

# Happy Forgings

## Estimate changes

TP change

Rating change



|                       |             |
|-----------------------|-------------|
| Bloomberg             | HAPPYFOR IN |
| Equity Shares (m)     | 94          |
| M.Cap.(INRb)/(USDb)   | 106.9 / 1.3 |
| 52-Week Range (INR)   | 1300 / 813  |
| 1, 6, 12 Rel. Per (%) | 2/12/-      |
| 12M Avg Val (INR M)   | 190         |

## Consol. Financials & Valuations (INR b)

| Y/E March    | FY25E | FY26E | FY27E |
|--------------|-------|-------|-------|
| Sales        | 14.8  | 18.2  | 22.4  |
| EBITDA       | 4.3   | 5.5   | 6.8   |
| Adj. PAT     | 2.8   | 3.8   | 4.9   |
| EPS (INR)    | 30.2  | 40.8  | 51.6  |
| EPS growth % | 17.2  | 34.9  | 26.5  |
| BV/Sh. (INR) | 196   | 230   | 273   |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 16.5 | 19.1 | 20.5 |
| RoCE (%)   | 15.5 | 18.3 | 19.8 |
| Payout (%) | 17.0 | 17.0 | 17.0 |

## Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 37.6 | 27.9 | 22.0 |
| P/BV (x)       | 5.8  | 4.9  | 4.2  |
| EV/EBITDA (x)  | 24.4 | 19.2 | 15.3 |
| Div. Yield (%) | 0.5  | 0.6  | 0.8  |

## Shareholding Pattern (%)

| As On    | Sep-24 | Jun-24 |
|----------|--------|--------|
| Promoter | 78.6   | 78.6   |
| DII      | 17.1   | 16.7   |
| FII      | 2.3    | 2.2    |
| Others   | 2.0    | 2.5    |

**CMP: INR1,135**

**TP: INR1,300 (+15%)**

**Buy**

## Margin beats estimate, led by better product mix

### Focusing on gradually ramping up presence in Industrial segment

- Happy Forgings (HFL)'s 2QFY25 result was encouraging as it reported a healthy EBITDA margin of 29.2% (+190bp YoY, est. 28%) led by a higher mix of machining and industrial segment. Despite a muted demand outlook for its core CV division, we expect HFL to continue outperforming, driven by new order ramp-up, particularly in exports and industrials, growth in new segments such as PVs, and higher value addition.
- To account for the weakness in CVs and export geographies, we have reduced our FY26E EPS estimate by 4.5%, while FY25E remains unchanged. **Reiterate BUY with a TP of INR1,300 (premised on 28x Sep'26E EPS).**

### Machining mix improves to 88% in 1HFY25 (vs 84% in 1HFY24)

- HFL's revenue/EBITDA/adj. PAT grew 5%/12%/21% YoY to INR3.6b/INR1.05b/INR0.67b (est. INR3.6b/INR0.99b/INR0.67b).
- In Q2FY24, its avg ASP was boosted by compensation towards air freight order of a customer. Adjusting for the same in the base quarter, revenue/EBITDA/PAT grew 6%/15%/24% YoY in 2QFY25.
- Finished goods volume for the quarter grew 3% YoY while realizations grew ~4% YoY. Realizations improved INR9/kg YoY in 1HFY25 despite a fall in raw material costs during this period. This growth was driven by a favorable product mix following an increase in the share of the industrials segment and higher machining mix.
- This resulted in the gross margin expansion of 350bp YoY (+230bp QoQ) to 58.8%. The machining mix was at 88% in 1HFY25, up from 84% in 1HFY24.
- However, higher other expenses (+170bp YoY/ +180bp QoQ; as a % of sales) limited the EBITDA margin expansion. The margin expanded 190bp YoY to 29.2% (est. 28%). Other expenses rose mainly due to higher logistics costs driven by geopolitical factors.
- 1HFY25 revenue/ EBITDA/ adj. PAT grew 4%/5%/9% YoY while we expect 2HFY25 to grow ~14%/20%/25%, led by a recovery in tractors demand outlook, execution of orders in industrials, and better margins.
- The operating cash flow grew 41% YoY; meanwhile, cash inflow stood at INR9.1m in 1HFY25 (vs. outflow of INR207m in 1HFY24) following the capex spend.

### Highlights from the management interaction

- Outlook:** Top-line growth in the medium term is expected at around 15-18%, driven by new projects in the PV, CV, and industrial segments.  
**Exports:** Direct exports currently make up 20% while 9% are indirect; this is projected to rise to 30-35% together over the next 2-3 years. Approximately 70% of orders are from global players.

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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.

- **Industrial business:** The business contributes 12-13% of the revenue and the company expects it to reach 18-20% over the next 2-3 years. Additionally, it aims to expand its product offerings and weight range to 1 ton, currently capped at 250 kg.
- **Farm equipment:** While agri segment in Europe and US is seeing a marked slowdown, HFL's outperformance in this segment is expected to be supported by healthy order inflows
- **The projected annual capex for FY25 and FY26 is INR2-2.5b**, primarily focused on expanding machining capacity and product development in key growth segments. Utilization of the 14k ton press line currently stands at 50-55%, and the company aims to increase this to 70% by next year.

