

# Ashok Leyland

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	AL IN
Equity Shares (m)	2936
M.Cap.(INRb)/(USD\$)	528.4 / 6.4
52-Week Range (INR)	192 / 133
1, 6, 12 Rel. Per (%)	-1/-14/-6
12M Avg Val (INR M)	2155

## Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	361.4	379.9	410.9
EBITDA	29.3	43.7	48.4
EBITDA (%)	8.1	11.5	11.8
Adj. PAT	13.2	24.5	30.1
Adj. EPS (INR)	4.5	8.3	10.3
EPS Gr. (%)	7,586.2	84.8	23.1
BV/Sh. (INR)	28.7	35.0	43.2

## Ratios

Net D:E (x)	0.0	0.0	-0.1
RoE (%)	16.8	26.2	26.2
ROCE (%)	13.1	20.3	21.5
Payout (%)	57.6	24.0	19.5

## Valuations

P/E (x)	39.9	21.6	17.5
P/BV (x)	6.3	5.1	4.2
EV/EBITDA (x)	18.0	12.2	10.7
Div. Yield (%)	1.4	1.1	1.1
FCF Yield (%)	3.1	3.1	6.1

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	51.1	51.1	51.1
DII	14.6	16.5	21.1
FII	21.1	20.9	16.0
Others	13.2	10.9	11.8

FII Includes depository receipts

**CMP: INR180 TP: INR205 (+14%) Buy**

## Margin expansion led by RM cost savings

### 4QFY24/1QFY25 CV volume growth to moderate

- Ashok Leyland (AL)'s 3QFY24 results was a beat, led by savings in RM costs, which led to EBITDA margins expanding 320bp YoY to 12% (vs. est.10.5%). While volume growth is expected to remain moderate, the focus on profitable growth should aid overall margins.
- We cut FY24E/FY25E EPS estimates by 6% each to factor in demand moderation in domestic MHCV volumes. We reiterate our **BUY** rating with a TP of INR205 (based on 10x Mar'26E EV/EBITDA + ~INR17/sh for the NBFC).

### Better ASPs on the back of price hikes in both MHCVs and LCVs

- 3QFY24 revenue/EBITDA/adj. PAT grew ~3%/40%/63% YoY to INR92.7b/11.1b/5.8b (vs. est. INR91.8b/9.6b/4.9b). 9MFY24 revenue/EBITDA/adj. PAT grew ~10.5%/82%/1.8x YoY.
- Net realizations grew 3% YoY (+1.5% QoQ) to INR1.96m (vs. est. INR1.94m). Volumes remained flat YoY (-5% QoQ).
- Gross margins expanded 400bp YoY (-130bp QoQ) to 27.8% (vs. est. 26.3%).
- EBITDA margins expanded 320bp YoY (+80bp QoQ) to 12% (vs. est. 10.5%).
- Net Debt stood at INR17.5b at the end of 3QFY24 (vs. net debt of INR11.4b at the end of 2QFY24) with debt to equity at 0.2x.

### Highlights from the management commentary

- **MHCV growth outlook:** FY24 volumes are estimated to be below FY18 peak as 4QFY24 is expected to see some moderation in growth due to the high base of last year. The management expects volumes to see moderation till elections (1QFY25) as the tendering process across underlying industries slow down. However, macro indicators such as GDP growth, government focus on infrastructure, etc., are intact for the underlying CV industry growth.
- **LCVs:** Domestic LCV industry for AL's addressable market has declined 3% YoY for 9MFY24, while AL has seen a growth of 2% YoY, indicating market share gain.
- **EVs:** The first batch of e-LCVs will roll out in a few months. It has signed MoU with customers for ~12-13k units. Similarly, it has an order book for ~1,000 e-buses.
- The board has earlier approved INR12b of equity investment in Optare PLC (holding company of Switch and Ohm mobility). It has invested INR6.6b in 3QFY24 into Optare PLC/Switch, driven by the promising prospects of e-LCVs and eBuses.

