

Bajaj Auto

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

| | |
|-----------------------|---------------|
| Bloomberg | BJAUT IN |
| Equity Shares (m) | 289 |
| M.Cap.(INRb)/(USD\$) | 1032.8 / 12.5 |
| 52-Week Range (INR) | 4130 / 3028 |
| 1, 6, 12 Rel. Per (%) | -3/-3/-4 |
| 12M Avg Val (INR M) | 1718 |

Financials & Valuations (INR b)

| Y/E MARCH | 2022 | 2023E | 2024E |
|------------------|------|-------|-------|
| Sales | 330 | 394 | 436 |
| EBITDA | 51.2 | 68.1 | 77.0 |
| EBITDA (%) | 15.5 | 17.3 | 17.7 |
| Adj. PAT | 53.1 | 62.2 | 67.6 |
| EPS (INR) | 184 | 220 | 239 |
| EPS Gr. (%) | 9.4 | 19.7 | 8.7 |
| BV/Sh. (INR) | 922 | 863 | 889 |
| Ratios | | | |
| RoE (%) | 20.5 | 24.3 | 27.3 |
| RoCE (%) | 17.6 | 22.7 | 25.0 |
| Payout (%) | 86.8 | 85.9 | 88.7 |
| Valuation | | | |
| P/E (x) | 19.4 | 16.2 | 14.9 |
| P/BV (x) | 3.9 | 4.1 | 4.0 |
| Div. Yield (%) | 3.9 | 5.0 | 5.6 |
| FCF Yield (%) | 3.6 | 3.9 | 4.9 |

Shareholding pattern (%)

| As On | Jun-22 | Mar-22 | Jun-21 |
|----------|--------|--------|--------|
| Promoter | 53.8 | 53.8 | 53.7 |
| DII | 12.4 | 13.2 | 12.7 |
| FII | 11.2 | 10.5 | 11.8 |
| Others | 22.7 | 22.6 | 21.8 |

FII Includes depository receipts

CMP: INR3,569 TP: INR4,000 (+12%)

Neutral

Worst behind in both exports and India

Commodity/Fx to drive margins | Completes share buyback

- Bajaj Auto (BJAUT)'s 2QFY23 witnessed a good all-round performance, driven by favorable FX and operating leverage. While domestic outlook is improving, exports have bottomed out in 2QFY23. The on-going buy-back of shares, which supported the stock price, is now complete.
- We largely maintain our EPS for FY23E/FY24E. We reiterate our **Neutral** rating with a **TP of INR4,000 (based on 16x Sep-24 Consol EPS)**.

Fx and operating leverage drive margins

- BJAUT's 2QFY23 revenue/EBITDA/PAT grew 18%/40%/31% YoY to INR102b/INR17.6b/INR15.3b, respectively. For 1HFY23, revenue/EBITDA/PAT grew 14%/28%/21%, respectively.
- Net realizations grew ~18% YoY (~3% QoQ), led by price hikes and favorable Fx, volumes were flat YoY (+23% QoQ).
- EBITDA margins improved ~260bp YoY (+100bp QoQ) to ~17.2% (v/s est. 16.9%), driven by favorable Fx and operating leverage, despite a weaker mix. Higher-than-estimated other income boosted PAT to ~INR15.3b (v/s est. ~INR14.5b).
- Share of profit from associate (Pierrer Mobility) for 1HFY23 declined 47% YoY to INR1.98b.
- Cashflow from operations grew ~3% YoY in 1HFY23 to ~INR24.5b. Capex (net of disposals) was at ~INR2b (gross capex at INR3.35b), resulting in FCFF of ~INR22.5b.
- Sep-22 ending cash stood at INR155b post payout of INR70b toward dividend and buyback (v/s ~INR205b as of Jun-22).

Highlights from the management commentary

- **Exports outlook:** After witnessing a double-digit fall in retails and correcting inventory in 2QFY23, the company is witnessing a moderation in decline in Africa and LatAm, whereas demand from the ASEAN region remains strong. Hence, it expects export volumes in 3QFY23 to grow on QoQ basis.
- **India 2W outlook:** With its demand outlook bottoming out, the motorcycle industry (and BJAUT) is expected to grow in single digits. Chip supplies started to improve from Sep-22, helping BJAUT to build-back its inventory to five weeks, ahead of the festive season.
- **E-2Ws:** Chetak sales volume and footprint continues to scale up, with exit run rate up 2X over 1QFY23 average. It plans to reach 6k/month by end-FY23 and would cover ~85 cities (from 39 cities as of Sep-22). It plans to launch 3-4 e-2Ws over the next 18 months.
- **E-3Ws trials continued in various markets.** It is incorporating users' feedback from the trials and would launch the product only when completely satisfied but before the end of FY23.

Valuation and view

- While the India 2W business is showing signs of recovery, exports have bottomed out. BJAUT market share would benefit over the long term from: a) the premiumization trend, b) the opportunity in exports, and c) the potential sizeable position in the Scooter market via EVs. However, a large part of its India profit pool (of premium motorcycle and 3Ws) is vulnerable to a possible disruption from electrification.
- At 16.2x/14.9x FY23E/FY24E consolidated EPS, the stock's valuation largely captures the expected recovery. BJAUT's dividend yield of 5-5.5% would support the stock. We reiterate our Neutral rating with a TP of INR4,000/share (16x Sep-24E consolidated EPS).

