

# Hero Motocorp

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USD\$)	570.6 / 7.8
52-Week Range (INR)	3629 / 1932
1, 6, 12 Rel. Per (%)	-2/-20/-14
12M Avg Val (INR M)	4521

## Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
Sales	308.2	369.8	408.2
EBITDA	40.4	49.1	57.5
Adj. PAT	29.8	35.8	41.9
EPS (INR)	149.4	179.0	209.3
EPS Gr. (%)	-2.3	19.8	16.9
BV/Sh. (INR)	760.7	818.2	892.5

## Ratios

RoE (%)	20.3	22.7	24.5
RoCE (%)	19.9	22.2	24.0
Payout (%)	70.3	67.0	64.5

## Valuations

P/E (x)	19.1	16.0	13.6
P/BV (x)	3.8	3.5	3.2
Div. Yield (%)	3.7	4.2	4.7
FCF Yield (%)	6.4	6.3	7.2

## Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	34.8	34.8	34.6
DII	18.7	20.0	19.9
FII	37.2	35.9	34.3
Others	9.4	9.4	11.2

FII Includes depository receipts

**CMP: INR2,856 TP: INR3,500 (+23%) Buy**

**Above est.; price increases, cost savings drive beat**

**RM cost inflation remains a key challenge**

- HMCL's performance was driven by efficient cost management under the Leap-2 program. Ongoing cost inflation will be managed by cost saving initiatives and price hikes.
- We maintain our FY22E/FY23E EPS estimate. However, we cut our P/E multiple to 16x Mar'23 EPS (v/s 18x earlier) owing to volume uncertainty and risk of electrification. We maintain our Buy rating with a TP of INR3,500/share (~16x Mar'23E standalone EPS + INR154/share for Hero FinCorp).

**Cost inflation more than offset by price increase and cost-cutting**

- Revenue/EBITDA/PAT grew 39%/83.5%/39% YoY in 4QFY21 to INR86.9b/INR12.1b/INR8.6b. The same grew 6.8%/1.5%/-3% YoY in FY21 to INR308b/INR40.2b/INR29.6b.
- Volumes grew 17.5% YoY and realizations grew 18.5% YoY (+4.6% QoQ) to INR55.4k (est. INR53.6k), led by price hikes taken by the company.
- Gross margin declined 120bp YoY (+10bp QoQ) to 29.6% (est. 28%) as the impact of commodity price inflation of ~500bp was offset by ~300bp savings under the Leap-2 program and balance through price increases and mix.
- EBITDA margin expanded by 340bp YoY (-50bp QoQ) to 13.9% (est. 12.3%). Lower other income restricted adjusted PAT growth (39.4% YoY) to INR8.65b (est. INR7.7b).
- Total dividend for FY21 stood at INR105/share. It includes a special dividend of INR15/share. The proposed final dividend is INR25/share + INR10/share of special dividend.

**Highlights from the management interaction**

- The management said the **demand outlook** for 1QFY22 would be challenging. It expects normalcy to return from 2QFY22 onwards and its outlook remains positive as the underlying demand drivers are intact.
- **RM cost:** It expects another 4% inflation in commodity cost (on top of the 6-7% in FY21) in FY22, which would be diluted through 2% savings in cost and the balance from price hikes (already raised prices by ~2% in Apr'21).
- **Cost reduction** has happened on a rebased cost after the transition to BS-VI. The 60-70% reduction in cost was driven by reducing the content of precious metals in its catalytic converter.
- **EV strategy:** With its recent JV with Gogoro, it now has a three-pronged strategy for EVs: a) stake in Ather, b) development (led by a German R&D center) of a fixed battery system, and c) JV with Gogoro on a battery swapping system. It plans for product launches under the Gogoro JV and its own development in CY22.

**Valuation and view**

- The stock currently trades ~16x/13.6x FY22E/FY23E EPS. We value HMCL at 16x Mar'23E EPS owing to volume uncertainty due to the second COVID wave and risk of electrification. We maintain our **Buy** rating with a TP of INR3,500 per share.

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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.

## Quarterly Performance (S/A)

(INR B)

Y/E March	FY20				FY21				FY20	FY21	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Total Volumes ('000 nos)	1,843	1,691	1,541	1,335	563	1,815	1,845	1,568	6,410	5,792	1,568
Growth YoY (%)	-12.4	-20.7	-14.4	-25.1	-69.4	7.3	19.8	17.5	-18.0	-9.6	17.5
Net Realization	43,574	44,759	45,408	46,747	52,741	51,620	52,977	55,390	44,988	53,182	53,640
Growth YoY (%)	4.1	5.1	4.0	5.6	21.0	15.3	16.7	18.5	4.6	18.2	14.7
<b>Net Op Revenues</b>	80.3	75.7	70.0	62.4	29.7	93.7	97.8	86.9	288.4	308.0	<b>84.1</b>
Growth YoY (%)	-8.8	-16.7	-11.0	-20.9	-63.0	23.7	39.7	39.2	-14.3	6.8	34.8
RM Cost (% sales)	69.6	67.7	66.6	69.2	70.5	71.1	70.5	70.4	68.3	70.7	72.0
Staff Cost (% sales)	5.8	6.2	6.7	7.0	12.9	5.5	5.3	5.6	6.4	6.2	6.0
Other Exp (% sales)	10.1	11.6	11.8	13.2	13.0	9.7	9.8	10.0	11.6	10.1	9.6
<b>EBITDA</b>	11.6	11.0	10.4	6.6	1.1	12.9	14.1	12.1	39.6	40.2	<b>10.4</b>
Growth YoY (%)	-15.9	-20.1	-6.0	-38.3	-90.7	16.8	36.1	83.5	-19.7	1.5	<b>57.0</b>
EBITDA Margins (%)	14.4	14.5	14.8	10.6	3.6	13.7	14.5	13.9	13.7	13.0	12.3
Other Income	1.7	2.1	1.8	1.7	1.5	1.4	2.0	0.9	7.3	5.8	1
Interest	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.2	0.2	0
Depreciation	2.4	2.0	2.0	1.7	1.7	1.7	1.7	1.6	8.2	6.8	2
<b>PBT before EO Exp/(Inc)</b>	10.9	11.0	10.1	6.5	0.8	12.5	14.4	11.3	38.5	39.0	<b>10.0</b>
Effective Tax Rate (%)	32.9	15.7	13.0	4.6	22.9	23.7	24.8	23.4	20.6	24.0	22.5
<b>Adj. PAT</b>	6.3	9.2	8.8	6.2	0.6	9.5	10.8	8.6	30.6	29.6	<b>7.7</b>
Growth (%)	-30.5	-5.5	14.5	-15.0	-90.3	3.3	23.2	39.4	-9.7	-3.0	24.6

