

**In-line quarter; growth concerns remain**

Auto & Auto Ancillaries ▶ Result Update ▶ May 12, 2024

**TARGET PRICE (Rs): 3,400**

**EIM's results were in line with estimates; revenues/EBITDA/PAT were up 12%/21%/18% YoY with margins up 43bps QoQ to 26.5% on lower RM. For EIM's Royal Enfield (RE) brand, we believe growth remains a challenge with: i) recent launches like Himalayan 450 yet to take off meaningfully, ii) concerns around incremental growth potential from upcoming 450cc launches, given the segment's limited size, and iii) replacement/upgrade demand for RE remaining elusive. We raise FY26E EPS by ~5% on ongoing 2W recovery and consequent margin improvement (build-in 9% PAT CAGR over FY24-26E). We retain SELL with revised TP of Rs3,400 (Rs3,250 earlier) at an unchanged 20x FY26E PER + the stake in VECV. HMCL is our preferred pick in 2Ws given its stronger growth visibility (on new launch success of Xtreme 125R) and much better risk-reward.**

**Eicher Motors: Financial Snapshot (Consolidated)**

| Y/E Mar (Rs mn)     | FY22    | FY23    | FY24    | FY25E   | FY26E   |
|---------------------|---------|---------|---------|---------|---------|
| Revenue             | 102,978 | 144,422 | 165,358 | 183,184 | 194,378 |
| EBITDA              | 21,723  | 34,436  | 43,269  | 48,525  | 53,454  |
| Adj. PAT            | 16,766  | 29,139  | 40,010  | 43,837  | 47,148  |
| Adj. EPS (Rs)       | 61.3    | 106.7   | 146.5   | 160.6   | 172.7   |
| EBITDA margin (%)   | 21.1    | 23.8    | 26.2    | 26.5    | 27.5    |
| EBITDA growth (%)   | 22.0    | 58.5    | 25.7    | 12.1    | 10.2    |
| Adj. EPS growth (%) | 24.4    | 74.0    | 37.3    | 9.6     | 7.6     |
| RoE (%)             | 13.9    | 21.1    | 24.2    | 22.5    | 21.0    |
| RoIC (%)            | 70.0    | 115.5   | 87.5    | 66.6    | 69.8    |
| P/E (x)             | 76.3    | 43.9    | 32.0    | 29.2    | 27.1    |
| EV/EBITDA (x)       | 55.0    | 34.0    | 27.1    | 23.6    | 20.9    |
| P/B (x)             | 10.1    | 8.5     | 7.1     | 6.1     | 5.3     |
| FCFF yield (%)      | 0.7     | 1.9     | 2.5     | 3.5     | 4.0     |

Source: Company, Emkay Research

**In-line Q4 performance**

Consolidated revenues rose by 12% YoY to Rs42.5bn (in line), backed by 4% growth in Royal Enfield (RE) volumes; ASPs were up 2.6% QoQ on the back of better mix (higher share of exports and larger cc motorcycles). Consolidated EBITDA was in line (up 21% YoY to Rs11.3bn), with EBITDA margins at 26.5% (up 43bps QoQ) amid lower RM. Consolidated PAT rose by 18% YoY to Rs10.7bn.

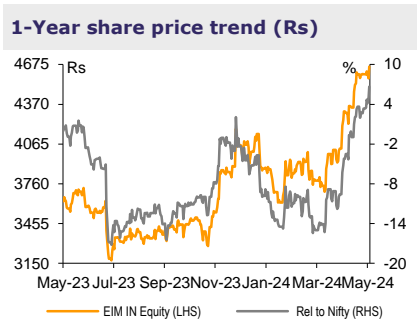
**Earnings Call KTAs**

1) Management highlighted that the domestic 2W industry is poised for growth, with the middleweight category (RE's addressable market) seen growing in double-digits amid the continuing premiumization trend; RE is expected to outperform the market growth on recent new launches, as well as upcoming product actions planned across platforms (J series, 450cc Sherpa platform, and 650cc platform). 2) Replacement cycle for RE is yet to kick-in and would eventually pan out; in the meantime, the company is focused on attracting natural upgrades from existing buyers with new product actions addressing all categories and customer sets (RE has a 6mn vehicle parc). 3) In international markets, while macros vary by region, Company is focusing on continuing retail performance with market shares intact and visible green shoots. 4) The new Himalayan 450 is registering strong response; current production is at 200units/day; Company is working on increasing supplies to meet demand. 5) In CVs, long-term fundamental drivers (expected economic growth, infra/capex push, replacement demand due to more modern/efficient trucks, transporter profitability) for growth on CAGR basis remain intact, though there could be some disturbances along the way. 6) Margins are seen being supported by operating leverage and mix improvement (with exports, >350cc category, and faster growing non-motorcycles revenues); EIM is watchful of RM but does not see it as a headwind for now. 7) There have been no price hikes in RE recently; it has reduced discounts in VECV to improve realizations. 8) RE finance penetration is at 61%.