Quarterly Performance

| | FY22 | | | | FY23E | | | | FY22 | FY23E | |
|------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE |
| Net Sales | 73,860 | 86,206 | 90,217 | 79,748 | 80,050 | 1,02,028 | 1,03,517 | 1,08,460 | 3,30,032 | 3,94,054 | 99,427 |
| Change (%) | 139.9 | 20.5 | 1.3 | (7.2) | 8.4 | 18.4 | 14.7 | 36.0 | 19.0 | 19.4 | 15.3 |
| EBITDA | 11,198 | 12,596 | 13,721 | 13,656 | 12,970 | 17,587 | 18,232 | 19,329 | 51,171 | 68,119 | 16,821 |
| EBITDA Margins (%) | 15.2 | 14.6 | 15.2 | 17.1 | 16.2 | 17.2 | 17.6 | 17.8 | 15.5 | 17.3 | 16.9 |
| Interest | 23 | 17 | 18 | 29 | 43 | 109 | 50 | 47 | 87 | 250 | 30 |
| Depreciation | 641 | 656 | 698 | 697 | 673 | 670 | 700 | 709 | 2,692 | 2,753 | 700 |
| Non-operating Income | 3,293 | 3,183 | 2,728 | 2,889 | 3,193 | 3,332 | 3,100 | 3,243 | 12,092 | 12,868 | 3,050 |
| PBT after EO | 13,827 | 16,521 | 15,733 | 18,972 | 15,447 | 20,140 | 20,582 | 21,816 | 65,054 | 77,984 | 19,141 |
| Effective Tax Rate (%) | 23.3 | 22.9 | 22.8 | 22.6 | 24.0 | 24.0 | 24.0 | 24.0 | 22.8 | 24.0 | 24.0 |
| Adj. PAT | 10,612 | 11,653 | 12,142 | 12,257 | 11,733 | 15,300 | 15,642 | 16,583 | 46,665 | 59,259 | 14,547 |
| Change (%) | 101.0 | 2.4 | (22.0) | (8.0) | 10.6 | 31.3 | 28.8 | 35.3 | 2.5 | 27.0 | 24.8 |

Key Performance Indicators

| | FY22 | | | | FY23E | | | | FY22 | FY23E | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|
| | 1Q | 2QE | 3QE | 4QE | 1Q | 2Q | 3QE | 4QE | | | 2QE |
| Volumes ('000 units) | 1,006 | 1,144 | 1,181 | 977 | 934 | 1,151 | 1,186 | 1,259 | 4,308 | 4,530 | 1,151 |
| Growth YoY (%) | 127.0 | 8.6 | -9.6 | -16.5 | -7.2 | 0.6 | 0.4 | 28.9 | 8.4 | 5.1 | 0.6 |
| Dom. M/Cycle Mkt Sh (%) | 19.7 | 18.7 | 19.3 | 15.5 | 13.1 | 20.7 | | | 18.3 | | |
| Realization (INR/unit) | 73,419 | 75,328 | 76,367 | 81,655 | 85,739 | 88,642 | 87,312 | 86,127 | 76,601 | 86,996 | 86,382 |
| Growth YoY (%) | 5.6 | 10.9 | 12.0 | 11.1 | 16.8 | 17.7 | 14.3 | 5.5 | 9.7 | 13.6 | 14.7 |
| Cost Break-up | | | | | | | | | | | |
| RM Cost (% of sales) | 73.0 | 74.9 | 74.7 | 71.9 | 72.2 | 73.4 | 72.4 | 72.0 | 73.7 | 72.5 | 72.2 |
| Staff Cost (% of sales) | 4.9 | 4.1 | 3.8 | 3.8 | 4.7 | 3.5 | 3.5 | 3.4 | 4.1 | 3.7 | 3.9 |
| Other Cost (% of sales) | 6.9 | 6.5 | 6.3 | 7.1 | 6.9 | 6.0 | 6.5 | 6.8 | 6.7 | 6.5 | 7.0 |
| Gross Margins (%) | 27.0 | 25.1 | 25.3 | 28.1 | 27.8 | 26.6 | 27.6 | 28.0 | 27 | 25 | 28 |
| EBITDA Margins (%) | 15.2 | 14.6 | 15.2 | 17.1 | 16.2 | 17.2 | 17.6 | 17.8 | 15.5 | 17.3 | 16.9 |
| EBIT Margins (%) | 14.3 | 13.9 | 14.4 | 16.3 | 15.4 | 16.6 | 16.9 | 17.2 | 14.3 | 13.9 | 16.2 |