## Key Performance Indicators

Y/E March	FY20				FY21				FY20	FY21	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Volumes ('000 units)	1,842.9	1,691.4	1,540.9	1,334.5	563.4	1,814.7	1,845.3	1,568.2	6,409.7	5,791.5	1,568
Growth (%)	-12.4	-20.7	-14.4	-25.1	-69.4	7.3	19.8	17.5	1.2	1.2	17.5
Dom. 2W Mkt Sh (%)	36.1	35.0	35.8	36.7	41.7	37.8	37.5	34.4	35.9	37.1	34.1
<b>Net Realization</b>	43,574	44,759	45,408	46,747	52,741	51,620	52,977	55,390	44,988	53,182	53,640
Growth YoY (%)	4.1	5.1	4.0	5.6	21.0	15.3	16.7	18.5	4.6	18.2	14.7
<b>Cost Break-up</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
RM Cost (% of sales)	69.6	67.7	66.6	69.2	70.5	71.1	70.5	70.4	68.3	70.7	72.0
Staff Cost (% of sales)	5.8	6.2	6.7	7.0	12.9	5.5	5.3	5.6	6.4	6.2	6.0
Other Cost (% of sales)	10.1	11.6	11.8	13.2	13.0	9.7	9.8	10.0	11.6	10.1	9.6
Gross Margins (%)	30.4	32.3	33.4	30.8	29.5	28.9	29.5	29.6	31.7	29.3	28.0
EBITDA Margins (%)	14.4	14.5	14.8	10.6	3.6	13.7	14.5	13.9	13.7	13.0	12.3
EBIT Margins (%)	11.5	11.9	11.9	7.8	-2.1	11.9	12.7	12.1	10.9	10.9	10.2

E:MOFSL Estimates

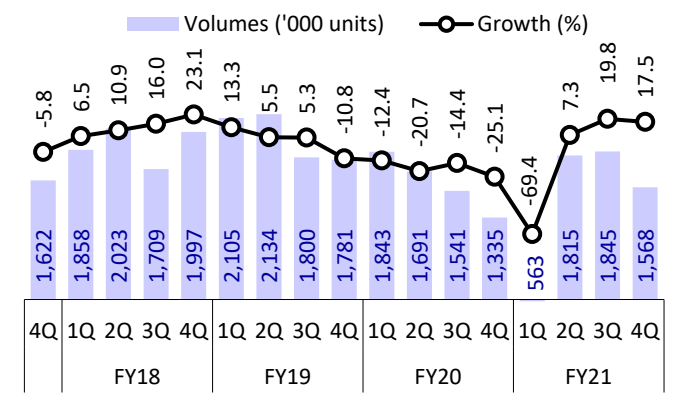


## Key takeaways from the management interaction

- The management said the **demand outlook** for 1QFY22 would be challenging. It expects normalcy to return from 2QFY22 onwards and its outlook remains positive as the underlying demand drivers are intact.
- It gained 120bp **market share** to ~37% in FY21 after a decade of continuous market share loss, driven by Scooters (+270bp to ~9.9%) and Premium Motorcycles (+220bp to 3.8%). The market share loss in 4QFY21 is a reflection of timing difference of festivals/occasions.
- **RM cost inflation:** Gross cost inflation in 4QFY21 was ~500bp YoY, offset by ~300bp savings under the Leap-2 program, and balance through price increases and mix.
- It expects another 4% inflation in commodity cost (on top of the 6-7% in FY21) in FY22, which would be diluted through 2% savings in cost and the balance from price hikes (already raised prices by ~2% in Apr'21).