|                         |            |
|-------------------------|------------|
| Target Price – 12M      | Mar-25     |
| <b>Change in TP (%)</b> | <b>4.6</b> |
| Current Reco.           | SELL       |
| Previous Reco.          | SELL       |
| Upside/(Downside) (%)   | (27.2)     |
| CMP (10-May-24) (Rs)    | 4,670.0    |

| Stock Data                  | Ticker    |
|-----------------------------|-----------|
| 52-week High (Rs)           | 4,709     |
| 52-week Low (Rs)            | 3,159     |
| Shares outstanding (mn)     | 273.8     |
| Market-cap (Rs bn)          | 1,279     |
| Market-cap (USD mn)         | 15,314    |
| Net-debt, FY25E (Rs mn)     | -134,139  |
| ADTV-3M (mn shares)         | 1         |
| ADTV-3M (Rs mn)             | 3,232.8   |
| ADTV-3M (USD mn)            | 38.7      |
| Free float (%)              | 50.9      |
| Nifty-50                    | 22,055    |
| INR/USD                     | 83.5      |
| <b>Shareholding, Mar-24</b> |           |
| Promoters (%)               | 49.2      |
| FPIs/MFs (%)                | 29.0/11.1 |

| Price Performance |      |      |      |
|-------------------|------|------|------|
| (%)               | 1M   | 3M   | 12M  |
| Absolute          | 8.2  | 21.6 | 36.7 |
| Rel. to Nifty     | 11.7 | 20.1 | 13.5 |



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**Exhibit 1: Volumes were up 4% YoY; realizations were up 2% QoQ, owing to pick up in exports and higher cc motorcycles**

| Year-to-March    | 4QFY24  | 4QFY23  | % change | 3QFY24  | % change |
|------------------|---------|---------|----------|---------|----------|
| RE vols. (units) | 227,673 | 218,525 | 4.2      | 228,073 | (0.2)    |
| ASPs (Rs/unit)   | 186,937 | 174,091 | 7.4      | 183,224 | 2.0      |

Source: Company, Emkay Research

**Exhibit 2: Consolidated Q4 snapshot – Revenue/Volumes up 12%/4% YoY; EBITDA margin rose 40bps sequentially**

| (Rs mn)                  | Q1FY23        | Q2FY23        | Q3FY23        | Q4FY23        | Q1FY24        | Q2FY24        | Q3FY24        | Q4FY24        | YoY (%)          | QoQ (%)          |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|------------------|
| Volume                   | 187,205       | 207,764       | 221,401       | 218,525       | 227,706       | 229,280       | 228,073       | 227,673       | 4.2              | (0.2)            |
| <b>Revenue</b>           | <b>33,975</b> | <b>35,194</b> | <b>37,210</b> | <b>38,043</b> | <b>39,864</b> | <b>41,145</b> | <b>41,788</b> | <b>42,560</b> | <b>11.9</b>      | <b>1.8</b>       |
| Expenditure              | 25,664        | 26,978        | 28,638        | 28,707        | 29,655        | 30,274        | 30,886        | 31,274        | 8.9              | 1.3              |
| as % of sales            | 75.5          | 76.7          | 77.0          | 75.5          | 74.4          | 73.6          | 73.9          | 73.5          |                  |                  |
| Consumption of RM        | 19,030        | 20,256        | 21,655        | 21,178        | 22,273        | 22,201        | 22,579        | 22,754        | 7.4              | 0.8              |
| as % of sales            | 56.0          | 57.6          | 58.2          | 55.7          | 55.9          | 54.0          | 54.0          | 53.5          |                  |                  |
| Employee Cost            | 2,470         | 2,435         | 2,594         | 2,521         | 2,927         | 3,061         | 3,093         | 3,276         | 29.9             | 5.9              |
| as % of sales            | 7.3           | 6.9           | 7.0           | 6.6           | 7.3           | 7.4           | 7.4           | 7.7           |                  |                  |
| Other expenditure        | 4,165         | 4,287         | 4,389         | 5,007         | 4,456         | 5,012         | 5,214         | 5,244         | 4.7              | 0.6              |
| as % of sales            | 12.3          | 12.2          | 11.8          | 13.2          | 11.2          | 12.2          | 12.5          | 12.3          |                  |                  |
| EBITDA                   | 8,311         | 8,216         | 8,572         | 9,337         | 10,208        | 10,872        | 10,903        | 11,286        | 20.9             | 3.5              |
| <b>EBITDA margin (%)</b> | <b>24.5</b>   | <b>23.3</b>   | <b>23.0</b>   | <b>24.5</b>   | <b>25.6</b>   | <b>26.4</b>   | <b>26.1</b>   | <b>26.5</b>   |                  |                  |
| Depreciation             | 1,162         | 1,271         | 1,348         | 1,480         | 1,423         | 1,425         | 1,475         | 1,653         | 11.6             | 12.0             |
| EBIT                     | 7,149         | 6,945         | 7,224         | 7,856         | 8,786         | 9,446         | 9,427         | 9,634         | 22.6             | 2.2              |
| Other Income             | 487           | 1,486         | 1,923         | 2,055         | 2,432         | 2,738         | 2,537         | 3,052         | 48.5             | 20.3             |
| Interest                 | 52            | 71            | 76            | 82            | 104           | 127           | 124           | 153           | 88.0             | 23.4             |
| PBT                      | 7,583         | 8,361         | 9,071         | 9,830         | 11,114        | 12,057        | 11,840        | 12,532        | 27.5             | 5.8              |
| Minority interest        | (338)         | (441)         | (639)         | (1,734)       | (1,004)       | (1,016)       | (1,139)       | (1,318)       |                  |                  |
| Total Tax                | 1,814         | 2,233         | 2,302         | 2,508         | 2,935         | 2,911         | 3,019         | 3,146         | 25.4             | 4.2              |
| Adjusted PAT             | 6,107         | 6,569         | 7,408         | 9,056         | 9,183         | 10,163        | 9,960         | 10,705        | 18.2             | 7.5              |
| Extra ordinary items     | -             | -             | -             | -             | -             | -             | -             | -             |                  |                  |
| Reported PAT             | 6,107         | 6,569         | 7,408         | 9,056         | 9,183         | 10,163        | 9,960         | 10,705        | 18.2             | 7.5              |
| <b>Adjusted EPS (Rs)</b> | <b>22.3</b>   | <b>24.0</b>   | <b>27.1</b>   | <b>33.1</b>   | <b>33.5</b>   | <b>37.1</b>   | <b>36.4</b>   | <b>39.1</b>   | <b>18.2</b>      | <b>7.5</b>       |
| <b>(%)</b>               | <b>Q1FY23</b> | <b>Q2FY23</b> | <b>Q3FY23</b> | <b>Q4FY23</b> | <b>Q1FY24</b> | <b>Q2FY24</b> | <b>Q3FY24</b> | <b>Q3FY24</b> | <b>YoY (bps)</b> | <b>QoQ (bps)</b> |
| EBIDTAM                  | 24.5          | 23.3          | 23.0          | 24.5          | 25.6          | 26.4          | 26.1          | 26.5          | 198              | 43               |
| EBITM                    | 21.0          | 19.7          | 19.4          | 20.7          | 22.0          | 23.0          | 22.6          | 22.6          | 199              | 8                |
| EBTM                     | 22.3          | 23.8          | 24.4          | 25.8          | 27.9          | 29.3          | 28.3          | 29.4          | 361              | 111              |
| PATM                     | 18.0          | 18.7          | 19.9          | 23.8          | 23.0          | 24.7          | 23.8          | 25.2          | 135              | 132              |
| Effective Tax rate       | 23.9          | 26.7          | 25.4          | 25.5          | 26.4          | 24.1          | 25.5          | 25.1          | (41)             | (40)             |

