

# Hero MotoCorp

Estimate change



TP change



Rating change



Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USDb)	508.6 / 6.2
52-Week Range (INR)	2939 / 2247
1, 6, 12 Rel. Per (%)	2/-1/-7
12M Avg Val (INR M)	1481

## Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	338.1	369.3	403.9
EBITDA	39.9	49.0	52.8
Adj. PAT	29.1	35.6	38.8
Adj. EPS (INR)	145.6	177.6	193.7
EPS Gr. (%)	17.7	22.0	9.0
BV/Sh. (INR)	835.9	907.1	990.7

## Ratios

RoE (%)	17.9	20.4	20.4
RoCE (%)	17.6	20.0	20.1
Payout (%)	68.7	59.1	56.8

## Valuations

P/E (x)	17.5	14.3	13.1
P/BV (x)	3.0	2.8	2.6
Div. Yield (%)	3.9	4.1	4.3
FCF Yield (%)	4.0	7.2	8.4

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	34.8	34.8	34.8
DII	27.9	27.3	24.2
FII	27.0	27.5	29.2
Others	10.4	10.5	11.8

FII Includes depository receipts

CMP: INR2,545

TP: INR2,965 (+17%)

Buy

## Lower RM, LEAP savings drive EBITDA margin beat

### Market share up ~3% QoQ/2% YoY in 4QFY23

- HMCL posted in-line revenue in 4QFY23. EBITDA margin expanded ~190bp YoY to 13% (est. 12%), aided by lower RM, LEAP savings and operating leverage. We believe that rural recovery (amid elections and the ongoing marriage season) and new product launches every quarter should help HMCL gain further market share (already up 3% in 4Q).
- We upgrade our FY24/FY25 EPS estimates by 5.1%/4.8% due to expectations of a better mix and LEAP savings. We reiterate our BUY rating with a TP of INR2,965 (14x Mar'25E EPS + INR168/INR86 for Hero FinCorp/Ather after 20% holding company discount).

### Margin aided by lower RM costs, LEAP savings and op leverage

- 4QFY23 revenue/EBITDA/PAT grew 12%/31%/37% YoY to INR83.1b/INR10.8b/INR8.6b. FY23 revenue/EBITDA/PAT grew 16%/18%/18%.
- Volume grew ~7% YoY, while net realizations rose ~5% YoY (-4% QoQ) to INR62.4k/unit. Revenue increased by ~12% YoY to INR83.1b (in line).
- Gross margin expanded by 130bp YoY (+140bp QoQ) to 32% (est. 30.5%) due to benefits of stable commodity costs.
- In addition to the above factors, LEAP savings and operating leverage led to a 13% beat in EBITDA margin (+190bp YoY/150bp QoQ, est. 12%). EBITDA grew 31% YoY to INR10.8b (est. INR9.8b)
- Aided by higher other income, adj. PAT jumped 37% YoY to INR8.6b (est. INR7.3b).
- CFO for FY23 stood at INR25.8b (v/s INR20.2b in FY22). Capex for FY23 was INR5.7b (v/s INR5.2b in FY22). FCFF was at INR20.1b (v/s INR15b in FY22).
- The board has declared a final dividend of INR35/share. The total dividend for FY23 stood at INR100/share v/s INR95/share in FY22.

### Highlights from the management commentary

- **Domestic 2W industry to clock double-digit revenue growth in FY24:** While the premium segment is outperforming, the management expects **demand revival in the commuter segment**. The initial recovery is good, with rural too seeing growth. Marriage season demand will further help. Apr'23 and May'23 have been good months and HMCL expects a well balanced growth this year.
- Its market share has been improving for the last 4-5 months. In 4Q, HMCL increased its market share by 3% QoQ/2% YoY.
- Out of 190bp YoY improvement in EBITDA margin, 70-80bp was mainly due to operating leverage, commodity cost reduction and LEAP savings.
- **Xoom:** Supplies have been ramped up. HMCL has gained market share in the 110CC segment and expects to see growth as supplies improve.

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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.

**Valuation and view**

- We believe 2W demand should start recovering in FY24, led by stable demand in the urban market, better rural off-take amid the marriage season and a low base. In addition to these factors, stable RM prices and cost savings should drive a ~16% earning CAGR over FY23-25E.
- HMCL is a pure play in the domestic 2W industry, with its stronghold in the 100cc motorcycle segment. It has low vulnerability to EVs, as it garners just 8% volumes from Scooters, while its core 100CC Motorcycle is less prone to EVs. The stock currently trades at ~14.3x/13.1x FY24E/FY25E EPS. We reiterate our Buy rating with a TP of INR2,965.