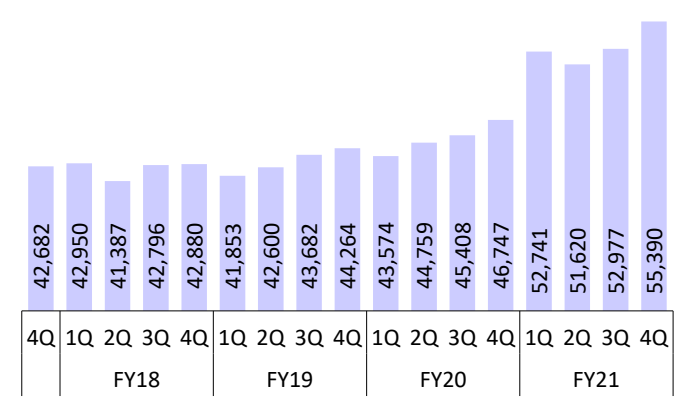
- Cost reduction has happened on a rebased cost after the transition to BS-VI. The 60-70% reduction in cost was driven by reducing the content of precious metals in its catalytic converter.
- With its recent JV with Gogoro, it now has a three-pronged strategy for **EVs**: a) stake in Ather, b) development (led by a German R&D center) of a fixed battery system, and c) JV with Gogoro on a battery swapping system. It plans for product launches under the Gogoro JV and its own development in CY22.
- **Exports** grew 8% in FY21 (v/s a 6% decline for the industry). The run-rate in 4QFY21 stood at 300k p.a (FY21 exports of 186.5k). Exports will continue to be the growth driver, led by: a) multiple launches in key markets like Nigeria, b) opening up of a big market like Mexico, and c) market share gains in other markets (for instance, the company is reworking its strategy in Bangladesh).
- Its **Spare Parts business** is doing well, led by a micro market strategy. Expansion in reach drove 10% growth in revenue to ~INR31.8b, or ~10.3% of FY21 sales. In the last two years, the management has been working on increasing sales via retaining customers at its dealerships. It has added ~100k technicians (double in the last one-year) and retail touchpoints substantially. HMCL has rolled this out to 70% of the addressable market, the balance will be rolled out in FY22.
- **Tie-up with Harley Davidson**: it has started a distribution business and has appointed 14-15 dealers. The key part of this tie-up is to build a mid-weight segment Motorcycle (under both the HD and Hero brand), work on which has started. It has already started booking (very small) distribution revenues.
- **Financing penetration** stood at 48% in FY21. Hero FinCorp had ~40% share in financing.
- **Capex** in FY21 stood at INR5.1b. For FY22, it would offer a guidance in 2Q as the business returns to normalcy.

Exhibit 1: Trend in volumes



Source: SIAM

Exhibit 2: Trend in blended realizations



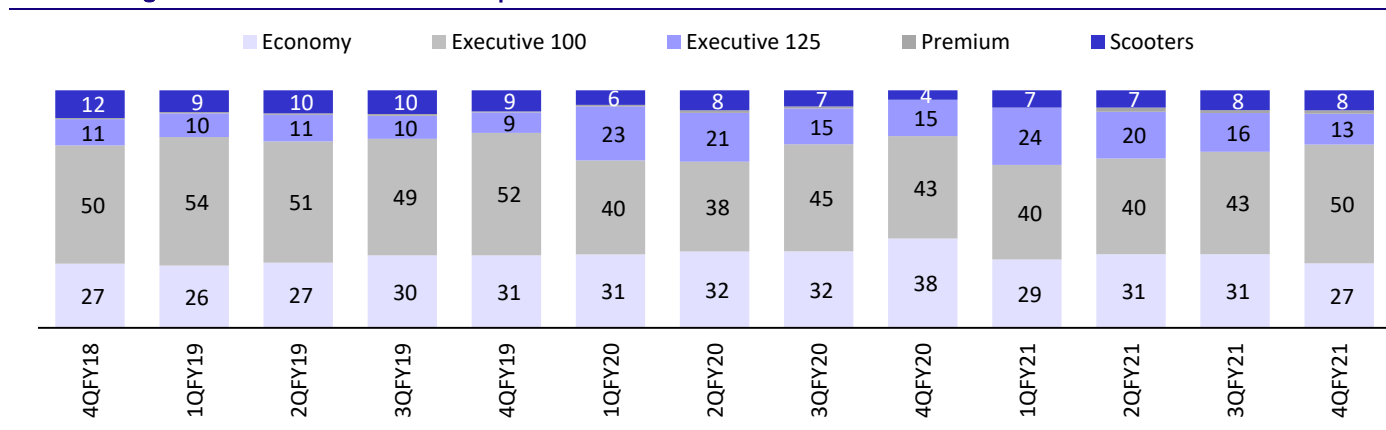
Source: Company, MOFSL

**Exhibit 3: Trend in segmental mix ('000 units)**

	4QFY21	4QFY20	YoY (%)	3QFY21	QoQ (%)	FY21	FY20	YoY (%)
<b>Total Motorcycles</b>	<b>1,437</b>	<b>1,280</b>	<b>12.3</b>	<b>1,691</b>	<b>-15.0</b>	<b>5,328</b>	<b>5,990</b>	<b>-11.1</b>
<i>% of total</i>	91.7	95.9		91.5		92.1	93.4	
<b>Scooters</b>	<b>131</b>	<b>55</b>	<b>138.4</b>	<b>156</b>	<b>-16.2</b>	<b>458</b>	<b>424</b>	<b>8.0</b>
<i>% of total</i>	8.3	4.1		8.5		7.9	6.6	
<b>Total 2Ws</b>	<b>1,568</b>	<b>1,335</b>	<b>17.5</b>	<b>1,847</b>	<b>-15.1</b>	<b>5,786</b>	<b>6,414</b>	<b>-9.8</b>
Of which exports	72	50	44.8	55	30.9	187	178	4.6
<i>% of total</i>	4.6	3.7		3.0		3.2	2.8	