Source: Company, Emkay Research

**Exhibit 3: Margin Analysis – Margin rose 43bps QOQ (up 198bps YoY) on lower RM and other expenses**

| Year-to-March  | 4QFY24 | 4QFY23 | % change | 3QFY24 | % change |
|----------------|--------|--------|----------|--------|----------|
| Raw material   | 53.5   | 55.7   | (221)    | 54.0   | (57)     |
| Staff costs    | 7.7    | 6.6    | 107      | 7.4    | 30       |
| Other expenses | 12.3   | 13.2   | (84)     | 12.5   | (16)     |
| EBIDTA         | 26.5   | 24.5   | 198      | 26.1   | 43       |
| Net profit     | 25.2   | 23.8   | 135      | 23.8   | 132      |
| Tax rate       | 25.1   | 25.5   | (41)     | 25.5   | (40)     |

Source: Company, Emkay Research

**Exhibit 4: VECV Quarterly Snapshot – Volumes/Revenue stable YoY; margins down slightly by 20bps QoQ to 7.8%**

| (Rs mn) | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | YoY (%) | QoQ (%) |
|---------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| Volume  | 17,469 | 17,616 | 18,162 | 26,376 | 19,571 | 19,551 | 19,571 | 26,867 | 1.9     | 37.3    |
| Revenue | 39,340 | 42,150 | 46,039 | 62,000 | 49,910 | 51,290 | 54,830 | 62,650 | 1.0     | 14.3    |
| EBITDA  | 2,070  | 2,490  | 3,150  | 6,190  | 3,870  | 4,040  | 4,370  | 4,870  | (21.3)  | 11.4    |
| PAT     | 620    | 810    | 1,163  | 3,190  | 1,810  | 1,850  | 2,100  | 2,470  | (22.6)  | 17.6    |