**Quarterly Performance (S/A)****(INR m)**

Y/E March	FY22				FY23				FY22	FY23	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Total Volumes ('000 nos)	1,024	1,439	1,292	1,189	1,390	1,428	1,240	1,333	4,944	5,391	1,270
Growth YoY (%)	81.4	-20.7	-30.0	-24.1	35.7	-0.7	-4.1	12.1	-14.6	9.0	6.9
Net Realization	53,559	58,760	61,010	62,425	60,370	63,545	64,782	62,313	59,152	62,706	64,347
Growth YoY (%)	1.8	13.8	15.2	12.6	12.7	8.1	6.2	-0.2	11.2	6.0	3.1
<b>Net Op Revenues</b>	<b>54,871</b>	<b>84,534</b>	<b>78,833</b>	<b>74,217</b>	<b>83,925</b>	<b>90,754</b>	<b>80,310</b>	<b>83,068</b>	<b>2,92,455</b>	<b>3,38,057</b>	<b>81,752</b>
Growth YoY (%)	84.7	-9.8	-19.4	-14.6	53.0	7.4	1.9	11.9	-5.0	15.6	10.2
RM Cost (% sales)	72.5	72.3	71.0	69.3	72.8	72.0	69.4	68.0	71.2	70.6	69.5
Staff Cost (% sales)	7.9	6.0	6.6	6.4	6.4	6.0	6.8	6.7	6.6	6.5	6.8
Other Exp (% sales)	10.2	9.1	10.3	13.1	9.6	10.6	12.3	12.3	10.6	11.2	11.7
<b>EBITDA</b>	<b>5,148</b>	<b>10,664</b>	<b>9,600</b>	<b>8,276</b>	<b>9,408</b>	<b>10,383</b>	<b>9,241</b>	<b>10,830</b>	<b>33,688</b>	<b>39,862</b>	<b>9,845</b>
EBITDA Margins (%)	9.4	12.6	12.2	11.2	11.2	11.4	11.5	13.0	11.5	11.8	12.0
Other Income	1,386	1,569	1,216	1,398	530	921	1,832	2,369	5,569	5,652	1,628
Interest	61	65	65	67	70	33	49	47	258	199	48
Depreciation	1,630	1,639	1,644	1,585	1,630	1,634	1,620	1,686	6,498	6,570	1,656
<b>PBT before EO Exp/(Inc)</b>	<b>4,844</b>	<b>10,529</b>	<b>9,107</b>	<b>8,022</b>	<b>8,238</b>	<b>9,637</b>	<b>9,404</b>	<b>11,467</b>	<b>32,501</b>	<b>38,746</b>	<b>9,769</b>
Effective Tax Rate (%)	24.6	24.5	24.7	21.8	24.2	25.7	24.4	25.1	23.9	24.9	24.5
<b>Adj. PAT</b>	<b>3,654</b>	<b>7,944</b>	<b>6,861</b>	<b>6,271</b>	<b>6,245</b>	<b>7,161</b>	<b>7,111</b>	<b>8,589</b>	<b>24,730</b>	<b>29,106</b>	<b>7,374</b>
Growth (%)	496.1	-16.7	-36.7	-27.5	70.9	-9.9	3.6	37.0	-16.6	17.7	17.6

**Key Performance Indicators**

Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY22	FY23	4Q
Volumes ('000 units)	1,024	1,439	1,292	1,189	1,390	1,428	1,240	1,333	4,944	5,391	1,270
Growth (%)	81.4	-20.7	-30.0	-24.1	35.7	-0.7	-4.1	12.1	-14.6	1.2	6.9
Dom. 2W Mkt Sh (%)	39.1	33.2	34.3	33.0	35.7	29.7	31.3	34.3	34.5	32.5	34.3
<b>Net Realization</b>	<b>53,559</b>	<b>58,760</b>	<b>61,010</b>	<b>62,425</b>	<b>60,370</b>	<b>63,545</b>	<b>64,782</b>	<b>62,313</b>	<b>59,152</b>	<b>62,706</b>	<b>64,347</b>
Growth YoY (%)	1.8	13.8	15.2	12.6	12.7	8.1	6.2	-0.2	11.2	6.0	3.1
<b>Cost Break-up</b>											
RM Cost (% of sales)	72.5	72.3	71.0	69.3	72.8	72.0	69.4	68.0	71.2	70.6	69.5
Staff Cost (% of sales)	7.9	6.0	6.6	6.4	6.4	6.0	6.8	6.7	6.6	6.5	6.8
Other Cost (% of sales)	10.2	9.1	10.3	13.1	9.6	10.6	12.3	12.3	10.6	11.2	11.7
Gross Margins (%)	27.5	27.7	29.0	30.7	27.2	28.0	30.6	32.0	28.8	29.4	30.5
EBITDA Margins (%)	9.4	12.6	12.2	11.2	11.2	11.4	11.5	13.0	11.5	11.8	12.0
EBIT Margins (%)	6.4	10.7	10.1	9.0	9.3	9.6	9.5	11.0	9.3	9.8	10.0

E:MOFSL Estimates



## Key takeaways from the management commentary

### Expect domestic 2W industry to clock double-digit revenue growth in FY24

- While the premium segment is outperforming, the management expects **demand revival in the commuter segment**. The initial recovery is good, with rural too seeing growth. Marriage season demand will further help. Apr'23 and May'23 have been good months and HMCL expects well-balanced growth this year.
- **Market share has been improving for the last 4-5 months**. In 4Q, HMCL increased its market share by 3% QoQ/2% YoY.
- Its largest dealership network and strong **retail finance penetration (currently at ~59%) should drive** rural growth. Moreover, effects of the government's capex will come with a lag. Consumer spending is increasing in segments like hospitality, indicating healthy consumer confidence.