E:MOFSL Estimates



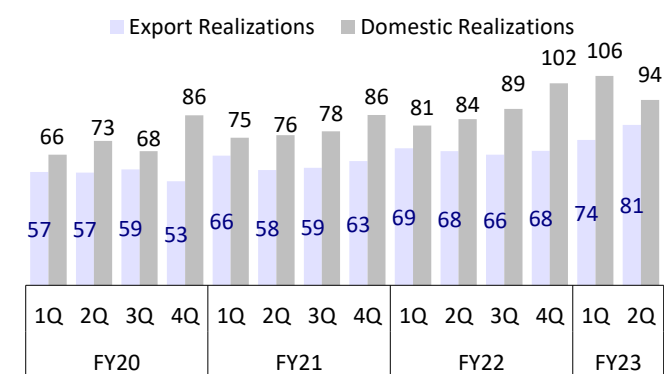
Key takeaways from earnings call

- **Exports outlook:** Macro-economic challenges in Africa and LatAm led to a double-digit fall in retails in 2QFY23. Further, the company's focus on inventory correction led to a fall in wholesales. However, it is witnessing moderation in decline in these markets, whereas the ASEAN region continues to see good growth, and hence, it expects export volumes in 3QFY23 to grow on a QoQ basis. It is not looking to pass on the benefits of a favorable USD/INR and dilute the impact of Fx devaluation in key markets.
- **India 2W outlook:** With its demand outlook bottoming out, the motorcycle industry (and BJAUT) is expected to grow in single digits. Chip supplies started to improve from Sep-22, helping BJAUT build-back its inventory to five weeks, ahead of the festive season.
- **BJAUTs India motorcycle market share has rebounded** to ~18% in Sep-22 (1st month of normal supplies), led by improvement in chip supplies. New Pulsar has received an encouraging response, and it expects its market share in the premium segment to go back to 40% over the next six months, driven by the new Pulsar portfolio.
- **India 3Ws** retails in 2QFY23 were at 65% of pre-Covid levels, but BJAUT market share at 72% is at all-time high levels. CNG penetration in 3W is at 67% and BJAUT's market share is at 80% in CNG.
- **E-2Ws:** Chetak sales volume and footprint continues to scale up, with its exit run rate up 2X over 1QFY23 average. It plans to reach 6k/month by end-FY23 and would cover ~85 cities (from 39 cities as of Sep-22). It plans to launch 3-4 e-2Ws over the next 18 months.
- **E-3Ws** trials continued in various markets. It is incorporating users' feedback from the trials and would launch the product only when completely satisfied but before the end of FY23.
- USD-INR realization in 2QFY23 was at 79.75 (vs 77.4 in 1QFY23), implying ~110bp QoQ accretion to margins.
- RM costs increased ~1% QoQ, which will be fully offset by price hikes taken in 2QFY23. However, most of the key input costs have started to decline and the benefits are expected to reflect from 3QFY23.
- Capex for FY23 is estimated at ~INR7.5b (v/s INR5.2b in FY22) toward capacity for e-3Ws (at Waluj), premium 2Ws (at Chakan), and EV products.
- Buyback of shares has been completed in Oct-22, with 6.4m shares bought back at an average price of ~INR3,900/share.
- As of Sep-22, it had net cash of ~INR155.b, after paying out almost ~INR70b toward dividend and buyback (~INR22.5b till Sep-22).

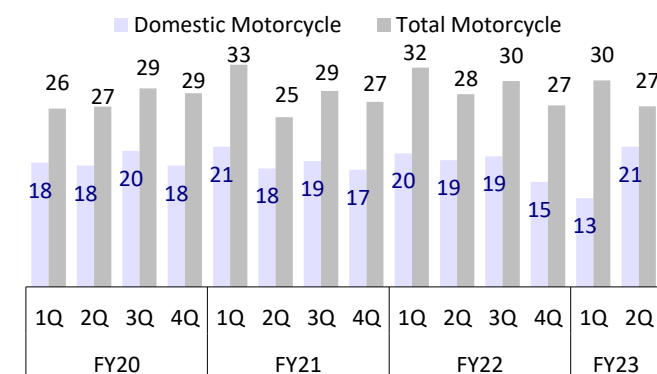
Exhibit 1: Trend in product mix

| | 2QFY23 | 2QFY22 | YoY (%) | 1QFY23 | QoQ (%) |
|--------------------------|------------------|------------------|-------------|-----------------|-------------|
| Motorcycles | | | | | |
| Domestic | 6,21,134 | 4,88,148 | 27.2 | 3,14,418 | 97.6 |
| % of total volumes | 54.0 | 42.7 | | 33.7 | |
| Exports | 3,97,900 | 5,41,767 | -26.6 | 5,32,740 | -25.3 |
| % of total volumes | 34.6 | 47.3 | | 57.1 | |
| Total Motorcycles | 10,19,034 | 10,29,915 | -1.1 | 8,47,158 | 20.3 |
| % of total volumes | 88.5 | 90.0 | | 90.7 | |
| Three Wheelers | | | | | |
| Domestic | 61,554 | 44,068 | 39.7 | 38,418 | 60.2 |
| % of total volumes | 5.3 | 3.9 | | 4.1 | |
| Exports | 70,424 | 70,424 | 0.0 | 48,070 | 46.5 |
| % of total volumes | 6.1 | 6.2 | | 5.1 | |
| Total 3Ws | 1,31,978 | 1,14,492 | 15.3 | 86,488 | 52.6 |
| % of total volumes | 11.5 | 10.0 | | 9.3 | |
| Total Volumes | 11,51,012 | 11,44,407 | 0.6 | 9,33,646 | 23.3 |