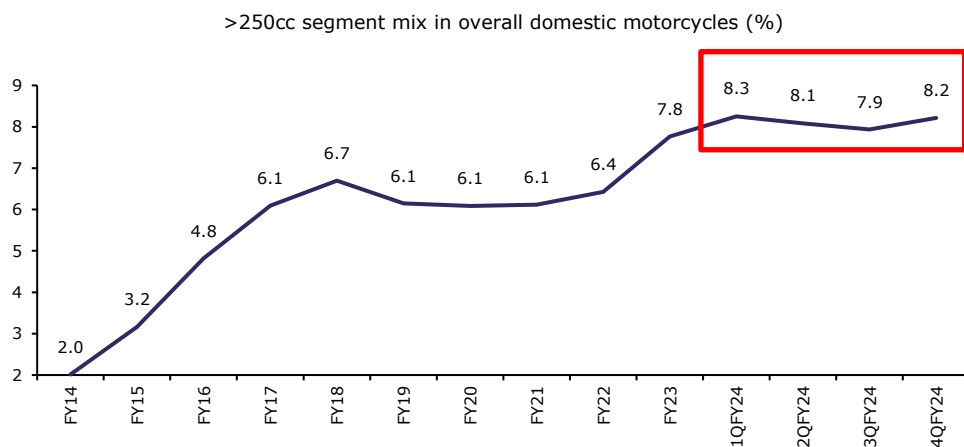
| Margins (%) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q3FY24 | YoY (bps) | QoQ (bps) |
|-------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| EBITDA      | 5.3    | 5.9    | 6.8    | 10.0   | 7.8    | 7.9    | 8.0    | (221)     | (20)      |
| PAT         | 1.6    | 1.9    | 2.5    | 5.1    | 3.6    | 3.6    | 3.8    | (120)     | 11        |

Source: Company, Emkay Research

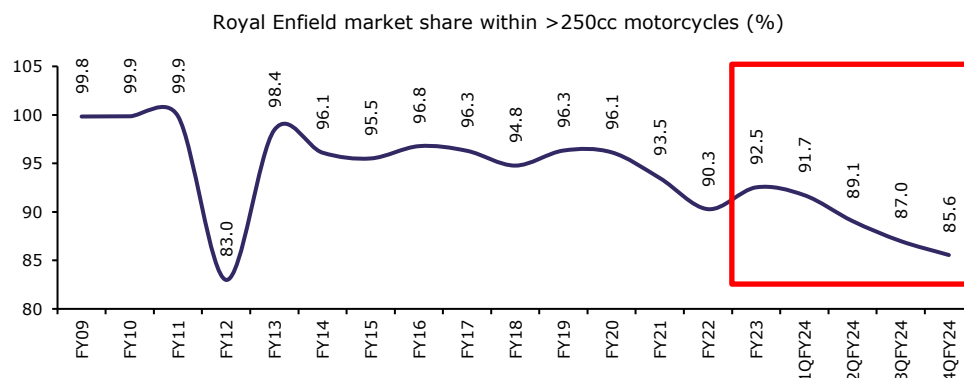
**Exhibit 5: Actual vs. Estimates – In-line performance**

| (Rs mn)           | Actual | Estimated | % Variance | Consensus | % Variance |
|-------------------|--------|-----------|------------|-----------|------------|
| Net sales         | 42,560 | 42,741    | (0.4)      | 42,268    | 0.7        |
| EBITDA            | 11,286 | 11,314    | (0.2)      | 11,394    | (0.9)      |
| EBITDA margin (%) | 26.5   | 26.3      | 22 bps     | 27.0      | (44) bps   |
| Adj. net income   | 10,705 | 10,915    | (1.9)      | 10,682    | 0.2        |
| EPS (Rs)          | 39.1   | 39.9      | (2.0)      | 40.2      | (2.8)      |

Source: Company, Bloomberg, Emkay Research

**Exhibit 6: Segment share of over 250cc motorcycles is stabilizing**

Source: SIAM, Emkay Research

**Exhibit 7: Royal Enfield's (RE) market share in the over-250cc category has declined sharply**

Source: SIAM, Emkay Research

**Exhibit 8: BJAUT-Triumph and HMCL-Harley have strong ramp-up plans**

| Competitor | Ramp-up plan in premium motorcycles  |
|------------|--|
| BJAUT      | Triumph stores to grow to ~150 by H1FY25 with product portfolio expansion being targeted in the latter half of the year. |
| HMCL       | Capacity for 440cc platform, along with Karizma, to ramp up to 10k units p.m.  |