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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**

- With the high base of 4QFY23 and upcoming general elections in 1HCY24, demand momentum for domestic CVs is expected to see moderation. However, on the back of stable RM cost, lower discounting, and cost-saving initiatives AL should be able to maintain double-digit margins.
- While valuations at ~17.5x FY25E P/E and 11x EV/EBITDA are reflecting the mid-cycle recovery, they do not fully reflect AL's focus on diversifying new revenue streams and increasing profit pools. We reiterate our **BUY** rating with a TP of INR205 (premised on 10x Mar'26 EV/EBITDA + ~INR17/share for the NBFC).

**Quarterly Performance (S/A)**

(INR Million)

	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Total Volumes (nos)	39,651	45,295	47,562	59,697	41,329	49,846	47,241	56,301	1,92,205	1,94,717	47,241
Growth %	120.4	64.5	39.6	22.5	4.2	10.0	-0.7	-5.7	49.8	1.3	-0.7
Realizations (INR '000)	1,822	1,825	1,899	1,947	1,981	1,934	1,963	1,934	1,880	1,951	1,943
Change (%)	11.0	12.8	16.9	8.5	8.8	6.0	3.4	-0.7	11.3	3.7	2.4
<b>Net operating revenues</b>	<b>72,229</b>	<b>82,660</b>	<b>90,297</b>	<b>1,16,257</b>	<b>81,893</b>	<b>96,380</b>	<b>92,730</b>	<b>1,08,879</b>	<b>3,61,441</b>	<b>3,79,882</b>	<b>91,800</b>
Change (%)	144.8	85.4	63.1	33.0	13.4	16.6	2.7	-6.3	66.7	5.1	1.7
RM/sales %	79.3	78.0	76.3	75.6	73.7	73.5	72.2	72.2	77.1	72.9	73.7
Staff/sales %	6.2	6.4	6.1	5.1	6.6	5.9	6.1	5.9	5.8	6.1	6.3
Other exp/sales %	10.1	9.1	8.8	8.3	9.7	9.3	9.6	9.4	9.0	9.5	9.5
<b>EBITDA</b>	<b>3,203</b>	<b>5,373</b>	<b>7,973</b>	<b>12,757</b>	<b>8,208</b>	<b>10,798</b>	<b>11,139</b>	<b>13,593</b>	<b>29,307</b>	<b>43,737</b>	<b>9,598</b>
EBITDA Margins(%)	4.4	6.5	8.8	11.0	10.0	11.2	12.0	12.5	8.1	11.5	10.5
Interest	689	771	804	628	699	587	616	982	2,891	2,885	620
Other Income	256	200	316	389	512	475	300	353	1,161	1,640	400
Depreciation	1,824	1,768	1,890	1,838	1,794	1,803	1,785	1,800	7,320	7,181	1,850
<b>PBT before EO Item</b>	<b>946</b>	<b>3,035</b>	<b>5,596</b>	<b>10,681</b>	<b>6,227</b>	<b>8,883</b>	<b>9,039</b>	<b>11,163</b>	<b>20,258</b>	<b>35,311</b>	<b>7,528</b>
EO Exp/(Inc)	-130	-82	-69	-564	6	229	6	0	-846	241	0
<b>PBT after EO</b>	<b>1,077</b>	<b>3,117</b>	<b>5,665</b>	<b>11,245</b>	<b>6,221</b>	<b>8,654</b>	<b>9,033</b>	<b>11,163</b>	<b>21,104</b>	<b>35,071</b>	<b>7,528</b>
Effective Tax Rate (%)	36.8	36.1	36.2	33.2	7.3	35.2	35.8	36.0	34.6	30.7	35.0
<b>Adj PAT</b>	<b>595</b>	<b>1,939</b>	<b>3,568</b>	<b>7,145</b>	<b>5,768</b>	<b>5,769</b>	<b>5,804</b>	<b>7,147</b>	<b>13,248</b>	<b>24,479</b>	<b>4,893</b>
Change (%)	-121.2	-333.0	-1,054.2	70.8	868.8	197.5	62.7	0.0	7,587.8	84.8	37.1