Source: SIAM

**Exhibit 4: Segment-wise contribution in product mix**



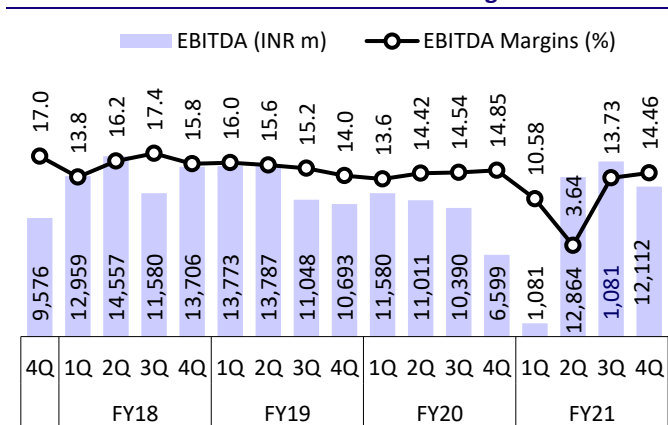
Source: SIAM

**Exhibit 5: Segment-wise market share**

	4QFY21	4QFY20	YoY (%)	3QFY21	QoQ (%)	FY21	FY20	YoY (%)
<b>Total Motorcycles</b>	<b>1,437</b>	<b>1,280</b>	<b>12.3</b>	<b>1,691</b>	<b>-15.0</b>	<b>5,328</b>	<b>5,990</b>	<b>-11.1</b>
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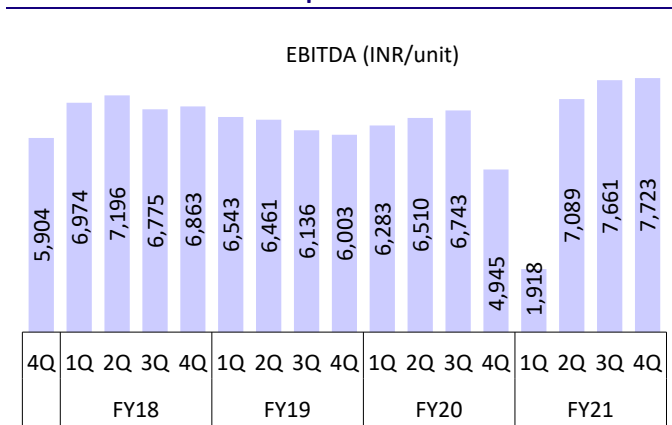
Source: SIAM

**Exhibit 6: Trend in EBITDA and EBITDA margin**



Source: Company, MOFSL

**Exhibit 7: Trend in EBITDA per unit**



Source: Company, MOFSL

### Valuation and view

- **Foreword on the industry:** We estimate 2W industry volumes at 5-7% CAGR over the next five years, led by increasing penetration in rural markets and replacement demand in urban markets. We expect 7-9%/4-6% volume CAGR for Scooters/Motorcycles over the next five years. Within Motorcycles, we expect the Premium (over 150cc)/Entry/Executive segment to deliver 7-9%/4-6%/less than 3% CAGR. We expect HMCL to deliver 5-6% volume CAGR over the next five years, led by increased competitiveness in the Economy-Executive segment after the shift to BS-VI emission norms, growth of the Premium segment, faster growth in Scooters, and ramp-up in exports. HMCL would benefit from a rural recovery, with strong brand equity in the Economy and Executive segments. Expanding its presence in the fast-growing Scooters and Premium Motorcycles segments would further drive volume growth.
- **HMCL to benefit from a strong Economy-Executive portfolio:** HMCL is poised for recovery faster over other 2W peers due to its rural-focused portfolio and market leadership in the Entry and Executive segments. We are seeing more traction in its core Executive segment (Splendor and Passion) due to decrease in percentage-wise price differential between Entry and Executive models. Any improvement in its competitive positioning in Scooters and fast-growing Premium Motorcycles would further act as re-rating triggers.
- **BS-VI acted as boon for HMCL, while EVs remain a medium-term challenge:** HMCL's competitive positioning has improved in both the 100cc and 125cc categories after the shift to BS-VI. This is attributable to the narrowing of the price differential in the Economy segment (vis-à-vis BJAUTs CT100) and product upgrades in the Executive (125cc) segment. However, the transition to BS-VI has also narrowed the pricing gap between ICEs and EVs in 2Ws (particularly 125cc Scooters). This poses a threat to incumbents in the Scooter segment (HMSI and TVSL) and provides an opportunity for OEMs that are ready with a compelling e-Scooter package. With its recent JV with Gogoro, it now has a three-pronged strategy for EVs: a) stake in Ather, b) development (led by a German R&D center) of a fixed battery system, and c) JV with Gogoro on a battery swapping system. It plans for product launches under the Gogoro JV and its own development in CY22.
- **Export market to offer huge headroom for growth, but scale-up would be a challenge and back-ended:** HMCL plans to double its target export market to 40 countries over the next few years from 20 at present. While Motorcycle exports to emerging markets offers a huge opportunity (~2x the Indian market), it being one of the last entrants may find it difficult to compete with incumbents (especially BJAUT) due to the limited scope to differently position its products. The management focused on getting its distribution in place over the last few years and is now concentrating on getting market-specific products. Recovery in some of these markets, after the recent currency turmoil, works in its favor.
- **Valuations fair; maintain Buy:** We maintain our FY22E/FY23E EPS estimate. Considering the favorable outlook for rural India and improved competitive positioning after the shift to BS-VI, HMCL should continue to see good demand with its Economy-Executive focused portfolio. Unlike the last five years, we expect ~18% EPS CAGR over FY21-23E. The stock currently trades ~16x/13.6x FY22E/FY23E EPS. We cut our P/E multiple to 16x Mar'23E EPS (v/s 18x earlier)