#### Valuation & view

- Given its stable performance in CVs and healthy outlook for domestic tractors, we expect HFL to continue to perform well. Further, its healthy order wins in the Industrials and Exports segments will contribute to an improved mix. HFL's superior financial track record relative to peers serves as a testament to its inherent operational efficiencies and is likely to be a key competitive advantage going forward.
- To account for the weakness in CVs and export geographies, we have reduced our FY26E EPS estimate by 4.5%, while FY25E remains unchanged. We estimate an 18%/21%/ 26% CAGR in the standalone revenue/EBITDA/PAT during FY24-27. **We reiterate our BUY rating on the stock with a TP of INR1,300 (based on 28x Sep'26E EPS).**

#### Quarterly (Standalone)

(INR M)

|                             | FY24         |              |              |              | FY25E        |              |              |              | FY24          | FY25E         | Variance     |            |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|------------|
|                             | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3QE          | 4QE          |               |               | 2QE          | (%)        |
| <b>Net operating income</b> | <b>3,298</b> | <b>3,431</b> | <b>3,420</b> | <b>3,433</b> | <b>3,415</b> | <b>3,611</b> | <b>3,830</b> | <b>3,988</b> | <b>13,582</b> | <b>14,844</b> | <b>3,568</b> | <b>1.2</b> |
| Change (%)                  |              |              | 16.2         | 13.5         | 3.5          | 5.3          | 12.0         | 16.1         | 13.5          | 9.3           | 4.0          |            |
| RM/Sales (%)                | 43.0         | 44.7         | 44.5         | 43.5         | 43.5         | 41.2         | 41.0         | 41.3         | 43.9          | 41.7          | 43.5         |            |
| Staff Cost (%)              | 7.5          | 8.5          | 9.0          | 8.6          | 8.5          | 8.5          | 8.7          | 8.6          | 8.4           | 8.6           | 8.9          |            |
| Other Exp. (%)              | 19.1         | 19.5         | 18.7         | 19.6         | 19.4         | 21.2         | 20.8         | 20.5         | 19.1          | 20.5          | 19.7         |            |
| <b>EBITDA</b>               | <b>1,002</b> | <b>938</b>   | <b>952</b>   | <b>971</b>   | <b>976</b>   | <b>1,054</b> | <b>1,130</b> | <b>1,181</b> | <b>3,875</b>  | <b>4,340</b>  | <b>998</b>   | <b>5.5</b> |
| EBITDA Margins (%)          | 30.4         | 27.3         | 27.8         | 28.3         | 28.6         | 29.2         | 29.5         | 29.6         | 28.5          | 29.2          | 28.0         |            |
| Non-Operating Income        | 34           | 7            | 33           | 72           | 77           | 83           | 82           | 81           | 134           | 323           | 80           |            |
| Interest                    | 27           | 44           | 38           | 9            | 14           | 16           | 14           | 14           | 118           | 57            | 15           |            |
| Depreciation                | 155          | 162          | 171          | 160          | 180          | 197          | 200          | 207          | 647           | 783           | 182          |            |
| EO Exp                      |              |              |              |              |              | -48          |              |              |               |               |              |            |
| <b>PBT after EO items</b>   | <b>855</b>   | <b>738</b>   | <b>777</b>   | <b>875</b>   | <b>859</b>   | <b>973</b>   | <b>998</b>   | <b>1,042</b> | <b>3,244</b>  | <b>3,823</b>  | <b>881</b>   |            |
| Tax                         | 214          | 185          | 198          | 217          | 220          | 259          | 254          | 242          | 814           | 975           | 226          |            |
| Eff. Tax Rate (%)           | 25.1         | 25.1         | 25.5         | 24.8         | 25.6         | 26.6         | 25.5         | 23.2         | 25.1          | 25.5          | 25.6         |            |
| <b>Rep. PAT</b>             | <b>640</b>   | <b>553</b>   | <b>579</b>   | <b>658</b>   | <b>639</b>   | <b>714</b>   | <b>743</b>   | <b>800</b>   | <b>2,430</b>  | <b>2,848</b>  | <b>655</b>   |            |
| Change (%)                  |              |              | 39.2         | 29.7         | -0.3         | 29.3         | 28.4         | 21.6         | 18.3          | 17.2          | 18.6         |            |
| <b>Adj. PAT</b>             | <b>640</b>   | <b>553</b>   | <b>579</b>   | <b>658</b>   | <b>639</b>   | <b>666</b>   | <b>743</b>   | <b>800</b>   | <b>2,430</b>  | <b>2,848</b>  | <b>655</b>   | <b>1.7</b> |
| Change (%)                  |              |              | 39.2         | 29.7         | -0.3         | 20.6         | 28.4         | 21.6         | 16.4          | 17.2          | 18.6         |            |