**Key Performance Indicators**

Y/E March	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
M&HCV	24,987	27,841	30,790	40,439	26,165	32,086	29,485	36,656	1,24,057	1,24,392	29,485
Dom. M&HCV Mkt sh (%)	30.1	32.0	32.9	32.0	31.2	31.9	29.8		31.8		
LCV	14,664	17,454	16,772	19,258	15,164	17,760	17,756	19,646	68,148	70,326	17,756
Dom. LCV Mkt sh (%)	9.7	11.2	11.6	11.7	10.7	11.0	11.7		11.1		
<b>Total Volumes (nos)</b>	<b>39,651</b>	<b>45,295</b>	<b>47,562</b>	<b>59,697</b>	<b>41,329</b>	<b>49,846</b>	<b>47,241</b>	<b>56,301</b>	<b>1,92,205</b>	<b>1,94,717</b>	<b>47,241</b>
AL's CV Market Sh (%)	16.3	17.8	19.3	20.1	17.9	18.8	18.6		18.5		8
Realizations (INR '000)	1,822	1,825	1,899	1,947	1,981	1,934	1,963	1,934	1,880	1,951	1,943
Growth %	11.0	12.8	16.9	8.5	8.8	6.0	3.4	-0.7	18.4	32.5	2
<b>Cost Break-up</b>											
RM Cost (% of sales)	79.3	78.0	76.3	75.6	73.7	73.5	72.2	72.2	77.1	72.9	73.7
Staff Cost (% of sales)	6.2	6.4	6.1	5.1	6.6	5.9	6.1	5.9	5.8	6.1	6.3
Other Cost (% of sales)	10.1	9.1	8.8	8.3	9.7	9.3	9.6	9.4	9.0	9.5	9.5
<b>Gross Margin (%)</b>	<b>20.7</b>	<b>22.0</b>	<b>23.7</b>	<b>24.4</b>	<b>26.3</b>	<b>26.5</b>	<b>27.8</b>	<b>27.8</b>	<b>22.9</b>	<b>27.1</b>	<b>26.3</b>
<b>EBITDA Margins (%)</b>	<b>4.4</b>	<b>6.5</b>	<b>8.8</b>	<b>11.0</b>	<b>10.0</b>	<b>11.2</b>	<b>12.0</b>	<b>12.5</b>	<b>8.1</b>	<b>11.5</b>	<b>10.5</b>
<b>EBIT Margins (%)</b>	<b>1.9</b>	<b>4.4</b>	<b>6.7</b>	<b>9.4</b>	<b>7.8</b>	<b>9.3</b>	<b>10.1</b>	<b>10.8</b>	<b>6.1</b>	<b>9.6</b>	<b>8.4</b>