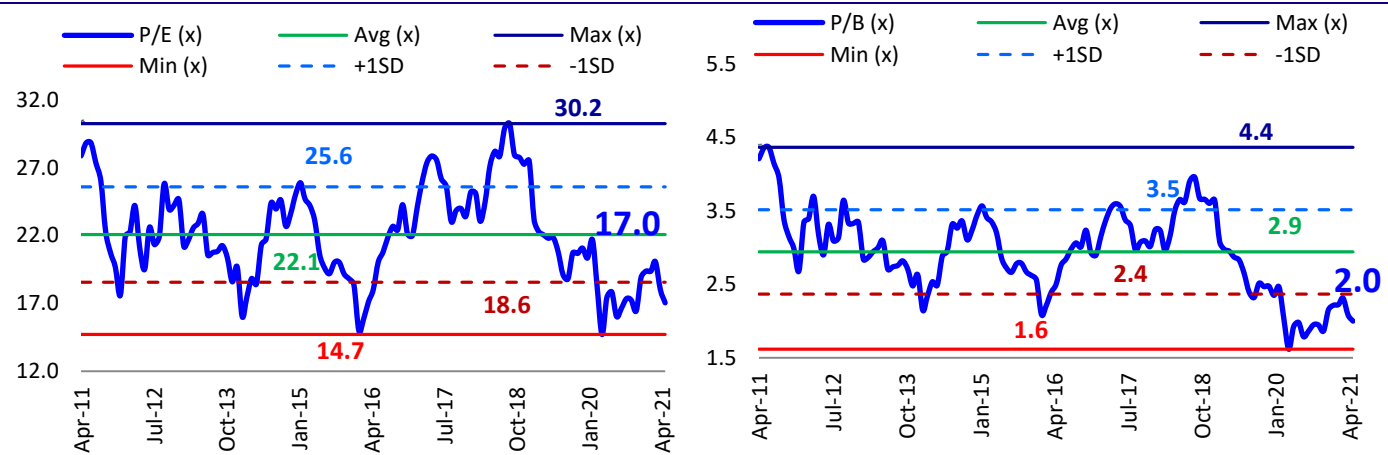
owing to volume uncertainty and risk of electrification. We maintain our **Buy** rating with a TP of INR3,500 per share (16x Mar'23E EPS + INR154/share for Hero FinCorp after assuming a 40% holding company discount).

**Exhibit 8: Revised estimates (INR b)**

	FY22E			FY23E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Volumes ('000 units)	6,769	6,950	-2.6	7,311	7,444	-1.8
Net Sales	369.8	374	-1.2	408.2	407	0.2
EBITDA	49.1	50	-1.0	57.5	57	1.4
EBITDA Margin (%)	13.3	13.3	0	14.1	13.9	20
Net Profit	35.8	36	-1.5	41.9	42	0.1
EPS (INR)	179.0	181.8	-1.5	209.3	209.0	0.1