E: MOFSL Estimates

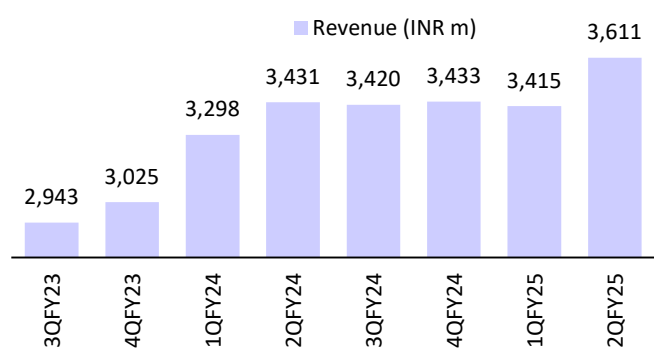


## Highlights from the management interaction

- **Outlook:** Top-line growth in the medium term is expected at around 15-18%, driven by new projects in the PV, CV, and industrial segments.
- **Exports:** Direct exports currently make up 20% while 9% are indirect; this is projected to rise to 30-35% together over the next 2-3 years. Approximately 70% of the current orders are from global players.
- **Delay in execution:** While there are some customer-side delays due to cost pressures and global slowdown, management remains confident about outperforming industry growth on account of new order wins across each of its core segments.
- **Industrial business:** The business contributes 12-13% of the revenue and the company expects it to reach 18-20% in the next 2-3 years. Additionally, it aims to expand its product offerings and weight range to 1 ton, currently capped at 250 kg.
- **Growth opportunities:** In the next 2-3 years, the company's focus will be on expanding businesses within highway projects and large axle programs. In the next 3-5 years, it plans to further expand its product range, opening up opportunities in large gensets, industrial products, and railway gears.
- **Portable and high HP gensets:** Portable and mid-category genset opportunities will not require capex for forging, as existing capacity is sufficient. However, dedicated investments will be required in machining. Higher HP gensets will require additional investments in forging capacity, with more clarity expected in the coming quarters as they are in advanced discussions with few OEMs. Over the next 2-3 years, HFL aims to cover a smaller portion of the large genset opportunity, with potential growth in higher HP products from the third year onwards. This could become a major industrial segment in the long run.
- **Wind business makes up 7% of the total revenue** and they expect huge growth potential in the long run from this segment. It is currently catered from a 14k ton press line that can forge up to 250kg and an 8k ton line that is fully machined.
- **Ring-rolling business:** It plans to enter the ring-rolling (ring forging) business, adding capacity to serve the bearing industry.
- **Defense:** The business is in the initial stages and they have started studying the same. It has started working on components under 200 kg, such as those related to tank products, with a focus on machining. These will be sourced through government tenders, not through Tier 1 or Tier 2 suppliers.
- **Farm equipment:** Growth in this quarter was driven by new business ramp-up and product range expansion for both new and existing customers, especially in crankshaft manufacturing.
- In the domestic tractor segment, October experienced a strong festive pick-up and November is likely to witness a seasonal slowdown. However, demand in Europe and North America remains weak with inventory destocking exercise expected to be complete by December.
- However, the company's outperformance in this segment is expected to continue over FY25-26, supported by strong customer relationships and market recovery.

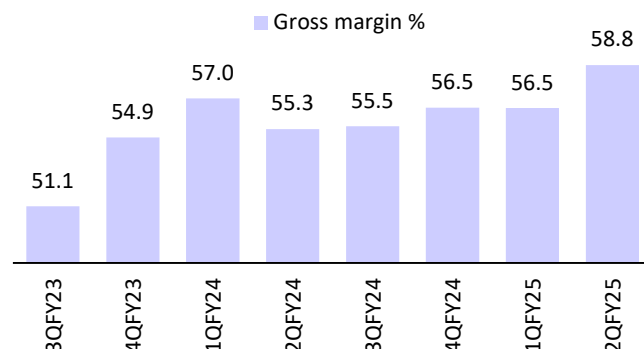
- **Passenger car:** It contributed 4% to overall revenue. Deliveries to North American customers, scheduled for 2HFY25, are expected to further boost the revenue share.
- **Updates on capex:**
  - **The projected annual CapEx for FY25 and FY26 is INR2-2.5b**, primarily focused on expanding machining capacity and product development in key growth segments.
  - **Machining capacity increased from 50k to 57k tons** in 1H and is expected to reach 62k tons in 2H. The machining mix has improved to 89% of the business in Q2.
  - **6,300 ton line for PV & genset:** It is dedicated to PV and portable genset components and should reach full utilization by next year, led by strong demand.
  - **14,000 ton press utilization:** Utilization currently stands at 50-55%. Key growth areas include the wind sector business and front axle beams for CVs, which are set to ramp up from 4Q, aiming for 70% utilization next year.
  - **Jammu machining facility:** The Jammu facility is awaiting government approval, with proposals filed for INR1.6b. The formation of a subsidiary has been completed but election delays have impacted the execution.
- **American Axle business:** HFL is a supplier to American Axle's India entity and this contributes approximately INR450-500m to HFL's revenues. However, despite its acquisition by a competitor, management expects continuity and potential growth from this customer due to a strong product range and long-standing relationships.

