | -1,600         | 0              |
| <b>CF after EO Items</b>      | <b>39,809</b>  | <b>9,791</b>   | <b>54,101</b>  | <b>41,727</b>  | <b>20,203</b>  | <b>25,791</b>  | <b>45,037</b>  | <b>52,837</b>  |
| (Inc)/Dec in FA+CWIP          | -7,992         | -9,179         | -13,586        | -5,101         | -5,240         | -5,675         | -10,000        | -10,000        |
| <b>Free Cash Flow</b>         | <b>31,816</b>  | <b>611</b>     | <b>40,515</b>  | <b>36,626</b>  | <b>14,963</b>  | <b>20,115</b>  | <b>36,637</b>  | <b>42,837</b>  |
| (Pur)/Sale of Invest.         | -11,160        | 22,392         | -15,245        | -16,998        | 3,721          | 987            | 0              | 0              |
| <b>CF from Inv. Activity</b>  | <b>-19,152</b> | <b>13,212</b>  | <b>-28,831</b> | <b>-22,099</b> | <b>-1,519</b>  | <b>-4,688</b>  | <b>-10,000</b> | <b>-10,000</b> |
| Interest Paid                 | -63            | -86            | -874           | -515           | -458           | -455           | -200           | -200           |
| Dividends Paid                | -20,404        | -22,854        | -23,323        | -18,900        | -18,931        | -19,951        | -21,021        | -22,022        |
| <b>CF from Fin. Activity</b>  | <b>-20,467</b> | <b>-22,940</b> | <b>-24,198</b> | <b>-19,415</b> | <b>-19,389</b> | <b>-20,406</b> | <b>-21,221</b> | <b>-22,222</b> |
| <b>Inc/(Dec) in Cash</b>      | <b>190</b>     | <b>63</b>      | <b>1,072</b>   | <b>213</b>     | <b>-705</b>    | <b>697</b>     | <b>13,816</b>  | <b>20,615</b>  |
| Add: Beginning Balance        | 154            | 344            | 407            | 1,479          | 1,692          | 987            | 1,684          | 15,500         |
| <b>Closing Balance</b>        | <b>344</b>     | <b>407</b>     | <b>1,479</b>   | <b>1,692</b>   | <b>987</b>     | <b>1,684</b>   | <b>15,500</b>  | <b>36,114</b>  |

E: MOFSL Estimates

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|----------------------------------|--|
| 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 |

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