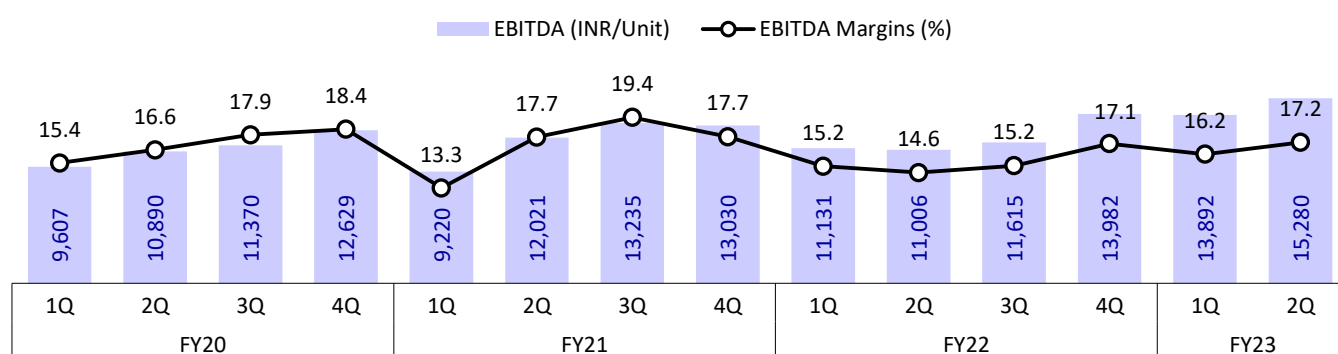
Sources: Company reports, MOFSL

Exhibit 2: Trend in domestic/export realizations

Sources: Company reports, MOFSL estimates

Exhibit 3: Trend in domestic and total 2W market share

Sources: Company reports, MOFSL estimates

Exhibit 4: EBITDA and EBITDA margin trend

Sources: Company reports, MOFSL estimates

Valuation and view

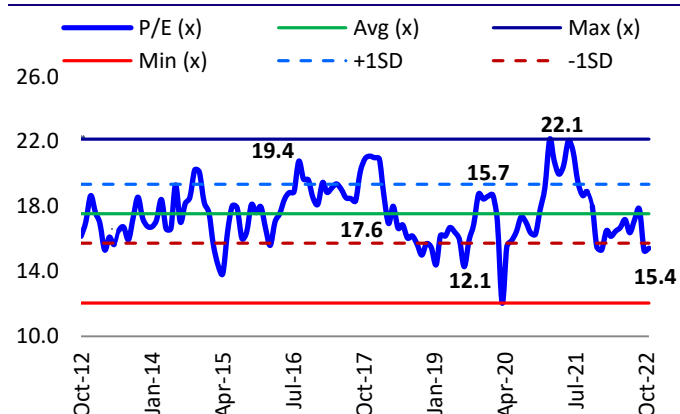
- Volumes impacted by slowdown in 2W industry:** FY21-22 was a challenging year for the domestic 2W industry, due to the COVID-19 outbreak. Despite this, BJAUT sailed through on the back of good recovery in the domestic market (led by the Pulsar 125cc) and faster recovery in the export markets (its key African markets were the least impacted by the pandemic). BJAUT is better-positioned than its mainstream 2W peers, owing to its strong exports and the Premium Motorcycle segment. We estimate the company's volumes to report a 7.6% CAGR over FY22–25E.

- **Well-placed to ride the premiumization trend:** By leveraging its strong alliance with KTM and its latest partnerships with Husqvarna and Triumph, BJAUT would have the widest range of premium motorcycles on offer. Husqvarna and KTM present an opportunity for BJAUT to grow its contract manufacturing volumes by 3x over the next few years. Meanwhile, Triumph would facilitate the company's entry into the fast-growing mid-capacity Cruiser segment (~1m motorcycles annually) in CY23E.
- **Electrification – opportunity or threat?** BJAUT has re-entered the lucrative Scooter segment through its Chetak e-scooter. This would expand its addressable market as the Scooter category constitutes ~32% of the domestic 2W industry. The company, planning to focus solely on e-scooters, is one of the early movers in this segment. BJAUT would be at the forefront in driving electrification and has the opportunity to gain a sizeable share of the e-Scooter market. However, a large part of its existing India profit pool (of premium motorcycle and 3Ws) is vulnerable to a possible disruption from electrification.
- **Better-positioned to protect margins v/s peers:** Unlike its 2W peers, BJAUT has several levers to support its margins and dilute the impact of cost inflation and operating deleverage. The company supports its margins through a) a healthy mix (premium motorcycles, domestic 3Ws, and exports), b) normalizing export incentives, and c) keeping fixed costs lower vis-à-vis peers. We expect BJAUT to maintain an EBITDA margin of around 16–18% over the next two to three years.
- **Reiterate Neutral, with a TP of INR4,000:** We reiterate our FY23E/FY24E estimates. While India 2W business is showing signs of recovery, exports have bottomed out. BJAUT market share would benefit over the long term from: a) the premiumization trend, b) the opportunity in exports, and c) the potential sizeable position in the Scooter market via EVs. However, a large part of its existing India profit pool (of premium motorcycle and 3Ws) is vulnerable to a possible disruption from electrification. At 16.2x/14.9x FY23E/FY24E consolidated EPS, the stock's valuation largely captures the expected recovery. BJAUT's dividend yield of 5-5.5% would support the stock. We reiterate our Neutral rating, with TP of INR4,000 (16x Sep-24E consolidated EPS).

Exhibit 5: Our revised forecasts (INR m)

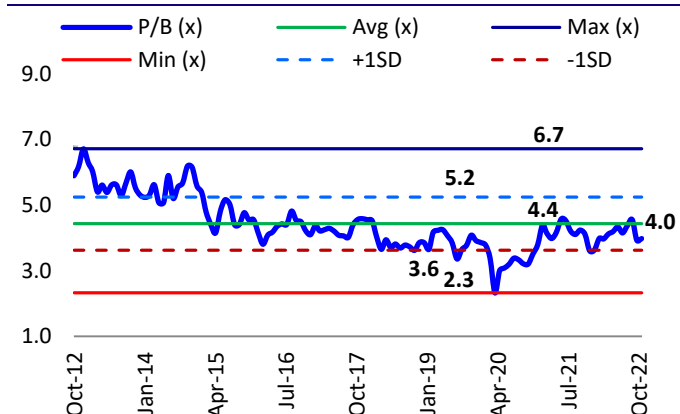
| | FY23E | | | FY24E | | |
|--------------------|----------|----------|---------|----------|----------|---------|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Vols ('000 units) | 4,530 | 4,572 | -0.9 | 4,972 | 5,012 | -0.8 |
| Net Sales | 3,94,054 | 3,93,473 | 0.1 | 4,35,980 | 4,34,779 | 0.3 |
| EBITDA | 68,119 | 67,192 | 1.4 | 77,013 | 75,520 | 2.0 |
| EBITDA Margins (%) | 17.3 | 17.1 | 20bp | 17.7 | 17.4 | 30bp |
| Net Profit | 62,195 | 62,834 | -1.0 | 67,597 | 67,993 | -0.6 |
| EPS (INR) | 219.8 | 221.5 | -0.8 | 238.9 | 239.7 | -0.3 |