Exhibit 1: SA revenue trend



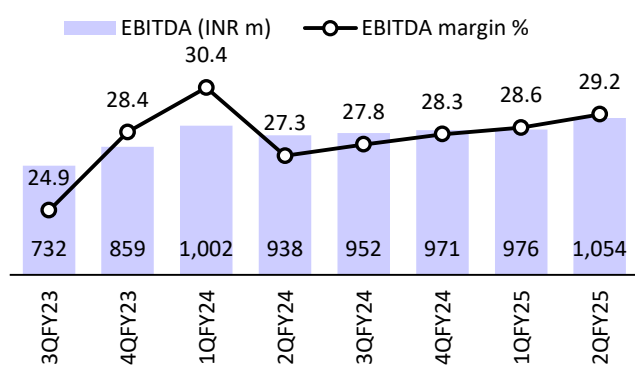
Source: Company, MOFSL

Exhibit 2: SA gross margin trend



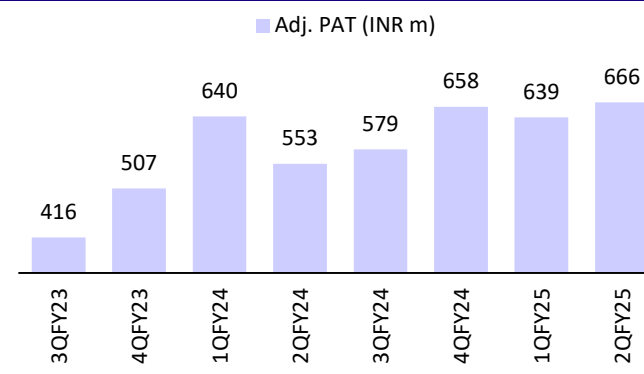
Source: Company, MOFSL

Exhibit 3: EBITDA and margin trends



Source: Company, MOFSL

Exhibit 4: Adj. PAT trend over the quarters



Source: Company, MOFSL

### Valuation and view

- Ability to deliver safety-critical, complex forged and machined products:** HFL embarked on its journey by manufacturing basic forged components, and evolved to manufacture complex and safety-critical products with tight tolerances. This transformation involved expanding capabilities in both light and heavy forgings as well as machining processes. It is the second company in India to have a 14k ton forging press and one of the four companies to have an 8k ton or higher press. It is a supplier to each of the top five Indian OEMs in the M&HCV industry. The addition of the 14k ton press line in 3QFY23 has enabled the company to forge heavier, safety-critical parts, weighing up to 250kg, while also expanding its capabilities across various industries. Transitioning from solely a forgings player, HFL has now evolved into a fully machined player, with its machining mix increasing to 88% in 1HFY25 from 53% in FY14.
- Well-diversified mix to help offset cyclical uncertainty:** Over the years, HFL has successfully diversified its user industry across segments and customers. Its exports have surged to 19% in 1HFY25 from just 13% in FY23. Additionally, the contribution from its Industrials segment increased to 13% in 1HFY25 from just 4% in FY23. This diversified customer base has helped HFL reduce cyclicity to its core segments, such as CVs and tractors. It is noteworthy that despite weak demand in CVs and tractors, HFL has been able to deliver healthy revenue growth of ~13.5% YoY in FY24 due to a strong performance in the Industrials (non-tractor) segment.

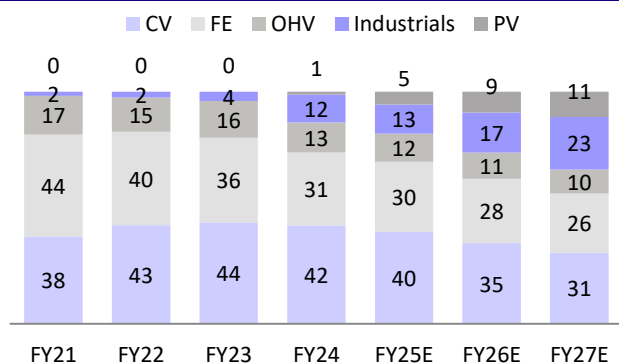
- **New orders to drive near-term weakness in core Autos:** HFL's major revenue share is attributed to CV and Farm Equipment, constituting 39% and 33%, respectively, in 1HFY25. While the near-term demand outlook is maintained, we believe structural drivers are in place for recovery in 2HFY25. Further, we understand that HFL has won orders for new CV products from major CV OEMs as well as in the tractor segment. HFL has already secured orders from both domestic and global PV OEMs. This is expected to help drive outperformance in its core auto segments. We expect HFL's CV/tractor segment revenue to register a CAGR of 6%/10% over FY24-27, well ahead of our industry forecasts.
- **Industrials and exports to be the key growth drivers for HFL:** Following the successful installation of its 14k MT press, HFL experienced a major influx of new orders from the Industrials segment. This led to a spike in the segment's revenue contribution, which rose to 12% in 1HFY25 from just 4% in FY23. Further, due to its relatively low manufacturing costs and favorable government policies promoting localization, India is now emerging as the key beneficiary of this trend. Like its peers, HFL is also emerging as one of the beneficiaries of this trend. This is evident from its healthy share of exports in the order book. Accordingly, management expects the export contribution to rise to 30-35% by FY25 from the current level of 19%.
- **Valuation & view:** Given its stable performance in CVs and healthy outlook for domestic tractors, we expect HFL to continue to perform well. Further, its healthy order wins in the Industrials and Exports segments would help drive an improved mix. HFL's superior financial track record relative to peers serves as a testament to its inherent operational efficiencies and is likely to be a key competitive advantage going forward. We forecast an 18%/21%/26% CAGR in the standalone revenue/ EBITDA/PAT during FY24E-27. **We reiterate our BUY rating on the stock with a TP of INR1,300 (based on 28x Sep'26E EPS).**