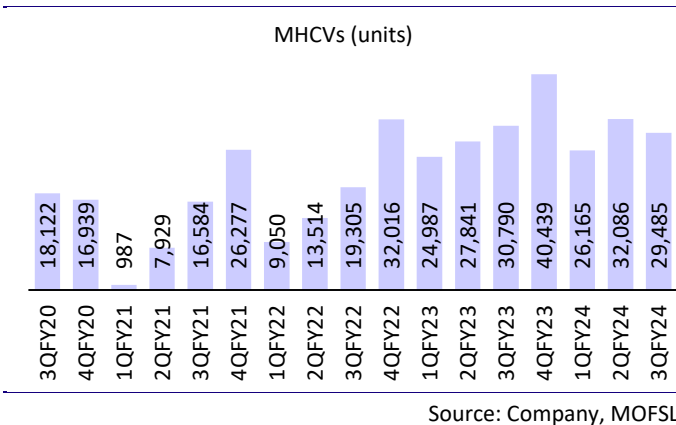
E:MOFSL Estimates

## Key takeaways from the management commentary

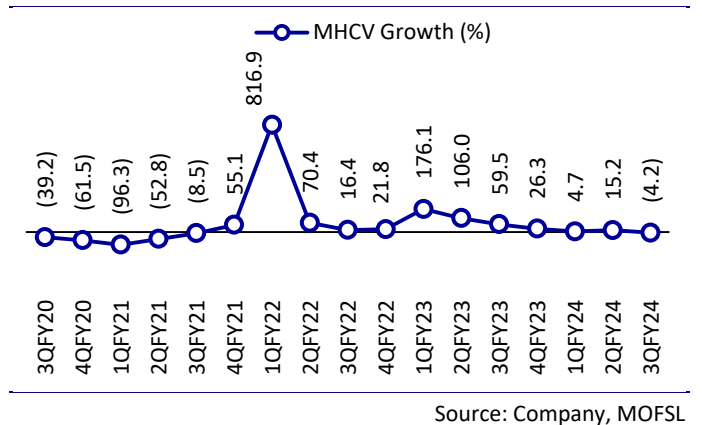
- **MHCV growth outlook:** Domestic MHCV industry grew 9% YoY in 9MFY24 (1HFY24 growth was 10% while 3Q saw low growth of 7%). 3Q performance was affected due to elections in five major states. FY24 volumes are estimated to be below FY18 peak as 4QFY24 is expected to see moderation in growth due to the high base of last year. It expects volumes to see moderation till elections (1QFY25) as the tendering process across underlying industries slow down. However, underlying macro indicators such as GDP growth and government focus on infrastructure are intact for the underlying CV industry growth.
- **LCVs:** Domestic LCV industry for AL's addressable market has declined 3% YoY for 9MFY24, while AL has seen a growth of 2% YoY, indicating market share gain.
- **Future drivers for growth for MHCV industry:** Buses should continue their growth momentum for the next six to eight months. There is also a considerable shift occurring from multi-axle vehicles to tractor-trailer category, alongside notable growth in the tipper segment, driven by infrastructure development.
- **Buses**
  - Bus demand to be driven by several factors, including the replacement of existing buses, the growing need for public transport, and increasing demand for school/staff transportation services. TIV for the bus industry has grown by 38% in 3Q vs. AL's growth of 65% YoY.
  - Electric buses are seeing a lot of traction with government focus on converting diesel buses to electric buses. It is also participating in the PM's e-bus Seva orders as it currently has a range of products under Switch Mobility division. It is also actively working with the government to sort out the payment security mechanism hurdle for participation in the tenders.
- **Margin expansion drivers:**
  - Better product mix, higher price realizations, and softer RM costs aided better gross margin expansion in 3QFY24. Various cost-control measures are in place to reduce overheads.
  - It would be focusing on market share expansion, on the back of launch of new products and expansion of dealer network, but not at the cost of profitability.
- **Price hike-** The company has been taking calibrated price hikes in each of the three quarters in 9MFY24, both in MHCVs and LCVs. It has also taken a price hike in Jan'24.
- **Focus on distribution:** It has partnered with TVS for network expansion in the NCR region. It has added 44/37 new dealers/authorized service centers in 9MFY24, taking the total count to 491/399 for domestic MHCV business. Target is to scale it to 1,000 centers. Similarly, for the LCV business, it added 17/23 new dealers/authorized service centers, taking the total count to 690.
- **Investment in EVs:**
  - The board has already approved INR12b of equity investment in Optare PLC (holding company of Switch and Ohm mobility). It has invested INR6.6b in 3QFY24 into Optare PLC/Switch, driven by the promising prospects of e-LCVs and eBuses.
  - The company would not compromise on the profitability of the ICE business as cash flows from the ICE business would be used to fund new EV businesses.