Source: Company, Emkay Research

**Exhibit 9: Revenue model – We expect 8%/9% Revenue/EPS CAGR over FY24-26E**

| Revenue Model                          | FY20          | FY21          | FY22           | FY23           | FY24           | FY25E          | FY26E          |
|--|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Avg. monthly volumes (units)           | 58,132        | 50,784        | 50,189         | 69,575         | 76,061         | 81,178         | 85,385         |
| Domestic Volumes (units)               | 658,394       | 570,781       | 521,246        | 734,840        | 834,795        | 884,133        | 927,423        |
| Growth (%)                             | -18.2         | -13.3         | -8.7           | 41.0           | 13.6           | 5.9            | 4.9            |
| Export Volumes (units)                 | 39,188        | 38,622        | 81,022         | 100,055        | 77,937         | 90,000         | 97,200         |
| Growth (%)                             | 88.2          | -1.4          | 109.8          | 23.5           | -22.1          | 15.5           | 8.0            |
| Volumes (units)                        | 697,582       | 609,403       | 602,268        | 834,895        | 912,732        | 974,133        | 1,024,623      |
| Growth (%)                             | -15.6         | -12.6         | -1.2           | 38.6           | 9.3            | 6.7            | 5.2            |
| ASP (Rs/unit)                          | 130,128       | 141,434       | 168,079        | 168,484        | 176,154        | 181,889        | 183,851        |
| Growth (%)                             | 9.8           | 8.7           | 18.8           | 0.2            | 4.6            | 3.3            | 1.1            |
| <b>Revenues</b>                        | <b>91,536</b> | <b>87,204</b> | <b>102,978</b> | <b>144,422</b> | <b>165,358</b> | <b>183,184</b> | <b>194,378</b> |
| Growth (%)                             | -6.6          | -4.7          | 18.1           | 40.2           | 14.5           | 10.8           | 6.1            |
| EBITDA                                 | 21,804        | 17,813        | 21,723         | 34,436         | 43,269         | 48,525         | 53,454         |
| <b>EBITDA margin (%)</b>               | <b>23.8</b>   | <b>20.4</b>   | <b>21.1</b>    | <b>23.8</b>    | <b>26.2</b>    | <b>26.5</b>    | <b>27.5</b>    |
| EBITDA growth (%)                      | -24.9         | -18.3         | 22.0           | 58.5           | 25.7           | 12.1           | 10.2           |
| EBITDA/unit (Rs)                       | 31,256        | 29,229        | 36,068         | 41,246         | 47,406         | 49,813         | 52,169         |
| EBIT                                   | 23,421        | 17,837        | 21,611         | 35,125         | 48,052         | 52,923         | 57,306         |
| EBIT margin (%)                        | 25.6          | 20.5          | 21.0           | 24.3           | 29.1           | 28.9           | 29.5           |
| S/A PAT (Rs)                           | 19,038        | 13,297        | 15,862         | 26,226         | 37,494         | 40,616         | 42,713         |
| Share of profits from JV/overseas subs | 317           | 311           | 602            | 3,152          | 4,477          | 4,783          | 4,823          |
| Consol. PAT                            | 18,274        | 13,469        | 16,766         | 29,139         | 40,010         | 43,837         | 47,148         |
| <b>Consol. EPS (Rs)</b>                | <b>67</b>     | <b>49</b>     | <b>61</b>      | <b>107</b>     | <b>147</b>     | <b>161</b>     | <b>175</b>     |

Source: Emkay Research, Company

**Exhibit 10: Change in estimates – We raise FY26E EPS by 5% on higher margins**

| Consolidated          | FY24    |         | FY25E   |         |          |        | FY26E   |           |          |         |
|-----------------------|---------|---------|---------|---------|----------|--------|---------|-----------|----------|---------|
|                       | Actual  | % YoY   | Earlier | Revised | % Change | % YoY  | Earlier | Revised   | % Change | % YoY   |
| Royal Enfield (Units) | 912,732 | 9.3     | 972,317 | 974,133 | 0.2      | 6.7    | 997,164 | 1,024,623 | 2.8      | 5.2     |
| VECV (Units)          | 85,560  | 7.5     | 89,174  | 87,572  | (1.8)    | 2.4    | 90,957  | 88,522    | (2.7)    | 1.1     |
| Revenue               | 165,358 | 14.5    | 181,485 | 183,184 | 0.9      | 10.8   | 189,031 | 194,378   | 2.8      | 6.1     |
| EBITDA                | 43,269  | 25.7    | 47,005  | 48,525  | 3.2      | 12.1   | 48,770  | 53,454    | 9.6      | 10.2    |
| Margin (%)            | 26.2%   | 232 bps | 25.9%   | 26.5%   | 59 bps   | 32 bps | 25.8%   | 27.5%     | 170 bps  | 101 bps |
| APAT                  | 40,010  | 37.3    | 43,846  | 43,837  | 0.0      | 9.6    | 44,819  | 47,148    | 5.2      | 7.6     |
| Diluted Adj. EPS (Rs) | 146.1   | 37.3    | 160.1   | 160.1   | 0.0      | 9.6    | 163.7   | 172.2     | 5.2      | 7.6     |

Source: Emkay Research

**Exhibit 11: Emkay vs. Consensus**

| Eicher Motors     | Emkay Estimates |         | Bloomberg Estimates |         | Difference (%) |        |
|-------------------|-----------------|---------|---------------------|---------|----------------|--------|
|                   | FY25E           | FY26E   | FY25E               | FY26E   | FY25E          | FY26E  |
| Net revenue       | 183,184         | 194,378 | 182,866             | 202,941 | 0.2%           | -4.2%  |
| EBITDA            | 48,525          | 53,454  | 48,807              | 54,418  | -0.6%          | -1.8%  |
| EBITDA margin (%) | 26.5            | 27.5    | 26.7                | 26.8    | (20) bps       | 69 bps |
| EPS (Rs)          | 161.7           | 175.8   | 163.4               | 180.6   | -1.1%          | -2.7%  |