**Exhibit 5: Our revised forecasts**

| (INR b)                  | FY25E       |             |             | FY26E       |             |             |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                          | Rev         | Old         | Chg (%)     | Rev         | Old         | Chg (%)     |
| Net Sales                | 14.8        | 15.3        | -3.0        | 18.2        | 19.2        | -4.8        |
| <b>EBITDA Margin (%)</b> | <b>29.2</b> | <b>28.4</b> | <b>90bp</b> | <b>30.0</b> | <b>29.8</b> | <b>20bp</b> |
| PAT                      | 2.8         | 2.9         | -1.0        | 3.8         | 4.0         | -4.5        |
| <b>EPS (INR)</b>         | <b>30.2</b> | <b>30.5</b> | <b>-1.0</b> | <b>40.8</b> | <b>42.7</b> | <b>-4.5</b> |

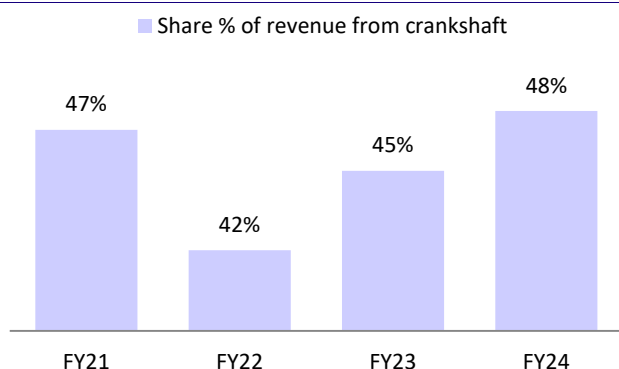
## Key operating indicators

**Exhibit 6: Revenue mix % – Share of industrials to rise**



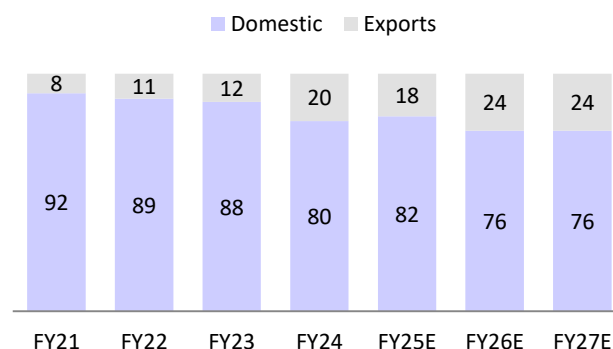
Source: Company, MOFSL

**Exhibit 8: Crankshaft contribution at ~48% of revenue**



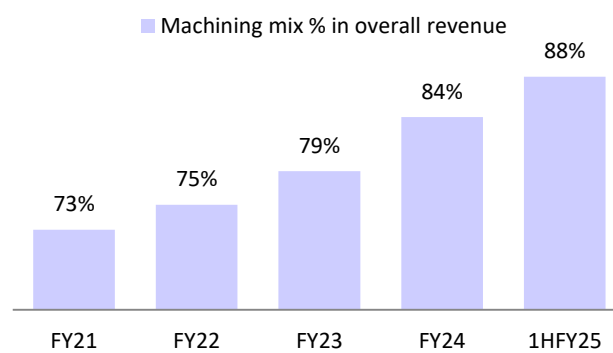
Source: Company, MOFSL

**Exhibit 7: Revenue share % of exports has been growing**



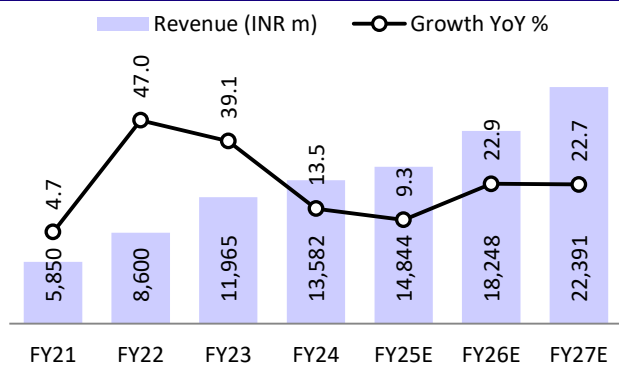
Source: Company, MOFSL

**Exhibit 9: Focusing on increasing the machining mix**



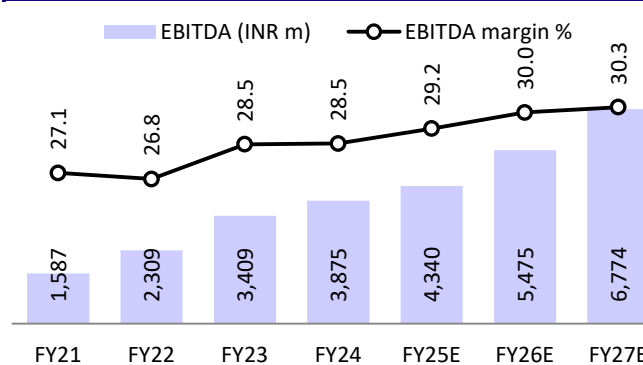
Source: Company, MOFSL

**Exhibit 10: Revenue to register ~18% CAGR over FY24-27**

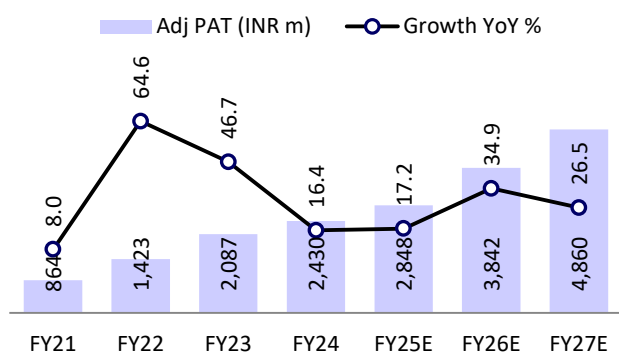


Source: Company, MOFSL

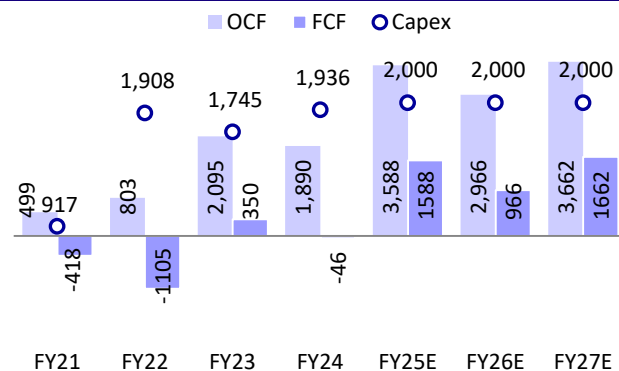
**Exhibit 11: EBITDA margin to expand ~180bp over FY24-27**



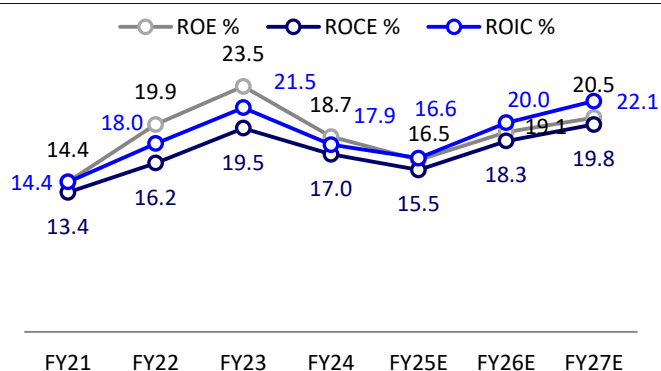
Source: Company, MOFSL

**Exhibit 12: PAT to register ~26% CAGR over FY24-27**

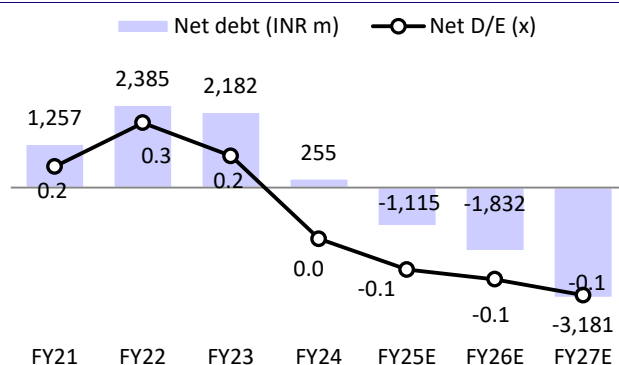
Source: Company, MOFSL

**Exhibit 13: FCF/OCF expected to increase over the years**

Source: Company, MOFSL

**Exhibit 14: Returns to improve steadily over the next three years**

Source: Company, MOFSL

**Exhibit 15: Overall debt continues to decline**

Source: Company, MOFSL



## Financials and valuations

| Income Statement         |              |              |               |               | (INR M)       |               |               |