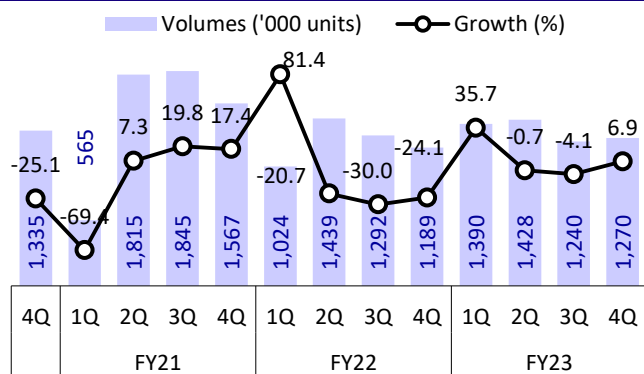
### Segment/product-wise performance

- **Xoom**- Supplies have been ramped up. It gained market share in the 110CC segment and expects to see growth as supplies improve.
- **Market share in Motor cycle was 51%**. Its market share in 125CC increased to 22% (v/s 14% earlier). The company plans several product launches in the premium segment. It expects improvement in market share for the entry level segment as well.

### EV- Plans to roll out Vida across 100 cities in CY23

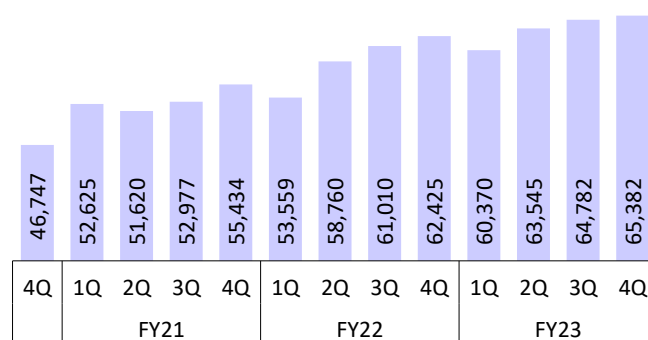
- Prices have declined across the industry. However, the management expects the price correction should boost demand.
- EV capacities are quite fungible and can be increased if demand ramps up. EV penetration is happening faster. Initial 3-4 months for Vida were just a set up.
- **Raw Materials**: Cost escalation in the commodity (the way it has happened in the past) is unlikely. Out of 190bp YoY improvements in EBITDA margin, 70-80bp was due to op leverage, commodity cost reduction and LEAP savings. HMCL took a cumulatively price hike of INR4k/vehicle in FY23 and INR600/vehicle in Apr'23.
- **Inventory level currently stands at six weeks (stable QoQ)**.
- HMCL plans to launch a new product every quarter. It has hinted at record launches this fiscal year. Harley Davidson too will be launched this fiscal.
- **Exports**: HMCL is currently present in 40 countries. It aims to increased exports contribution to 10-15% of revenue. Exports mix for the industry is 25% while for HMCL it is much lower at 5%.
- **Parts revenue** stood at INR12.71b in 4QFY23 (v/s INR12.50b in 3QFY23 and INR11.50b in 4QFY22) and INR48.35b in FY23 (v/s INR39.34b in FY22). **Export revenue** for FY23 came in at INR11.50b.
- **EBITDA margin target is 14-16%** (same as earlier) in the long run. The underlying portfolio seems more margin lucrative.
- The Premium and EV categories are going to have major scope of growth. The company might consider M&A if it sees any healthy growth potential.