Source: Bloomberg, Emkay Research

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## Eicher Motors: Consolidated Financials and Valuations

| Profit & Loss               |                |                |                |                |                |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Y/E Mar (Rs mn)             | FY22           | FY23           | FY24           | FY25E          | FY26E          |
| <b>Revenue</b>              | <b>102,978</b> | <b>144,422</b> | <b>165,358</b> | <b>183,184</b> | <b>194,378</b> |
| Revenue growth (%)          | 18.1           | 40.2           | 14.5           | 10.8           | 6.1            |
| <b>EBITDA</b>               | <b>21,723</b>  | <b>34,436</b>  | <b>43,269</b>  | <b>48,525</b>  | <b>53,454</b>  |
| EBITDA growth (%)           | 22.0           | 58.5           | 25.7           | 12.1           | 10.2           |
| Depreciation & Amortization | 4,519          | 5,262          | 5,976          | 6,950          | 7,915          |
| <b>EBIT</b>                 | <b>17,203</b>  | <b>29,174</b>  | <b>37,293</b>  | <b>41,575</b>  | <b>45,539</b>  |
| EBIT growth (%)             | 29.3           | 69.6           | 27.8           | 11.5           | 9.5            |
| Other operating income      | 0              | 0              | 0              | 0              | 0              |
| Other income                | 4,408          | 5,951          | 10,759         | 11,348         | 11,767         |
| Financial expense           | 188            | 280            | 509            | 502            | 493            |
| <b>PBT</b>                  | <b>21,424</b>  | <b>34,845</b>  | <b>47,543</b>  | <b>52,421</b>  | <b>56,813</b>  |
| Extraordinary items         | 0              | 0              | 0              | 0              | 0              |
| Taxes                       | 5,259          | 8,857          | 12,010         | 13,367         | 14,487         |
| Minority interest           | (602)          | (3,152)        | (4,477)        | (4,783)        | (4,823)        |
| Income from JV/Associates   | 0              | 0              | 0              | 0              | 0              |
| <b>Reported PAT</b>         | <b>16,766</b>  | <b>29,139</b>  | <b>40,010</b>  | <b>43,837</b>  | <b>47,148</b>  |
| PAT growth (%)              | 24.5           | 73.8           | 37.3           | 9.6            | 7.6            |
| <b>Adjusted PAT</b>         | <b>16,766</b>  | <b>29,139</b>  | <b>40,010</b>  | <b>43,837</b>  | <b>47,148</b>  |
| <b>Diluted EPS (Rs)</b>     | <b>61.3</b>    | <b>106.7</b>   | <b>146.5</b>   | <b>160.6</b>   | <b>172.7</b>   |
| Diluted EPS growth (%)      | 24.4           | 74.0           | 37.3           | 9.6            | 7.6            |
| <b>DPS (Rs)</b>             | <b>21.0</b>    | <b>36.9</b>    | <b>50.9</b>    | <b>55.2</b>    | <b>58.0</b>    |
| <b>Dividend payout (%)</b>  | <b>34.2</b>    | <b>34.6</b>    | <b>34.7</b>    | <b>34.4</b>    | <b>33.6</b>    |
| EBITDA margin (%)           | 21.1           | 23.8           | 26.2           | 26.5           | 27.5           |
| EBIT margin (%)             | 16.7           | 20.2           | 22.6           | 22.7           | 23.4           |
| Effective tax rate (%)      | 24.5           | 25.4           | 25.3           | 25.5           | 25.5           |
| <b>NOPLAT (pre-IndAS)</b>   | <b>12,980</b>  | <b>21,758</b>  | <b>27,872</b>  | <b>30,973</b>  | <b>33,926</b>  |
| Shares outstanding (mn)     | 273.4          | 273.0          | 273.0          | 273.0          | 273.0          |