|--------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                | FY21         | FY22         | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
| <b>Net Sales</b>         | <b>5,850</b> | <b>8,600</b> | <b>11,965</b> | <b>13,582</b> | <b>14,844</b> | <b>18,248</b> | <b>22,391</b> |
| Change (%)               | 4.7          | 47.0         | 39.1          | 13.5          | 9.3           | 22.9          | 22.7          |
| <b>EBITDA</b>            | <b>1,587</b> | <b>2,309</b> | <b>3,409</b>  | <b>3,875</b>  | <b>4,340</b>  | <b>5,475</b>  | <b>6,774</b>  |
| Margin (%)               | 27.1         | 26.8         | 28.5          | 28.5          | 29.2          | 30.0          | 30.3          |
| Depreciation             | 358          | 377          | 542           | 647           | 783           | 824           | 893           |
| <b>EBIT</b>              | <b>1,230</b> | <b>1,931</b> | <b>2,868</b>  | <b>3,228</b>  | <b>3,557</b>  | <b>4,651</b>  | <b>5,881</b>  |
| Int. and Finance Charges | 118          | 72           | 125           | 118           | 57            | 45            | 37            |
| Other Income             | 59           | 61           | 58            | 134           | 323           | 450           | 550           |
| <b>PBT after EO Exp.</b> | <b>1,171</b> | <b>1,920</b> | <b>2,800</b>  | <b>3,244</b>  | <b>3,823</b>  | <b>5,056</b>  | <b>6,394</b>  |
| Current Tax              | 316          | 471          | 685           | 748           | 975           | 1,213         | 1,535         |
| Deferred Tax             | -10          | 27           | 29            | 65.67         | -             | -             | -             |
| Tax Rate (%)             | 26.2         | 25.9         | 25.5          | 25.1          | 25.5          | 24.0          | 24.0          |
| <b>Reported PAT</b>      | <b>864</b>   | <b>1,423</b> | <b>2,087</b>  | <b>2,430</b>  | <b>2,848</b>  | <b>3,842</b>  | <b>4,860</b>  |
| <b>Adj PAT</b>           | <b>864</b>   | <b>1,423</b> | <b>2,087</b>  | <b>2,430</b>  | <b>2,848</b>  | <b>3,842</b>  | <b>4,860</b>  |
| Change (%)               | 8            | 65           | 47            | 16            | 17            | 35            | 26            |