Source: MOFSL

**Exhibit 9: P/E and P/B band**

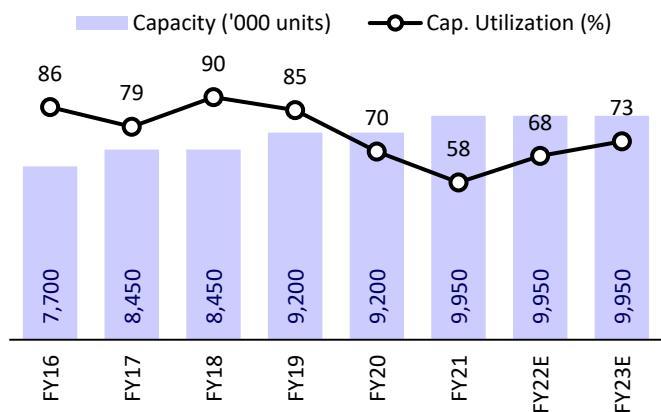


Source: MOFSL

Source: MOFSL

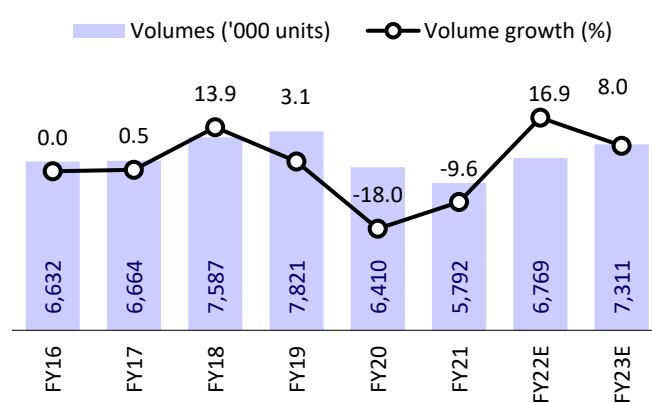
## Story in charts

**Exhibit 10: HMCL is adding capacity ahead of growth**



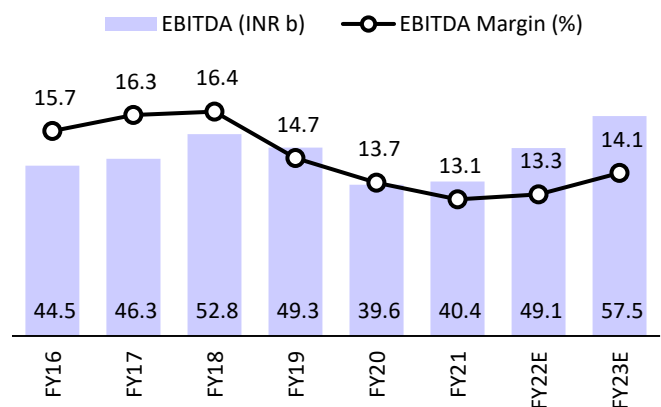
Source: Company, MOFSL

**Exhibit 11: Volume sustainability led by rural recovery**



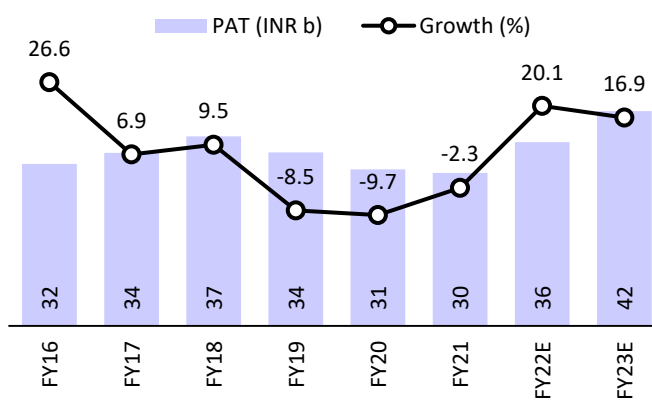
Source: SIAM

**Exhibit 12: EBITDA margin trajectory**



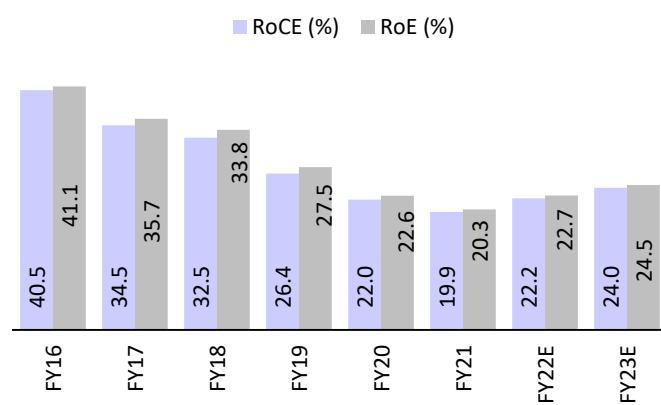
Source: Company, MOFSL

**Exhibit 13: PAT growth to be muted**



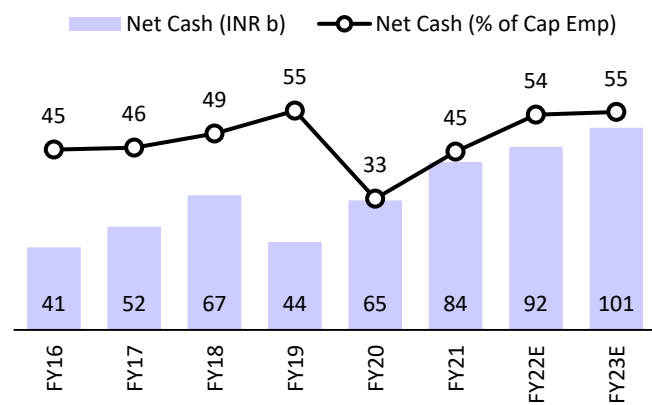
Source: Company, MOFSL

**Exhibit 14: Trend in return ratios**



Source: Company, MOFSL

**Exhibit 15: Trend in cash levels**



Source: Company, MOFSL

**Exhibit 16: Snapshot of the revenue model**

'000 units	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total M/Cycles	5,800	5,736	5,834	6,677	7,081	5,990	5,333	6,220	6,717
<i>Growth (%)</i>	4.7	-1.1	1.7	14.4	6.0	-15.4	-11.0	16.6	8.0
<i>% of total volumes</i>	87.5	86.5	87.5	88.0	90.5	93.5	92.1	91.9	91.9
Total Scooters	832	896	830	910	740	419	458	550	594
<i>Growth (%)</i>	17.6	7.7	-7.4	9.7	-18.7	-43.3	9.2	20.0	8.0
<i>% of total volumes</i>	12.5	13.5	12.5	12.0	9.5	6.5	7.9	8.1	8.1
<b>Total volumes</b>	<b>6,632</b>	<b>6,632</b>	<b>6,664</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>6,769</b>	<b>7,311</b>
<i>Growth (%)</i>	6.2	0.0	0.5	13.9	3.1	-18.0	-9.6	16.9	8.0
– of which exports	120	133	141	178	187	162	172	206	223
<i>% of total volumes</i>	2.0	2.2	2.3	2.6	2.6	2.8	3.3	3.4	3.4
Net Realization (INR/unit)	41,596	42,886	42,768	42,480	43,027	44,988	53,218	54,625	55,840
<i>Growth (%)</i>	2.5	2.4	-0.5	-1.6	0.6	4.3	22.6	-0.1	1.7
<b>Net Revenue (INR b)</b>	<b>276</b>	<b>284</b>	<b>285</b>	<b>322</b>	<b>337</b>	<b>288</b>	<b>308</b>	<b>370</b>	<b>408</b>
<i>Growth (%)</i>	9.1	3.1	0.2	13.1	4.4	-14.3	6.9	20.0	10.4