Source: Company, Emkay Research

| Cash flows                   |                 |                 |                 |                 |                 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E Mar (Rs mn)              | FY22            | FY23            | FY24            | FY25E           | FY26E           |
| PBT                          | 21,424          | 34,845          | 47,543          | 52,421          | 56,813          |
| Others (non-cash items)      | 776             | (3,153)         | 23,695          | 11,127          | 12,509          |
| Taxes paid                   | (5,136)         | (7,703)         | (10,678)        | (13,420)        | (14,544)        |
| Change in NWC                | (1,793)         | 4,486           | (23,322)        | (752)           | (978)           |
| <b>Operating cash flow</b>   | <b>15,270</b>   | <b>28,475</b>   | <b>37,237</b>   | <b>49,375</b>   | <b>53,799</b>   |
| Capital expenditure          | (6,387)         | (6,737)         | (8,144)         | (8,984)         | (9,041)         |
| Acquisition of business      | (7,702)         | (19,932)        | (22,447)        | (20,000)        | (20,000)        |
| Interest & dividend income   | 4,256           | 2,453           | 0               | 0               | 0               |
| <b>Investing cash flow</b>   | <b>(9,833)</b>  | <b>(24,216)</b> | <b>(28,520)</b> | <b>(28,984)</b> | <b>(29,041)</b> |
| Equity raised/(repaid)       | 65              | 0               | 0               | 0               | 0               |
| Debt raised/(repaid)         | (1,046)         | 1,369           | 799             | 177             | 6               |
| Payment of lease liabilities | (170)           | (189)           | 0               | 0               | 0               |
| Interest paid                | (142)           | (280)           | (509)           | (502)           | (493)           |
| Dividend paid (incl tax)     | (4,647)         | (10,115)        | (13,942)        | (15,103)        | (15,883)        |
| Others                       | (30,578)        | (13,697)        | (2,174)         | 1,161           | 779             |
| <b>Financing cash flow</b>   | <b>(36,517)</b> | <b>(22,912)</b> | <b>(15,826)</b> | <b>(14,268)</b> | <b>(15,590)</b> |
| Net chg in Cash              | (31,079)        | (18,654)        | (7,108)         | 6,124           | 9,167           |
| OCF                          | 15,270          | 28,475          | 37,237          | 49,375          | 53,799          |
| Adj. OCF (w/o NWC chg.)      | 17,064          | 23,989          | 60,559          | 50,128          | 54,777          |
| FCFF                         | 8,883           | 21,738          | 29,094          | 40,392          | 44,758          |
| FCFE                         | 12,952          | 23,910          | 28,585          | 39,889          | 44,264          |
| OCF/EBITDA (%)               | 70.3            | 82.7            | 86.1            | 101.8           | 100.6           |
| FCFE/PAT (%)                 | 77.3            | 82.1            | 71.4            | 91.0            | 93.9            |
| <b>FCFF/NOPLAT (%)</b>       | <b>68.4</b>     | <b>99.9</b>     | <b>104.4</b>    | <b>130.4</b>    | <b>131.9</b>    |

Source: Company, Emkay Research

| Balance Sheet                         |                |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Y/E Mar (Rs mn)                       | FY22           | FY23           | FY24           | FY25E          | FY26E          |
| Share capital                         | 273            | 274            | 274            | 274            | 274            |
| Reserves & Surplus                    | 125,807        | 149,629        | 180,182        | 208,915        | 240,181        |
| <b>Net worth</b>                      | <b>126,080</b> | <b>149,903</b> | <b>180,455</b> | <b>209,189</b> | <b>240,454</b> |
| Minority interests                    | 0              | 0              | 0              | 0              | 0              |
| Deferred tax liability (net)          | 2,201          | 2,913          | 4,483          | 4,430          | 4,374          |
| <b>Total debt</b>                     | <b>588</b>     | <b>1,957</b>   | <b>2,756</b>   | <b>2,933</b>   | <b>2,939</b>   |
| <b>Total liabilities &amp; equity</b> | <b>128,869</b> | <b>154,773</b> | <b>187,694</b> | <b>216,552</b> | <b>247,767</b> |
| Net tangible fixed assets             | 19,108         | 21,765         | 24,009         | 25,503         | 26,588         |
| Net intangible assets                 | 3,298          | 3,298          | 3,298          | 3,298          | 3,298          |
| Net ROU assets                        | 1,837          | 1,837          | 1,837          | 1,837          | 1,837          |
| Capital WIP                           | 5,048          | 4,721          | 5,551          | 6,091          | 6,132          |
| Goodwill                              | 0              | 0              | 0              | 0              | 0              |
| Investments [JV/Associates]           | 19,671         | 22,284         | 25,785         | 25,785         | 25,785         |
| <b>Cash &amp; equivalents</b>         | <b>84,759</b>  | <b>109,494</b> | <b>110,948</b> | <b>137,072</b> | <b>166,239</b> |
| Current assets (ex-cash)              | 27,677         | 28,578         | 59,724         | 66,162         | 70,738         |
| Current Liab. & Prov.                 | 32,529         | 37,204         | 43,457         | 49,196         | 52,850         |
| <b>NWC (ex-cash)</b>                  | <b>(4,852)</b> | <b>(8,626)</b> | <b>16,267</b>  | <b>16,966</b>  | <b>17,888</b>  |
| <b>Total assets</b>                   | <b>128,869</b> | <b>154,773</b> | <b>187,694</b> | <b>216,552</b> | <b>247,767</b> |
| Net debt                              | (84,171)       | (107,537)      | (108,192)      | (134,139)      | (163,300)      |
| Capital employed                      | 128,869        | 154,773        | 187,694        | 216,552        | 247,767        |
| <b>Invested capital</b>               | <b>19,391</b>  | <b>18,274</b>  | <b>45,410</b>  | <b>47,604</b>  | <b>49,611</b>  |
| BVPS (Rs)                             | 460.5          | 547.5          | 659.0          | 764.0          | 878.2          |
| Net Debt/Equity (x)                   | (0.7)          | (0.7)          | (0.6)          | (0.6)          | (0.7)          |
| Net Debt/EBITDA (x)                   | (3.9)          | (3.1)          | (2.5)          | (2.8)          | (3.1)          |
| Interest coverage (x)                 | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| <b>RoCE (%)</b>                       | <b>13.1</b>    | <b>18.6</b>    | <b>21.0</b>    | <b>19.6</b>    | <b>18.5</b>    |