| Balance Sheet                       |              |               |               |               | (INR M)       |               |               |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                           | FY21         | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
| Equity Share Capital                | 90           | 179           | 179           | 188           | 188           | 188           | 188           |
| Total Reserves                      | 6,362        | 7,697         | 9,704         | 15,937        | 18,300        | 21,490        | 25,523        |
| <b>Net Worth</b>                    | <b>6,452</b> | <b>7,876</b>  | <b>9,883</b>  | <b>16,125</b> | <b>18,489</b> | <b>21,678</b> | <b>25,712</b> |
| Deferred Liabilities                | 202          | 229           | 230           | 316           | 316           | 316           | 316           |
| Total Loans                         | 1,535        | 2,404         | 2,185         | 1,430         | 1,230         | 1,030         | 830           |
| <b>Capital Employed</b>             | <b>8,188</b> | <b>10,509</b> | <b>12,299</b> | <b>17,871</b> | <b>20,035</b> | <b>23,024</b> | <b>26,858</b> |
| Gross Block                         | 5,066        | 5,858         | 8,591         | 9,880         | 11,880        | 13,880        | 15,880        |
| Less: Accum. Deprn.                 | 919          | 1,296         | 1,807         | 2,444         | 3,227         | 4,051         | 4,944         |
| <b>Net Fixed Assets</b>             | <b>4,147</b> | <b>4,562</b>  | <b>6,784</b>  | <b>7,437</b>  | <b>8,653</b>  | <b>9,829</b>  | <b>10,936</b> |
| Capital WIP                         | 404          | 2,123         | 748           | 1,267         | 1,267         | 1,267         | 1,267         |
| <b>Total Investments</b>            | <b>0</b>     | <b>4</b>      | <b>0</b>      | <b>1</b>      | <b>2,001</b>  | <b>2,201</b>  | <b>3,401</b>  |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>4,214</b> | <b>4,610</b>  | <b>5,730</b>  | <b>10,155</b> | <b>9,180</b>  | <b>11,027</b> | <b>12,839</b> |
| Inventory                           | 1,216        | 1,840         | 1,696         | 2,242         | 2,152         | 2,645         | 3,246         |
| Account Receivables                 | 1,658        | 2,220         | 3,081         | 3,569         | 3,634         | 4,467         | 5,481         |
| Cash and Bank Balance               | 278          | 15            | 3             | 1,174         | 344           | 661           | 610           |
| Loans and Advances                  | 1,062        | 535           | 950           | 3,170         | 3,050         | 3,254         | 3,502         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>576</b>   | <b>790</b>    | <b>963</b>    | <b>988</b>    | <b>1,066</b>  | <b>1,300</b>  | <b>1,585</b>  |
| Creditors                           | 379          | 442           | 477           | 555           | 564           | 694           | 851           |
| Other Current Liabilities           | 178          | 321           | 448           | 388           | 457           | 562           | 689           |
| Provisions                          | 19           | 27            | 38            | 45            | 45            | 45            | 45            |
| <b>Net Current Assets</b>           | <b>3,638</b> | <b>3,821</b>  | <b>4,767</b>  | <b>9,167</b>  | <b>8,114</b>  | <b>9,728</b>  | <b>11,254</b> |
| <b>Appl. of Funds</b>               | <b>8,188</b> | <b>10,509</b> | <b>12,299</b> | <b>17,871</b> | <b>20,035</b> | <b>23,024</b> | <b>26,858</b> |