Exhibit 6: P/E band



Source: MOFSL

Exhibit 7: P/BV band



Source: MOFSL

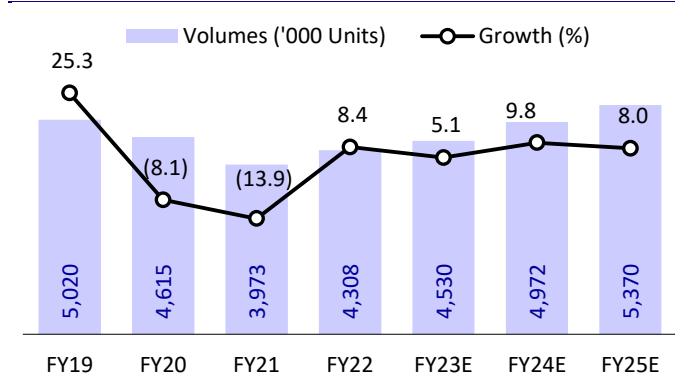
Exhibit 8: Key operating metrics

| 000 units | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Motorcycles (units) | | | | | | | |
| Domestic | 2,541 | 2,078 | 1,809 | 1,641 | 1,986 | 2,145 | 2,273 |
| Growth (%) | 28.7 | -18.2 | -12.9 | -9.3 | 21.0 | 8.0 | 6.0 |
| % of total volumes | 50.6 | 45.0 | 45.5 | 38.1 | 43.8 | 43.1 | 42.3 |
| Exports | 1,696 | 1,869 | 1,797 | 2,196 | 2,020 | 2,182 | 2,356 |
| Growth (%) | 21.6 | 10.2 | -3.9 | 22.2 | -8.0 | 8.0 | 8.0 |
| % of total volumes | 33.8 | 40.5 | 45.2 | 51.0 | 44.6 | 43.9 | 43.9 |
| Total M/Cycles | 4,237 | 3,948 | 3,606 | 3,837 | 4,006 | 4,326 | 4,629 |
| Growth (%) | 25.7 | -6.8 | -8.7 | 6.4 | 4.4 | 8.0 | 7.0 |
| % of total volumes | 84.4 | 85.5 | 90.8 | 89.1 | 88.4 | 87.0 | 86.2 |
| 3Ws | | | | | | | |
| Domestic | 399 | 366 | 109 | 161 | 281 | 323 | 343 |
| Growth (%) | 8.1 | -8.4 | -70.1 | 47.1 | 75.0 | 15.0 | 6.0 |
| % of total volumes | 8.0 | 7.9 | 2.8 | 3.7 | 6.2 | 6.5 | 6.4 |
| Exports | 383 | 302 | 258 | 311 | 242 | 262 | 278 |
| Growth (%) | 43.1 | -21.2 | -14.6 | 20.6 | -22.0 | 8.0 | 6.0 |
| % of total volumes | 7.6 | 6.5 | 6.5 | 7.2 | 5.4 | 5.3 | 5.2 |
| 3Ws | 783 | 668 | 367 | 472 | 524 | 585 | 620 |
| Growth (%) | 22.8 | -14.7 | -45.0 | 28.5 | 11.1 | 11.8 | 6.0 |
| % of total volumes | 15.6 | 14.5 | 9.2 | 10.9 | 11.6 | 11.8 | 11.6 |
| Total Volumes | 5,020 | 4,615 | 3,973 | 4,308 | 4,530 | 4,972 | 5,370 |
| Growth (%) | 25.3 | -8.1 | -13.9 | 8.4 | 5.1 | 9.8 | 8.0 |
| Avg. Net Realn (INR/unit) | 52,928 | 56,462 | 60,588 | 65,467 | 74,994 | 75,705 | 75,911 |
| Growth (%) | -5.1 | 6.7 | 7.3 | 8.1 | 14.6 | 0.9 | 0.3 |
| Net Revenues (INR B) | 296 | 291 | 271 | 321 | 385 | 426 | 462 |
| Growth (%) | 19.7 | -1.5 | -6.8 | 18.4 | 19.8 | 10.7 | 8.5 |
| EBITDA (INR B) | 52 | 51 | 49 | 51 | 68 | 77 | 83 |
| EBITDA margins (%) | 17.1 | 17.0 | 17.8 | 15.5 | 17.3 | 17.7 | 17.5 |
| EBITDA (INR/Unit) | 10,345 | 11,042 | 12,405 | 11,877 | 15,039 | 15,490 | 15,420 |
| Growth (%) | 7.3 | -1.9 | -3.3 | 3.8 | 33.1 | 13.1 | 7.5 |
| Consol. PAT (INR B) | 47 | 52 | 49 | 53 | 62 | 68 | 74 |
| Consol. EPS | 162 | 180 | 168 | 184 | 220 | 239 | 261 |