Source: Company, Emkay Research

| Valuations and key Ratios |               |               |             |             |             |
|---------------------------|---------------|---------------|-------------|-------------|-------------|
| Y/E Mar                   | FY22          | FY23          | FY24        | FY25E       | FY26E       |
| P/E (x)                   | 76.3          | 43.9          | 32.0        | 29.2        | 27.1        |
| P/CE(x)                   | 60.1          | 37.2          | 27.8        | 25.2        | 23.2        |
| P/B (x)                   | 10.1          | 8.5           | 7.1         | 6.1         | 5.3         |
| EV/Sales (x)              | 11.6          | 8.1           | 7.1         | 6.2         | 5.7         |
| EV/EBITDA (x)             | 55.0          | 34.0          | 27.1        | 23.6        | 20.9        |
| EV/EBIT(x)                | 69.3          | 40.0          | 31.3        | 27.4        | 24.4        |
| EV/IC (x)                 | 61.5          | 63.9          | 25.7        | 24.0        | 22.4        |
| FCFF yield (%)            | 0.7           | 1.9           | 2.5         | 3.5         | 4.0         |
| FCFE yield (%)            | 1.0           | 1.9           | 2.2         | 3.1         | 3.5         |
| Dividend yield (%)        | 0.4           | 0.8           | 1.1         | 1.2         | 1.2         |
| <b>DuPont-RoE split</b>   |               |               |             |             |             |
| Net profit margin (%)     | 16.3          | 20.2          | 24.2        | 23.9        | 24.3        |
| Total asset turnover (x)  | 0.8           | 1.0           | 1.0         | 0.9         | 0.8         |
| Assets/Equity (x)         | 1.0           | 1.0           | 1.0         | 1.0         | 1.0         |
| <b>RoE (%)</b>            | <b>13.9</b>   | <b>21.1</b>   | <b>24.2</b> | <b>22.5</b> | <b>21.0</b> |
| <b>DuPont-RoIC</b>        |               |               |             |             |             |
| NOPLAT margin (%)         | 12.6          | 15.1          | 16.9        | 16.9        | 17.5        |
| IC turnover (x)           | 5.3           | 7.9           | 3.6         | 3.8         | 3.9         |
| <b>RoIC (%)</b>           | <b>70.0</b>   | <b>115.5</b>  | <b>87.5</b> | <b>66.6</b> | <b>69.8</b> |
| <b>Operating metrics</b>  |               |               |             |             |             |
| Core NWC days             | (17.2)        | (21.8)        | 35.9        | 33.8        | 33.6        |
| <b>Total NWC days</b>     | <b>(17.2)</b> | <b>(21.8)</b> | <b>35.9</b> | <b>33.8</b> | <b>33.6</b> |
| Fixed asset turnover      | 2.4           | 3.0           | 3.0         | 2.9         | 2.7         |
| Opex-to-revenue (%)       | 21.1          | 19.3          | 19.5        | 19.2        | 18.5        |

Source: Company, Emkay Research

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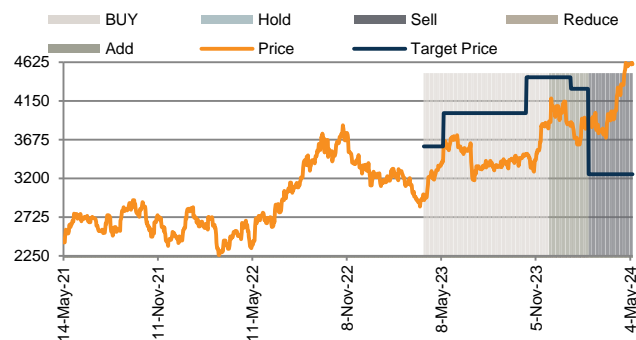
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| Date      | Closing Price (INR) | TP (INR) | Rating | Analyst     |
|-----------|---------------------|----------|--------|-------------|
| 14-Feb-24 | 3,902               | 3,250    | Sell   | Chirag Jain |
| 11-Jan-24 | 3,889               | 4,300    | Add    | Chirag Jain |
| 30-Nov-23 | 3,897               | 4,440    | Add    | Chirag Jain |
| 13-Nov-23 | 3,645               | 4,440    | Buy    | Chirag Jain |
| 18-Oct-23 | 3,496               | 4,440    | Buy    | Chirag Jain |
| 03-Aug-23 | 3,380               | 4,000    | Buy    | Chirag Jain |
| 12-May-23 | 3,626               | 4,000    | Buy    | Chirag Jain |
| 04-Apr-23 | 3,004               | 3,590    | Buy    | Chirag Jain |

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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|---------------|---|
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| <b>ADD</b>    | 5-15% upside                                  |
| <b>REDUCE</b> | 5% upside to 15% downside                     |
| <b>SELL</b>   | <15% downside                                 |

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