E: MOFSL Estimates

## Financials and valuations

### Ratios

| Y/E March                     | FY21        | FY22        | FY23        | FY24        | FY25E       | FY26E       | FY27E       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |             |             |             |             |             |             |             |
| <b>EPS</b>                    | <b>19.3</b> | <b>15.9</b> | <b>23.3</b> | <b>25.8</b> | <b>30.2</b> | <b>40.8</b> | <b>51.6</b> |
| Cash EPS                      | 27.3        | 20.1        | 29.4        | 32.7        | 38.5        | 49.5        | 61.1        |
| BV/Share                      | 144.2       | 88.0        | 110.4       | 171.2       | 196.3       | 230.1       | 272.9       |
| DPS                           | -           | -           | -           | 4.0         | 5.1         | 6.9         | 8.8         |
| Payout (%)                    | -           | -           | -           | 15.5        | 17.0        | 17.0        | 17.0        |
| Dividend Yield (%)            | -           | -           | -           | 0.4         | 0.5         | 0.6         | 0.8         |
| FCF per share                 | -9.3        | -12.4       | 3.9         | -0.5        | 16.9        | 10.3        | 17.6        |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |
| P/E                           | 58.5        | 71.1        | 48.5        | 43.8        | 37.4        | 27.7        | 21.9        |
| Cash P/E                      | 41.4        | 56.2        | 38.5        | 34.6        | 29.3        | 22.8        | 18.5        |
| P/BV                          | 7.8         | 12.8        | 10.2        | 6.6         | 5.8         | 4.9         | 4.1         |
| EV/Sales                      | 8.9         | 12.0        | 8.6         | 7.9         | 7.1         | 5.7         | 4.6         |
| EV/EBITDA                     | 32.6        | 44.8        | 30.3        | 27.5        | 24.3        | 19.1        | 15.2        |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |
| RoE                           | 14.4        | 19.9        | 23.5        | 18.7        | 16.5        | 19.1        | 20.5        |
| RoCE (Post-tax)               | 13.4        | 16.2        | 19.5        | 17.0        | 15.5        | 18.3        | 19.8        |
| RoIC                          | 14.4        | 18.0        | 21.5        | 17.9        | 16.6        | 20.0        | 22.1        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 1.2         | 1.5         | 1.4         | 1.4         | 1.2         | 1.3         | 1.4         |
| Inventory (Days)              | 62          | 65          | 54          | 53          | 54          | 48          | 48          |
| Debtor (Days)                 | 95          | 82          | 81          | 89          | 89          | 81          | 81          |
| Creditor (Days)               | 37          | 17          | 14          | 14          | 14          | 13          | 13          |
| Working Capital (Days)        | 169         | 152         | 131         | 171         | 194         | 168         | 161         |
| <b>Leverage Ratio (x)</b>     |             |             |             |             |             |             |             |
| Net Debt/Equity               | 0.2         | 0.3         | 0.2         | 0.0         | -0.1        | -0.1        | -0.1        |

### Cash Flow Statement

(INR M)

| Y/E March                    | FY21        | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|------------------------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating PBT                | 1,171       | 1,921         | 2,800         | 3,244         | 3,823         | 5,056         | 6,394         |
| Depreciation                 | 358         | 377           | 542           | 647           | 783           | 824           | 893           |
| Interest/Div paid            | -118        | -72           | -125          | 118           | 57            | 45            | 37            |
| Direct Taxes Paid            | -399        | -431          | -638          | -839          | -975          | -1,213        | -1,535        |
| (Inc)/Dec in WC              | -825        | -1,088        | -779          | -1,230        | 223           | -1,296        | -1,577        |
| Other items                  | 312         | 96            | 295           | -50           | -323          | -450          | -550          |
| <b>CF from Operations</b>    | <b>499</b>  | <b>803</b>    | <b>2,095</b>  | <b>1,890</b>  | <b>3,588</b>  | <b>2,966</b>  | <b>3,662</b>  |
| (inc)/dec in FA              | -917        | -1,908        | -1,745        | -1,936        | -2,000        | -2,000        | -2,000        |
| <b>Free Cash Flow</b>        | <b>-418</b> | <b>-1,105</b> | <b>350</b>    | <b>-46</b>    | <b>1,588</b>  | <b>966</b>    | <b>1,662</b>  |
| (Pur)/Sale of Investments    | 288         | 230           | 15            | -2,770        | -2,000        | -200          | -1,200        |
| Others                       | 41          | 21            | 5             | 12            | 323           | 450           | 550           |
| <b>CF from Investments</b>   | <b>-587</b> | <b>-1,657</b> | <b>-1,725</b> | <b>-4,694</b> | <b>-3,677</b> | <b>-1,750</b> | <b>-2,650</b> |
| Issue of Shares              | -           | -             | -             | 3,810         | -             | -             | -             |
| Inc/(Dec) in Debt            | 351         | 895           | -251          | -755          | -200          | -200          | -200          |
| Interest Paid                | -254        | -68           | -119          | -130          | -57           | -45           | -37           |
| Dividend Paid                | -           | -             | -             | -116          | -484          | -653          | -826          |
| <b>CF from Fin. Activity</b> | <b>97</b>   | <b>825</b>    | <b>-370</b>   | <b>2,809</b>  | <b>-741</b>   | <b>-898</b>   | <b>-1,063</b> |
| <b>Inc/Dec of Cash</b>       | <b>8</b>    | <b>-29</b>    | <b>-0</b>     | <b>5</b>      | <b>-830</b>   | <b>318</b>    | <b>-51</b>    |
| Add: Beginning Balance       | 20          | 29            | 0             | 0             | 1,174         | 344           | 661           |
| <b>Closing Balance</b>       | <b>29</b>   | <b>0</b>      | <b>0</b>      | <b>5</b>      | <b>344</b>    | <b>661</b>    | <b>610</b>    |

E: MOFSL Estimates

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|----------------------------------|--|
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| SELL                             | < - 10%  |
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