Exhibit 1: Trend in volumes



Source: SIAM

Exhibit 2: Trend in blended realizations



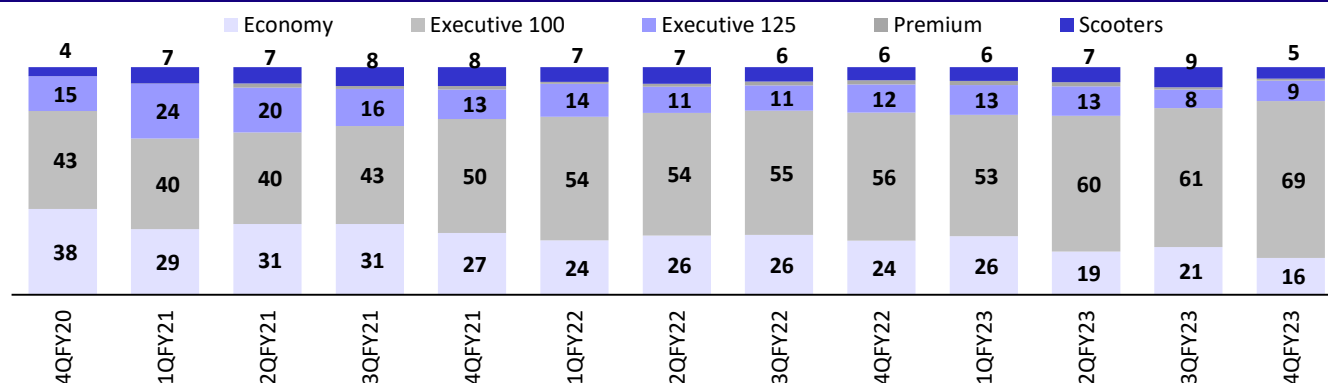
Source: Company, MOFSL

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

000 units	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total M/Cycles	6,677	7,081	5,990	5,333	4,628	4,959	5,290	5,693
Growth (%)	14.4	6.0	-15.4	-11.0	-13.2	7.2	6.7	7.6
% of total volumes	88.0	90.5	93.5	92.1	93.6	93.1	92.7	92.7
Total Scooters	910	740	419	458	316	369	414	447
Growth (%)	9.7	-18.7	-43.3	9.2	-30.9	16.8	12.0	8.0
% of total volumes	12.0	9.5	6.5	7.9	6.4	6.9	7.3	7.3
<b>Total volumes</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>4,944</b>	<b>5,329</b>	<b>5,704</b>	<b>6,140</b>
Growth (%)	13.9	3.1	-18.0	-9.6	-14.6	7.8	7.0	7.6
- of which Exports	178	187	162	172	290	162	181	227
% of total volumes	2.6	2.6	2.8	3.3	6.5	3.3	3.5	4.1

Source: SIAM

Exhibit 4: Segment-wise contribution in product mix



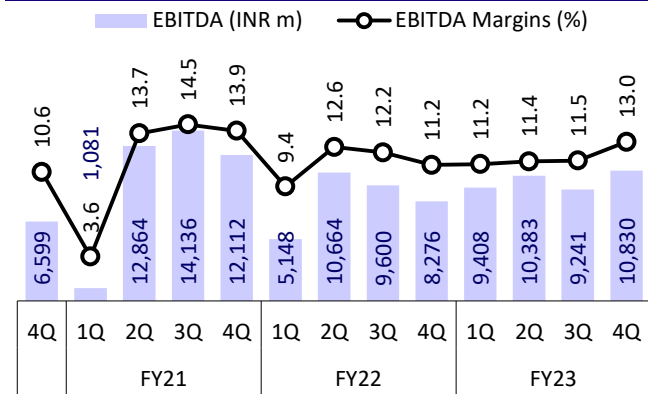
Source: SIAM

Exhibit 5: Segment-wise market share

Segment	4QFY23	4QFY22	Chg YoY (BP)	3QFY23	Chg QoQ (BP)
Economy	52.5	57.4	-500	53.3	-80
Executive - 100	99.4	91.2	820	95.6	380
Executive - 125	21.6	24.0	-240	14.6	700
Premium	3.1	7.2	-410	3.2	-10
<b>Dom. Motorcycles</b>	<b>50.6</b>	<b>47.6</b>	<b>300</b>	<b>43.3</b>	<b>720</b>
Dom. Scooters	4.6	6.1	-160	8.8	-420
<b>Total 2W (Domestic M.S.)</b>	<b>34.3</b>	<b>33.0</b>	<b>120</b>	<b>31.3</b>	<b>300</b>

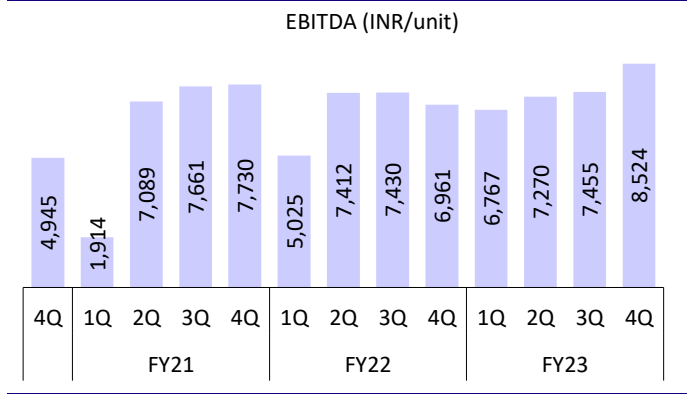
Source: SIAM

Exhibit 6: Trend in EBITDA and EBITDA margin



Source: Company, MOFSL

Exhibit 7: Trend in EBITDA per unit



Source: Company, MOFSL

### Valuation and view

- **We estimate a 7-8% CAGR in 2W industry volumes** over FY23-25, driven by higher penetration in rural markets and replacement demand in urban markets. We expect HMCL to deliver a 7% volume CAGR over FY23-25, driven by 1) its increased competitiveness in the Economy and the Executive segment after the transition to BS-VI emission norms, 2) growth in the Premium segment, 3) faster growth in Scooters, and 4) a ramp-up in exports. The company will benefit from a rural recovery, with strong brand equity in the Economy and Executive segments. It is expanding its presence in the fast-growing Scooters and Premium Motorcycle segments, which will further drive volume growth.
- **HMCL to benefit from a strong Economy and Executive portfolio:** It is poised for a faster recovery v/s 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 a decrease in the percentage-wise price differential between the Entry and Executive models. Any improvement in its competitive positioning in Scooters, Premium Motorcycles or EVs will further act as re-rating triggers.
- **EVs pose a challenge and an opportunity:** EVs pose a threat to incumbents in the Scooter segment (HMSI and TVSL) and an opportunity for OEMs that are ready with a compelling e-scooter package. With its alliance with Gogoro, HMCL now has a three-pronged strategy for EVs: 1) stake in Ather, 2) own development (led by a German R&D center) on a fixed battery system, and 3) JV with Gogoro for a battery-swapping system. Its first EV product under V1 Vida brand has now seen a price cut and is planned to be launched in 100 cities in CY23. The management plans to launch products under the Gogoro JV in FY24 and a few other mass-market offerings over the next two years.
- **Export market to offer huge headroom for growth, but scale-up will be a challenge and back-ended:** HMCL has doubled its target export market to 40 countries over the past few years. While Motorcycle exports to emerging markets present a huge opportunity (~2x that of the Indian market), HMCL, 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. It has been working on its distribution for the last few years and is concentrating on market-specific products. Recovery in some of these markets, after the recent