Source: Company, MOFSL

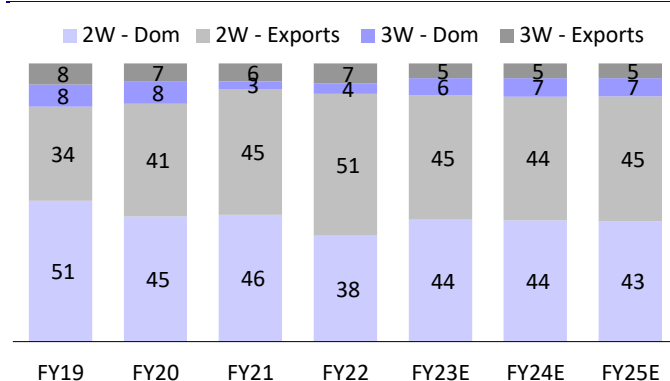
Stories in charts

Exhibit 9: Trend in volume and volume growth



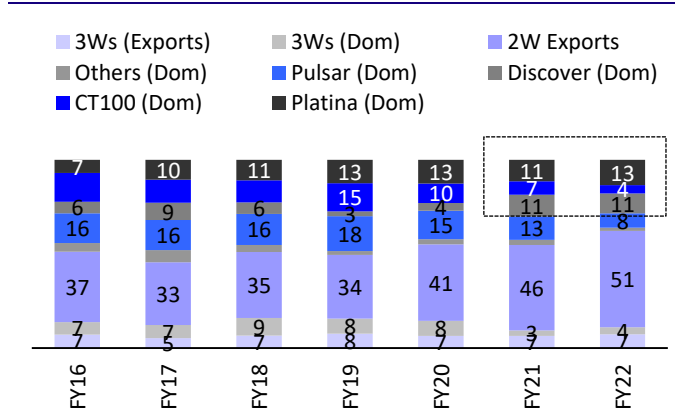
Sources: Company reports, MOFSL estimates

Exhibit 10: Product mix trend



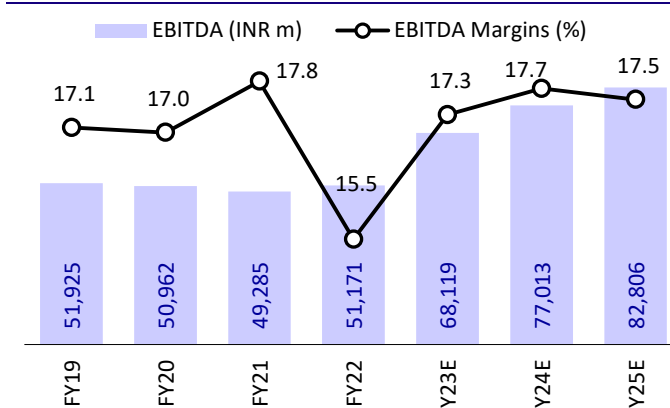
Sources: Company reports, MOFSL estimates