SIAM, Company, MOFSL



## Financials and valuations

Income Statement								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Volumes ('000)</b>	<b>6,632</b>	<b>6,664</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>6,769</b>	<b>7,311</b>
Volume Growth (%)	0.0	0.5	13.9	3.1	-18.0	-9.6	16.9	8.0
<b>Net Revenue</b>	<b>2,84,427</b>	<b>2,85,005</b>	<b>3,22,305</b>	<b>3,36,505</b>	<b>2,88,360</b>	<b>3,08,212</b>	<b>3,69,766</b>	<b>4,08,231</b>
Change (%)	3.1	0.2	13.1	4.4	-14.3	6.9	20.0	10.4
<b>EBITDA</b>	<b>44,550</b>	<b>46,348</b>	<b>52,802</b>	<b>49,301</b>	<b>39,579</b>	<b>40,398</b>	<b>49,150</b>	<b>57,530</b>
EBITDA Margin (%)	15.7	16.3	16.4	14.7	13.7	13.1	13.3	14.1
Depreciation	4,376	4,927	5,556	6,020	8,180	6,769	6,936	7,309
<b>EBIT</b>	<b>40,174</b>	<b>41,421</b>	<b>47,246</b>	<b>43,281</b>	<b>31,400</b>	<b>33,630</b>	<b>42,214</b>	<b>50,221</b>
Interest cost	49	61	63	86	220	218	200	200
Other Income	4,224	5,224	5,258	6,913	7,283	5,799	5,255	5,335
Non-recurring Expense	0	0	0	0	-7,274	0	0	0
<b>PBT</b>	<b>44,349</b>	<b>46,585</b>	<b>52,442</b>	<b>50,107</b>	<b>45,736</b>	<b>39,210</b>	<b>47,269</b>	<b>55,356</b>
Tax	12,747	12,813	15,468	16,259	9,404	9,362	11,429	13,459
Effective Tax Rate (%)	28.7	27.5	29.5	32.4	20.6	23.9	24.2	24.3
<b>Adj. PAT</b>	<b>31,602</b>	<b>33,771</b>	<b>36,974</b>	<b>33,849</b>	<b>30,554</b>	<b>29,848</b>	<b>35,840</b>	<b>41,897</b>
Change (%)	26.6	6.9	9.5	-8.5	-9.7	-2.3	20.1	16.9

Balance Sheet								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds								
Share Capital	399	399	399	400	400	400	400	400
Reserves	87,945	1,00,714	1,17,289	1,28,172	1,40,965	1,51,585	1,63,401	1,78,270
<b>Net Worth</b>	<b>88,344</b>	<b>1,01,113</b>	<b>1,17,689</b>	<b>1,28,571</b>	<b>1,41,364</b>	<b>1,51,984</b>	<b>1,63,801</b>	<b>1,78,671</b>
Deferred Tax	2,225	4,143	5,117	5,365	3,928	4,041	4,041	4,041
Loans	0	0	0	0	0	0	0	0
<b>Capital Employed</b>	<b>90,569</b>	<b>1,05,256</b>	<b>1,22,805</b>	<b>1,33,936</b>	<b>1,45,292</b>	<b>1,56,025</b>	<b>1,67,842</b>	<b>1,82,712</b>
Application of Funds								
Gross Fixed Assets	91,263	1,03,772	1,11,344	1,16,282	1,38,161	1,43,643	1,51,509	1,59,509
Less: Depreciation	55,420	59,816	64,799	70,097	76,991	83,759	90,695	98,004
<b>Net Fixed Assets</b>	<b>35,844</b>	<b>43,956</b>	<b>46,545</b>	<b>46,186</b>	<b>61,171</b>	<b>59,884</b>	<b>60,814</b>	<b>61,505</b>
Capital WIP	6,054	4,651	3,184	5,419	3,413	4,366	3,500	3,500
Investments	45,810	58,899	75,252	59,686	82,227	1,04,997	1,04,997	1,04,997
<b>Curr. Assets, L. and Adv.</b>	<b>38,021</b>	<b>39,438</b>	<b>42,407</b>	<b>65,121</b>	<b>40,683</b>	<b>52,364</b>	<b>66,190</b>	<b>87,140</b>
Inventory	6,730	6,563	8,236	10,724	10,920	14,696	14,782	18,406
Sundry Debtors	12,828	15,619	15,202	28,216	16,031	24,268	24,637	27,068
Cash and Bank Balances	1,314	1,367	1,413	1,365	2,419	2,572	14,125	27,772
Loans and Advances	498	725	732	850	896	892	1,041	1,144
Others	16,651	15,163	16,823	23,968	10,417	9,938	11,605	12,750
<b>Current Liab. and Prov.</b>	<b>35,159</b>	<b>41,686</b>	<b>44,583</b>	<b>42,476</b>	<b>42,201</b>	<b>65,585</b>	<b>67,659</b>	<b>74,430</b>
Sundry Creditors	26,506	32,473	33,188	33,553	30,305	52,046	54,201	59,549
Other Liabilities	7,681	8,071	9,647	7,161	9,207	10,211	9,855	10,827
Provisions	973	1,143	1,747	1,762	2,689	3,328	3,604	4,054
<b>Net Current Assets</b>	<b>2,861</b>	<b>-2,249</b>	<b>-2,176</b>	<b>22,646</b>	<b>-1,518</b>	<b>-13,222</b>	<b>-1,469</b>	<b>12,710</b>
<b>Application of Funds</b>	<b>90,569</b>	<b>1,05,256</b>	<b>1,22,805</b>	<b>1,33,936</b>	<b>1,45,292</b>	<b>1,56,025</b>	<b>1,67,842</b>	<b>1,82,712</b>