currency turmoil, works in HMCL's favor. The company aims to achieve 10-15% revenue from exports.

- **Valuations fair; reiterate Buy:** We upgrade our FY24/FY25 EPS estimates by 5.1%/4.8% due to expectations of a better mix and LEAP savings. HMCL is a good proxy on a rural market recovery, with its stronghold in the 100cc Motorcycle segment. It has low vulnerability to EVs, as it garners 8% volumes from Scooters and its core 100cc Motorcycle is less prone to EVs. We expect further market share gain (up 3% in 4Q), driven by rural recovery (amid marriage season and election year), low inventory (~6 weeks) and new product launches every quarter. We expect a revenue/EBITDA/PAT CAGR of ~7%/15%/15% over FY23-25. The stock currently trades at ~14.3x/13.1x FY24E/FY25E EPS. We reiterate our BUY rating with a TP of INR2,965 (14x Mar'25E EPS + INR168/INR86 for Hero FinCorp/Ather after 20% holding company discount).

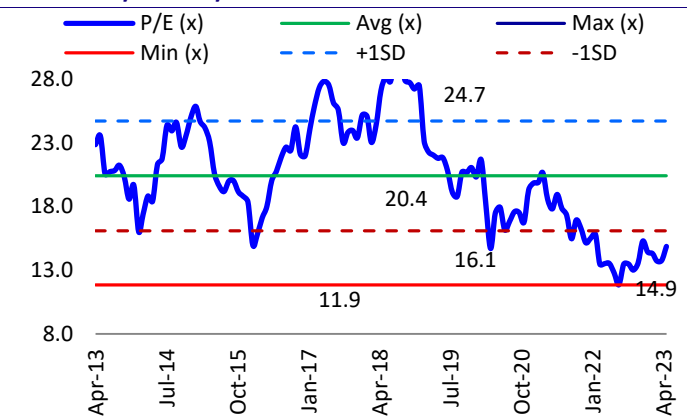
#### Exhibit 8: Revisions to our estimates

##### Revised Forecast

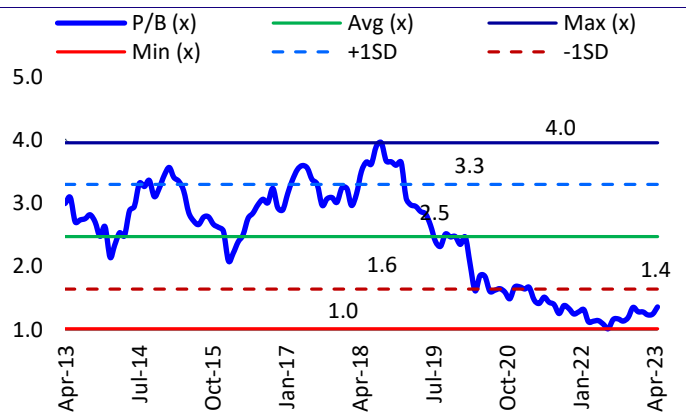
(INR B)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	5,704	5,740	-0.6	6,140	6,168	-0.5
Net Sales	369.3	371	-0.5	403.9	405	-0.3
EBITDA	49.0	46	6.4	52.8	50	5.8
EBITDA Margins (%)	13.3	12.4	90	13.1	12.3	80
Net Profit	35.6	34	5.1	38.8	37	4.8
EPS (INR)	177.6	169.0	5.1	193.7	184.8	4.8