Exhibit 11: Trend in volume mix



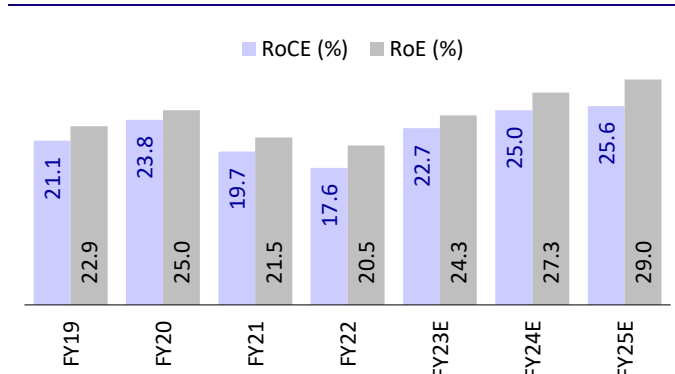
Sources: Company reports, MOFSL

Exhibit 12: Trend in EBITDA and EBITDA margin



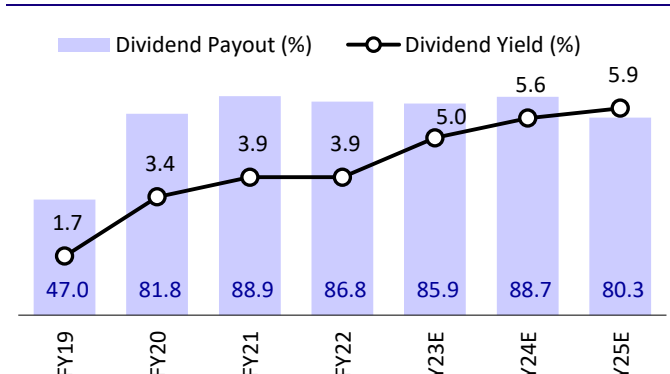
Sources: Company reports, MOFSL

Exhibit 13: Trend in return ratios



Sources: Company reports, MOFSL estimates

Exhibit 14: Dividend payout to remain healthy



Sources: Company reports, MOFSL estimates

Financials and valuations

| Income Statement | | | | | | | | (INR M) |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
| Volumes | 40,06,788 | 50,19,503 | 46,15,212 | 39,72,914 | 43,08,433 | 45,29,553 | 49,71,606 | 53,69,937 |
| Change (%) | 9.3 | 25.3 | -8.1 | -13.9 | 8.4 | 5.1 | 9.8 | 8.0 |
| Net Sales | 2,52,189 | 3,03,576 | 2,99,187 | 2,77,411 | 3,30,032 | 3,94,054 | 4,35,980 | 4,73,038 |
| Change (%) | 15.9 | 20.4 | -1.4 | -7.3 | 19.0 | 19.4 | 10.6 | 8.5 |
| Total Expenditure | 2,03,815 | 2,51,651 | 2,48,224 | 2,28,126 | 2,78,861 | 3,25,935 | 3,58,967 | 3,90,232 |
| EBITDA | 48,374 | 51,925 | 50,962 | 49,285 | 51,171 | 68,119 | 77,013 | 82,806 |
| Change (%) | 9.4 | 7.3 | -1.9 | -3.3 | 3.8 | 33.1 | 13.1 | 7.5 |
| EBITDA Margins (%) | 19.2 | 17.1 | 17.0 | 17.8 | 15.5 | 17.3 | 17.7 | 17.5 |
| Depreciation | 3,148 | 2,657 | 2,464 | 2,593 | 2,692 | 2,753 | 3,231 | 3,567 |
| EBIT | 45,226 | 49,268 | 48,498 | 46,692 | 48,480 | 65,366 | 73,782 | 79,239 |
| Int. & Fin. Charges | 13 | 45 | 32 | 67 | 87 | 250 | 250 | 250 |
| Other Income | 12,933 | 14,389 | 17,336 | 12,765 | 12,092 | 12,868 | 11,000 | 10,643 |
| Non-recurring Exp. | 320 | -3,420 | 0 | 0 | -4,568 | 0 | 0 | 0 |
| PBT | 57,826 | 67,032 | 65,802 | 59,390 | 65,054 | 77,984 | 84,532 | 89,632 |
| Tax | 17,145 | 20,280 | 14,802 | 13,844 | 14,865 | 18,726 | 20,730 | 22,034 |
| Effective Rate (%) | 29.6 | 30.3 | 22.5 | 23.3 | 22.8 | 24.0 | 24.5 | 24.6 |
| PAT | 40,681 | 46,752 | 51,000 | 45,546 | 50,189 | 59,259 | 63,802 | 67,598 |
| Change (%) | 6.3 | 14.9 | 9.1 | -10.7 | 10.2 | 18.1 | 7.7 | 6.0 |
| Share in profit of ass. & others | 1,508 | 2,524 | 1,119 | 3,024 | 11,469 | 2,936 | 3,795 | 6,375 |
| Adj. Consol PAT | 42,415 | 46,891 | 52,119 | 48,570 | 53,122 | 62,195 | 67,597 | 73,973 |
| Change (%) | 4.0 | 10.6 | 11.1 | (6.8) | 9.4 | 17.1 | 8.7 | 9.4 |

| Balance Sheet | | | | | | | | (INR M) |
|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
| Share Capital | 2,894 | 2,894 | 2,894 | 2,894 | 2,894 | 2,830 | 2,830 | 2,830 |
| Net Worth | 1,91,039 | 2,17,799 | 1,99,255 | 2,52,023 | 2,66,688 | 2,44,217 | 2,51,428 | 2,59,605 |
| Deferred Tax | 3,234 | 5,427 | 3,464 | 5,221 | 4,033 | 5,593 | 7,284 | 9,076 |
| Loans | 1,674 | 1,685 | 1,669 | 1,601 | 1,588 | 1,588 | 1,588 | 1,588 |
| Capital Employed | 1,95,947 | 2,24,910 | 2,04,388 | 2,58,845 | 2,72,309 | 2,51,398 | 2,60,299 | 2,70,269 |
| Gross Fixed Assets | 46,402 | 42,956 | 41,573 | 43,443 | 46,312 | 53,780 | 59,580 | 65,580 |
| Less: Depreciation | 27,619 | 25,317 | 24,583 | 26,794 | 27,972 | 30,725 | 33,955 | 37,522 |
| Net Fixed Assets | 18,783 | 17,639 | 16,990 | 16,649 | 18,340 | 23,056 | 25,625 | 28,058 |
| Capital WIP | 565 | 480 | 602 | 160 | 768 | 800 | 1,000 | 1,000 |
| Investments | 1,75,883 | 1,91,594 | 1,81,960 | 2,26,310 | 2,38,188 | 2,07,388 | 2,07,388 | 2,07,388 |
| Current Assets | 42,964 | 64,091 | 48,181 | 72,183 | 61,923 | 79,712 | 92,180 | 1,05,318 |
| Inventory | 7,426 | 9,615 | 10,635 | 14,939 | 12,305 | 16,194 | 17,917 | 19,440 |
| Sundry Debtors | 14,919 | 25,597 | 17,251 | 27,169 | 15,164 | 21,592 | 23,889 | 25,920 |
| Cash & Bank Balances | 7,609 | 9,054 | 2,773 | 5,051 | 5,883 | 7,812 | 12,631 | 19,007 |
| Loans & Advances | 369 | 380 | 386 | 372 | 87 | 104 | 115 | 125 |
| Others | 12,641 | 19,445 | 17,136 | 24,653 | 28,484 | 34,009 | 37,628 | 40,826 |
| Current Liab. & Prov. | 42,248 | 48,894 | 43,345 | 56,457 | 46,910 | 59,557 | 65,894 | 71,495 |
| Sundry Creditors | 32,443 | 37,867 | 31,997 | 45,738 | 36,332 | 43,380 | 47,995 | 52,075 |
| Other Liabilities | 7,427 | 9,475 | 8,964 | 9,175 | 9,028 | 10,779 | 11,926 | 12,940 |
| Provisions | 2,378 | 1,552 | 2,385 | 1,544 | 1,551 | 5,398 | 5,972 | 6,480 |
| Net Current Assets | 716 | 15,197 | 4,836 | 15,727 | 15,013 | 20,155 | 26,286 | 33,823 |
| Application of Funds | 1,95,947 | 2,24,911 | 2,04,387 | 2,58,845 | 2,72,309 | 2,51,398 | 2,60,299 | 2,70,269 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Basic (INR) | | | | | | | | |
| Consol EPS | 146.6 | 162.0 | 180.1 | 167.8 | 183.6 | 219.8 | 238.9 | 261.4 |
| EPS growth (%) | 4.0 | 10.6 | 11.1 | -6.8 | 9.4 | 19.7 | 8.7 | 9.4 |
| Consol Cash EPS | 157.5 | 171.2 | 188.6 | 176.8 | 192.9 | 229.5 | 250.3 | 274.0 |
| Book Value per Share | 660.2 | 752.7 | 688.6 | 870.9 | 921.6 | 863.1 | 888.6 | 917.5 |
| DPS | 60.0 | 60.0 | 120.0 | 140.0 | 140.0 | 180.0 | 200.0 | 210.0 |
| Payout (% of S/A PAT) | 51.2 | 47.0 | 81.8 | 88.9 | 86.8 | 85.9 | 88.7 | 80.3 |
| Valuation (x) | | | | | | | | |
| P/E | 24.3 | 22.0 | 19.8 | 21.3 | 19.4 | 16.2 | 14.9 | 13.7 |
| Cash P/E | 22.7 | 20.8 | 18.9 | 20.2 | 18.5 | 15.5 | 14.3 | 13.0 |
| EV/EBITDA | 17.6 | 16.1 | 16.7 | 16.3 | 15.4 | 11.7 | 10.3 | 9.5 |
| EV/Sales | 3.4 | 2.7 | 2.8 | 2.9 | 2.4 | 2.0 | 1.8 | 1.7 |
| Price to Book Value | 5.4 | 4.7 | 5.2 | 4.1 | 3.9 | 4.1 | 4.0 | 3.9 |
| Dividend Yield (%) | 1.7 | 1.7 | 3.4 | 3.9 | 3.9 | 5.0 | 5.6 | 5.9 |
| Profitability Ratios (%) | | | | | | | | |
| RoE | 23.5 | 22.9 | 25.0 | 21.5 | 20.5 | 24.3 | 27.3 | 29.0 |
| RoCE | 22.0 | 21.1 | 23.8 | 19.7 | 17.6 | 22.7 | 25.0 | 25.6 |
| RoIC | 174 | 193 | 176 | 154 | 94 | 117 | 117 | 121 |
| Turnover Ratios | | | | | | | | |
| Debtors (Days) | 21 | 31 | 21 | 36 | 17 | 20 | 20 | 20 |
| Inventory (Days) | 11 | 12 | 13 | 20 | 14 | 15 | 15 | 15 |
| Creditors (Days) | 46 | 46 | 39 | 60 | 40 | 40 | 40 | 40 |
| Working Capital (Days) | -14 | -3 | -5 | -5 | -10 | -5 | -5 | -5 |
| Asset Turnover (x) | 1.3 | 1.3 | 1.5 | 1.1 | 1.2 | 1.6 | 1.7 | 1.8 |
| Fixed Asset Turnover | 5.5 | 6.8 | 7.1 | 6.5 | 7.4 | 7.9 | 7.7 | 7.6 |