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>158.2</b>	<b>169.1</b>	<b>185.1</b>	<b>169.5</b>	<b>153.0</b>	<b>149.4</b>	<b>179.0</b>	<b>209.3</b>
EPS Growth (%)	26.6	6.9	9.5	-8.5	-9.7	-2.3	19.8	16.9
Cash EPS	180.2	193.8	213.0	199.6	222.8	183.3	213.7	245.8
Book Value per Share	442.4	506.3	589.3	643.7	707.7	760.7	818.2	892.5
DPS	72.0	85.0	95.0	87.0	90.0	105.0	120.0	135.0
Payout (incl. Div. Tax, %)	54.8	60.6	61.8	62.9	71.8	70.3	67.0	64.5
<b>Valuation (x)</b>								
P/E	18.0	16.9	15.4	16.9	18.7	19.1	16.0	13.6
EV/EBITDA	11.7	11.0	9.4	10.3	12.3	11.5	9.2	7.6
EV/Sales	1.8	1.8	1.5	1.5	1.7	1.5	1.2	1.1
Price to Book Value	6.5	5.6	4.8	4.4	4.0	3.8	3.5	3.2
Dividend Yield (%)	2.5	3.0	3.3	3.0	3.2	3.7	4.2	4.7
<b>Profitability Ratios (%)</b>								
RoE	41.1	35.7	33.8	27.5	22.6	20.3	22.7	24.5
RoCE	40.5	34.5	32.5	26.4	22.0	19.9	22.2	24.0
RoIC	85.3	77.3	80.0	53.0	40.0	50.5	71.7	82.9
<b>Turnover Ratios</b>								
Debtors (Days)	17	21	18	32	21	30	26	26
Inventory (Days)	9	9	10	12	15	18	15	17
Creditors (Days)	34	42	38	36	38	62	54	53
Working Capital (Days)	4	-3	-2	25	-2	-16	-1	11
Asset Turnover (x)	3.1	2.7	2.6	2.5	2.0	2.0	2.2	2.2
Fixed Asset Turnover	3.3	2.9	3.0	3.0	2.3	2.2	2.5	2.6

### Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Profit before Tax	44,349	46,585	52,442	50,107	45,736	39,210	47,269	55,356
Depreciation and Amort.	4,376	4,927	5,556	6,020	8,180	6,769	6,936	7,309
Direct Taxes Paid	-11,032	-11,865	-14,943	-20,515	-5,443	-9,759	-11,429	-13,459
(Inc.)/Dec. in Working Capital	2,504	-1,527	-2,682	-19,189	12,027	10,700	-199	-532
Other Items	1,834	4,129	1,723	-6,634	-6,399	-5,193	200	200
<b>CF from Oper. Activity</b>	<b>40,280</b>	<b>40,280</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>42,777</b>	<b>48,874</b>
Extra-ordinary Items		0	0	0	0	0	0	0
<b>CF after EO Items</b>	<b>40,280</b>	<b>40,280</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>42,777</b>	<b>48,874</b>
(Inc.)/Dec. in FA+CWIP	-14,604	-11,491	-7,992	-9,179	-13,586	-5,101	-7,000	-8,000
<b>Free Cash Flow</b>	<b>25,676</b>	<b>28,790</b>	<b>31,816</b>	<b>611</b>	<b>40,515</b>	<b>36,626</b>	<b>35,777</b>	<b>40,874</b>
(Pur.)/Sale of Invest.	-8,203	-7,949	-11,160	22,392	-15,245	-16,998	0	0
<b>CF from Inv. Activity</b>	<b>-22,807</b>	<b>-19,439</b>	<b>-19,152</b>	<b>13,212</b>	<b>-28,831</b>	<b>-22,099</b>	<b>-7,000</b>	<b>-8,000</b>
Interest Paid	-49	-61	-63	-86	-874	-515	-200	-200
Dividends Paid	-16,818	-20,896	-20,404	-22,854	-23,323	-18,900	-24,024	-27,027
<b>CF from Fin. Activity</b>	<b>-16,867</b>	<b>-20,956</b>	<b>-20,467</b>	<b>-22,940</b>	<b>-24,198</b>	<b>-19,415</b>	<b>-24,224</b>	<b>-27,227</b>
<b>Inc./(Dec.) in Cash</b>	<b>606</b>	<b>-116</b>	<b>190</b>	<b>63</b>	<b>1,072</b>	<b>213</b>	<b>11,553</b>	<b>13,647</b>
Add: Beginning Balance	707	270	154	344	407	1,479	1,692	13,245
<b>Closing Balance</b>	<b>1,313</b>	<b>154</b>	<b>344</b>	<b>407</b>	<b>1,479</b>	<b>1,692</b>	<b>13,245</b>	<b>26,892</b>

E: MOFSL estimates

Explanation of Investment Rating	
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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