Source: MOFSL

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



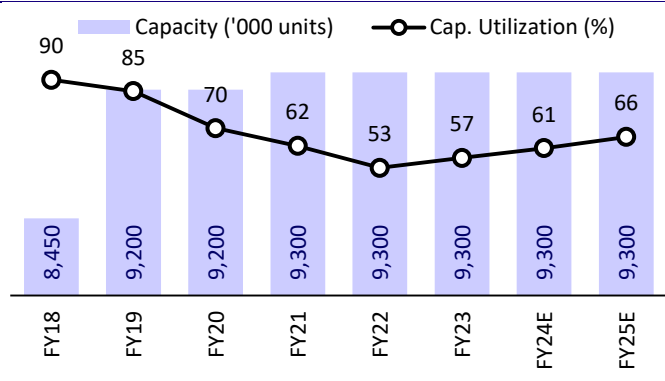
Source: MOFSL



Source: MOFSL

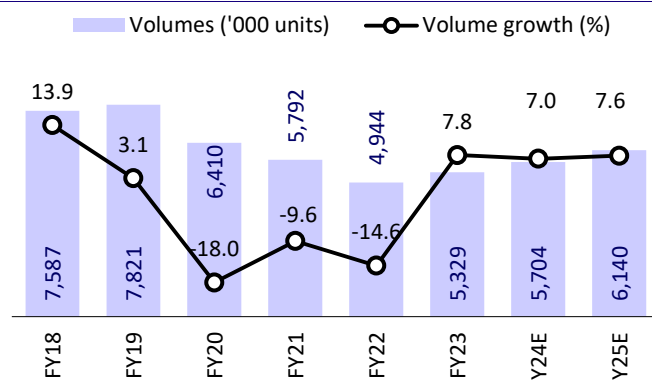
## Story in charts

**Exhibit 10: Adding capacity ahead of growth**



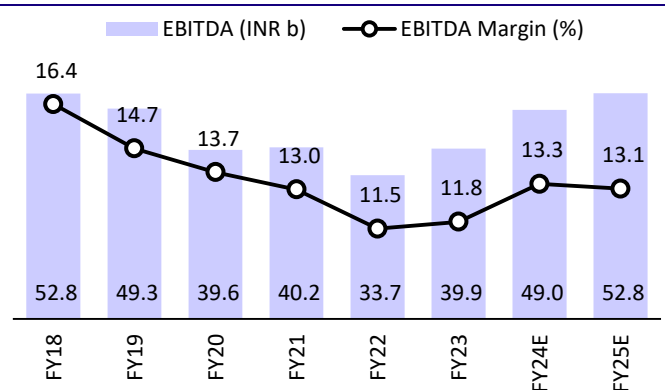
Source: Company, MOFSL

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



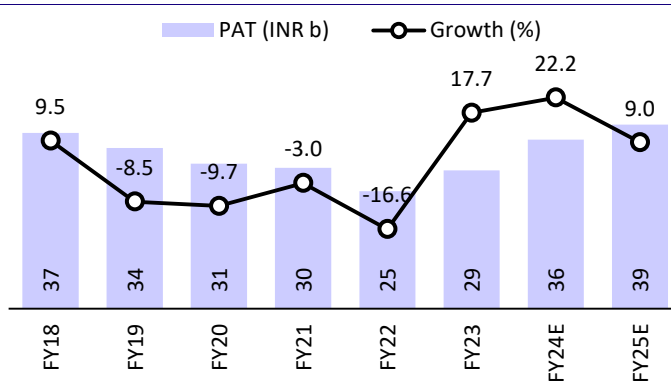
Source: Company, MOFSL

**Exhibit 12: EBITDA margin trajectory**



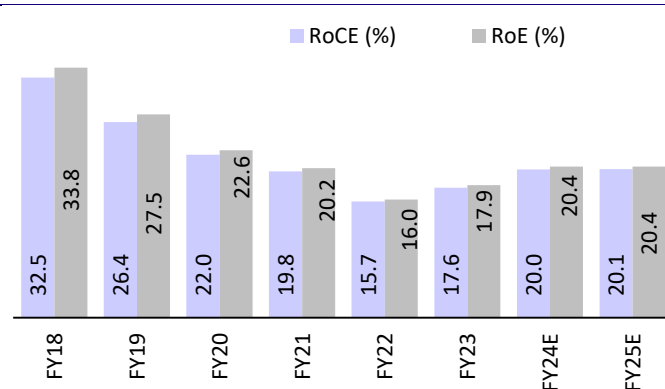
Source: Company, MOFSL

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



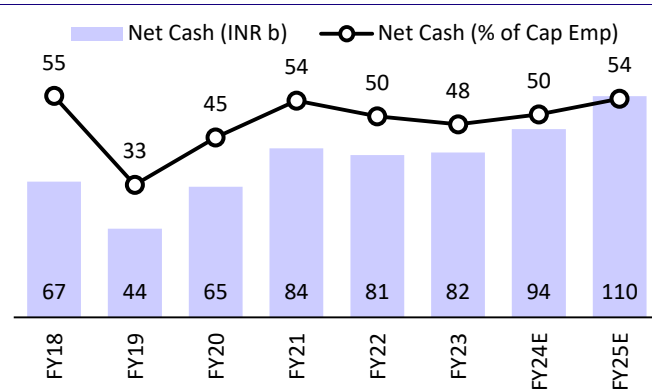
Source: Company, MOFSL

**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**

<b>000 units</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Total M/Cycles	6,677	7,081	5,990	5,333	4,628	4,959	5,290	5,693
Growth (%)	14.4	6.0	-15.4	-11.0	-13.2	7.2	6.7	7.6
% of total volumes	88.0	90.5	93.5	92.1	93.6	93.1	92.7	92.7
Total Scooters	910	740	419	458	316	369	414	447
Growth (%)	9.7	-18.7	-43.3	9.2	-30.9	16.8	12.0	8.0
% of total volumes	12.0	9.5	6.5	7.9	6.4	6.9	7.3	7.3
<b>Total volumes</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>4,944</b>	<b>5,329</b>	<b>5,704</b>	<b>6,140</b>
Growth (%)	13.9	3.1	-18.0	-9.6	-14.6	7.8	7.0	7.6
- of which Exports	178	187	162	172	290	162	181	227
% of total volumes	2.6	2.6	2.8	3.3	6.5	3.3	3.5	4.1
Net Realizations (INR/unit)	42,480	43,027	44,988	53,182	59,152	63,443	64,737	65,773
Growth (%)	-1.6	0.6	4.3	18.8	10.7	7.6	2.1	1.6
<b>Net Revenues (INR b)</b>	<b>322</b>	<b>337</b>	<b>288</b>	<b>308</b>	<b>292</b>	<b>338</b>	<b>369</b>	<b>404</b>
Growth (%)	13.1	4.4	-14.3	6.8	-5.0	15.6	9.2	9.4