Cash Flow Statement

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (INR M) | | | | | | | | |
| Profit before Tax | 57,826 | 67,032 | 65,802 | 59,390 | 65,053 | 77,984 | 84,532 | 89,632 |
| Depreciation & Amort. | 3,148 | 2,657 | 2,464 | 2,593 | 2,692 | 2,753 | 3,231 | 3,567 |
| Direct Taxes Paid | -16,851 | -19,643 | -16,777 | -13,397 | -17,015 | -17,166 | -19,039 | -20,241 |
| (Inc)/Dec in Working Capital | 10,451 | -7,030 | 3,765 | -5,105 | 6,009 | -3,213 | -1,313 | -1,161 |
| Other Items | -11,738 | -18,061 | -16,635 | -12,339 | -11,484 | -12,618 | -10,750 | -10,393 |
| CF from Oper. Activity | 42,836 | 24,954 | 38,620 | 31,142 | 45,255 | 47,740 | 56,660 | 61,405 |
| Extra-ordinary Items | -228 | -58 | -3 | -4 | -3,179 | 0 | 0 | 0 |
| CF after EO Items | 42,608 | 24,895 | 38,618 | 31,139 | 42,076 | 47,740 | 56,660 | 61,405 |
| (Inc)/Dec in FA+CWIP | -1,833 | -1,082 | -2,800 | -2,509 | -5,176 | -7,500 | -6,000 | -6,000 |
| Free Cash Flow | 40,775 | 23,814 | 35,818 | 28,630 | 36,900 | 40,240 | 50,660 | 55,405 |
| (Pur)/Sale of Invest. | -17,111 | -1,629 | 20,367 | -26,157 | 4,252 | 43,668 | 11,000 | 10,643 |
| CF from Inv. Activity | -18,944 | -2,710 | 17,567 | -28,665 | -924 | 36,168 | 5,000 | 4,643 |
| Inc. / Dec.in Networth | 0 | 0 | 0 | 0 | 0 | -30,797 | 0 | 0 |
| Inc/(Dec) in Debt | 0 | 28 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Paid | -4 | -35 | -21 | -108 | -74 | -250 | -250 | -250 |
| Dividends Paid | -18,848 | -20,733 | -62,444 | -87 | -40,490 | -50,932 | -56,591 | -59,421 |
| CF from Fin. Activity | -18,853 | -20,741 | -62,465 | -195 | -40,563 | -81,979 | -56,841 | -59,671 |
| Inc/(Dec) in Cash | 4,811 | 1,444 | -6,281 | 2,278 | 588 | 1,929 | 4,819 | 6,376 |
| Add: Beginning Bal. | 2,798 | 7,609 | 9,054 | 2,773 | 5,051 | 5,640 | 7,569 | 12,387 |
| Closing Balance | 7,609 | 9,054 | 2,773 | 5,051 | 5,640 | 7,569 | 12,387 | 18,763 |

E: MOSL Estimates

NOTES

| 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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