SIAM, Company, MOFSL



## Financials and valuations

Income Statement								(INR Million)	
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Volumes ('000)	6,664	7,587	7,821	6,410	5,792	4,944	5,329	5,704	6,140
Volume Growth (%)	0.5	13.9	3.1	-18.0	-9.6	-14.6	7.8	7.0	7.6
Net Revenues	2,85,005	3,22,305	3,36,505	2,88,360	3,08,006	2,92,455	3,38,057	3,69,269	4,03,858
Change (%)	0.2	13.1	4.4	-14.3	6.8	-5.0	15.6	9.2	9.4
EBITDA	46,348	52,802	49,301	39,579	40,192	33,688	39,862	48,999	52,833
EBITDA Margin (%)	16.3	16.4	14.7	13.7	13.0	11.5	11.8	13.3	13.1
Depreciation	4,927	5,556	6,020	8,180	6,769	6,498	6,570	6,818	7,103
EBIT	41,421	47,246	43,281	31,400	33,424	27,190	33,293	42,181	45,730
Interest cost	61	63	86	220	218	258	199	200	200
Other Income	5,224	5,258	6,913	7,283	5,799	5,569	5,652	5,335	6,050
Non-recurring Expense	0	0	0	-7,274	0	0	0	0	0
PBT	46,585	52,442	50,107	45,736	39,004	32,501	38,746	47,316	51,580
Tax	12,813	15,468	16,259	9,404	9,362	7,771	9,640	11,753	12,805
Effective Tax Rate (%)	27.5	29.5	32.4	20.6	24.0	23.9	24.9	24.8	24.8
Adj. PAT	33,771	36,974	33,849	30,554	29,642	24,730	29,106	35,563	38,775
Change (%)	6.9	9.5	-8.5	-9.7	-3.0	-16.6	17.7	22.2	9.0

Balance Sheet								(INR Million)	
Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Sources of Funds									
Share Capital	399	399	400	400	400	400	400	400	400
Reserves	1,00,714	1,17,289	1,28,172	1,40,965	1,51,585	1,57,430	1,66,651	1,81,193	1,97,947
Net Worth	1,01,113	1,17,689	1,28,571	1,41,364	1,51,984	1,57,829	1,67,051	1,81,594	1,98,347
Deferred Tax	4,143	5,117	5,365	3,928	4,041	3,833	4,054	4,054	4,054
Loans	0	0	0	0	0	0	0	0	0
Capital Employed	1,05,256	1,22,805	1,33,936	1,45,292	1,56,025	1,61,662	1,71,105	1,85,647	2,02,401
Application of Funds									
Gross Fixed Assets	1,03,772	1,11,344	1,16,282	1,38,161	1,42,362	1,47,040	1,53,159	1,60,297	1,66,297
Less: Depreciation	59,816	64,799	70,097	76,991	82,478	88,975	95,545	1,02,362	1,09,466
Net Fixed Assets	43,956	46,545	46,186	61,171	59,884	58,065	57,614	57,934	56,831
Capital WIP	4,651	3,184	5,419	3,413	4,366	4,582	4,638	3,500	3,500
Investments	58,899	75,252	59,686	82,227	1,04,997	1,06,523	1,10,104	1,10,104	1,10,104
Curr.Assets, L & Adv.	39,438	42,407	65,121	40,683	52,364	47,970	60,276	80,922	1,04,892
Inventory	6,563	8,236	10,724	10,920	14,696	11,227	14,341	16,649	18,209
Sundry Debtors	15,619	15,202	28,216	16,031	24,268	23,043	27,982	29,381	29,991
Cash & Bank Balances	1,367	1,413	1,365	2,419	2,572	1,751	3,455	19,049	39,365
Loans & Advances	725	732	850	896	892	402	436	476	521
Others	15,163	16,823	23,968	10,417	9,938	11,547	14,062	15,366	16,805
Current Liab. & Prov.	41,686	44,583	42,476	42,201	65,585	55,478	61,527	66,813	72,926
Sundry Creditors	32,473	33,188	33,553	30,305	52,046	42,603	47,045	53,866	58,911
Other Liabilities	8,071	9,647	7,161	9,207	10,211	9,490	10,744	9,794	10,711
Provisions	1,143	1,747	1,762	2,689	3,328	3,385	3,738	3,153	3,303
Net Current Assets	-2,249	-2,176	22,646	-1,518	-13,222	-7,508	-1,251	14,109	31,966
Application of Funds	1,05,256	1,22,805	1,33,936	1,45,292	1,56,025	1,61,662	1,71,105	1,85,647	2,02,401

## Financials and valuations

### Ratios

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Basic (INR)									
EPS	169.1	185.1	169.5	153.0	148.4	123.8	145.6	177.6	193.7
EPS Growth (%)	6.9	9.5	-8.5	-9.7	-3.0	-16.6	17.7	22.0	9.0
Cash EPS	193.8	213.0	199.6	222.8	182.2	156.3	178.5	211.7	229.2
Book Value per Share	506.3	589.3	643.7	707.7	760.7	789.9	835.9	907.1	990.7
DPS	85.0	95.0	87.0	90.0	105.0	95.0	100.0	105.0	110.0
Payout (Incl. Div. Tax) %	60.6	61.8	62.9	71.8	70.8	76.8	68.7	59.1	56.8
Valuation (x)									
P/E	15.0	13.7	15.0	16.6	17.2	20.6	17.5	14.3	13.1
EV/EBITDA	9.7	8.2	9.1	10.7	10.0	11.9	9.9	7.8	6.8
EV/Sales	1.6	1.3	1.3	1.5	1.3	1.4	1.2	1.0	0.9
Price to Book Value	5.0	4.3	4.0	3.6	3.3	3.2	3.0	2.8	2.6
Dividend Yield (%)	3.3	3.7	3.4	3.5	4.1	3.7	3.9	4.1	4.3
Profitability Ratios (%)									
RoE	35.7	33.8	27.5	22.6	20.2	16.0	17.9	20.4	20.4
RoCE	34.5	32.5	26.4	22.0	19.8	15.7	17.6	20.0	20.1
RoIC	77.3	80.0	53.0	40.0	50.1	44.5	49.2	59.9	67.1
Turnover Ratios									
Debtors (Days)	21	18	32	21	30	30	32	31	29
Inventory (Days)	9	10	12	15	18	15	16	17	17
Creditors (Days)	42	38	36	38	62	53	51	53	53
Working Capital (Days)	-3	-2	25	-2	-16	-9	-1	14	29
Asset Turnover (x)	2.7	2.6	2.5	2.0	2.0	1.8	2.0	2.0	2.0
Fixed Asset Turnover	2.9	3.0	3.0	2.3	2.2	2.0	2.3	2.4	2.5

### Cash Flow Statement

(INR Million)

Y/E March	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Profit before Tax	46,585	52,442	50,107	45,736	39,004	32,501	38,746	47,316	51,580
Depreciation & Amort.	4,927	5,556	6,020	8,180	6,769	6,498	6,570	6,818	7,103
Direct Taxes Paid	-11,865	-14,943	-20,515	-5,443	-9,759	-7,688	-8,496	-11,753	-12,805
(Inc)/Dec in Working Capital	4,208	-2,682	-19,189	12,027	10,700	-6,825	-5,832	234	2,460
Other Items	-1,606	1,723	-6,634	-6,399	-4,987	-4,283	-5,197	200	200
<b>CF from Oper. Activity</b>	<b>40,280</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>20,203</b>	<b>25,791</b>	<b>42,814</b>	<b>48,538</b>
Extra-ordinary Items	0	0	0	0	0	0	0	0	0
<b>CF after EO Items</b>	<b>40,280</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>20,203</b>	<b>25,791</b>	<b>42,814</b>	<b>48,538</b>
(Inc)/Dec in FA+CWIP	-11,491	-7,992	-9,179	-13,586	-5,101	-5,240	-5,675	-6,000	-6,000
<b>Free Cash Flow</b>	<b>28,790</b>	<b>31,816</b>	<b>611</b>	<b>40,515</b>	<b>36,626</b>	<b>14,963</b>	<b>20,115</b>	<b>36,814</b>	<b>42,538</b>
(Pur)/Sale of Invest.	-7,949	-11,160	22,392	-15,245	-16,998	3,721	987	0	0
<b>CF from Inv. Activity</b>	<b>-19,439</b>	<b>-19,152</b>	<b>13,212</b>	<b>-28,831</b>	<b>-22,099</b>	<b>-1,519</b>	<b>-4,688</b>	<b>-6,000</b>	<b>-6,000</b>
Interest Paid	-61	-63	-86	-874	-515	-458	-455	-200	-200
Dividends Paid	-20,896	-20,404	-22,854	-23,323	-18,900	-18,931	-19,951	-21,021	-22,022
<b>CF from Fin. Activity</b>	<b>-20,956</b>	<b>-20,467</b>	<b>-22,940</b>	<b>-24,198</b>	<b>-19,415</b>	<b>-19,389</b>	<b>-20,406</b>	<b>-21,221</b>	<b>-22,222</b>
<b>Inc/(Dec) in Cash</b>	<b>-116</b>	<b>190</b>	<b>63</b>	<b>1,072</b>	<b>213</b>	<b>-705</b>	<b>697</b>	<b>15,593</b>	<b>20,316</b>
Add: Beginning Balance	270	154	344	407	1,479	1,692	987	1,684	17,277
<b>Closing Balance</b>	<b>154</b>	<b>344</b>	<b>407</b>	<b>1,479</b>	<b>1,692</b>	<b>987</b>	<b>1,684</b>	<b>17,277</b>	<b>37,593</b>

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Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.