- It is actively looking for an external investor for funding, but is very keen on the quality of the investor.
- Target is to be cash neutral in Switch Mobility India by the end of 4QFY25.
- **E-trucks:**
- Displayed BOSS 14T electric truck for medium distance transportation. Market trials for 55T tractor trailer are going on. The company is not currently focusing on volumes, but it is more focused on the application and target markets, before a large commercial rollout. Presently, TCO vs. diesel truck is five to seven years, which the company plans to bring it to less than five years. Electric trucks sales would be accounted in the standalone entity.
- The first batch of e-LCVs will roll out in a few months. It has signed MoU with customers for ~12-13k units. Similarly, it has an order book for ~1,000 e-buses.
- **HLFL-** The total book for HLFL stands at INR450b. Disbursed ~INR179b and PAT is at around 13%. NPA stood at 2.6-2.8%.
- **Other data:**
- Exports grew 7% YoY despite weak global macros. Aftermarket sales grew 30% YoY to INR6.6b in 3QFY24. Power genset volumes grew 24% YoY to 7.3k units.
- Defence business should be doing INR9-10b in FY24.
- Operating WC stood at INR20b (grew INR8.5b from 2QFY24 from INR11.1b) as of Dec'23.
- Capex for 3QFY24/9MFY24 stood at INR900m/INR2.9b.
- Consol net debt at the end of Dec'23 stood at INR17.5b (grew INR6.1b QoQ), which is post infusion of INR9.5b in Switch and Ohm.

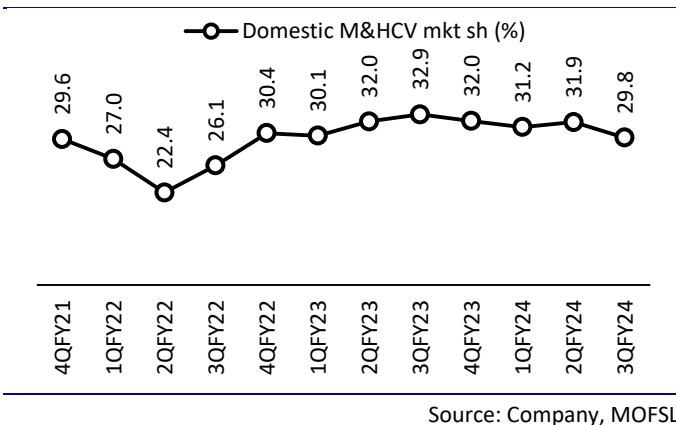
**Exhibit 1: M&HCV sales trend**



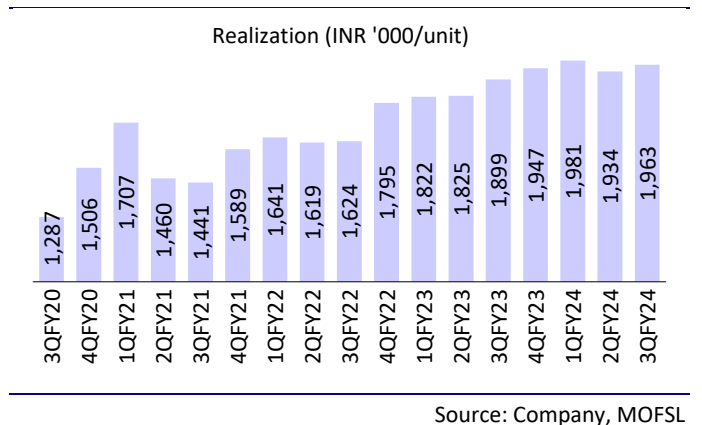
**Exhibit 2: Growth trend in M&HCV**



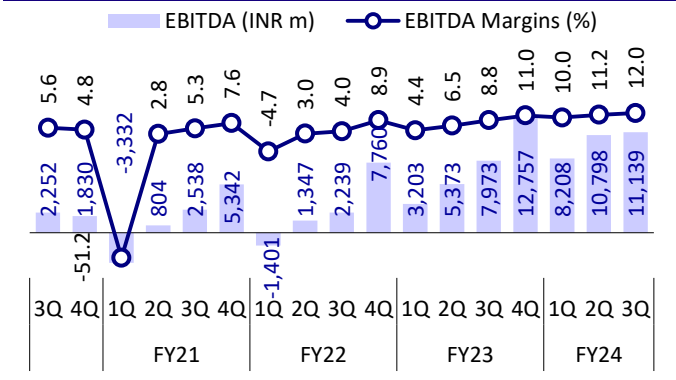
**Exhibit 3: Domestic M&HCV market share trend**



**Exhibit 4: Realization trend**

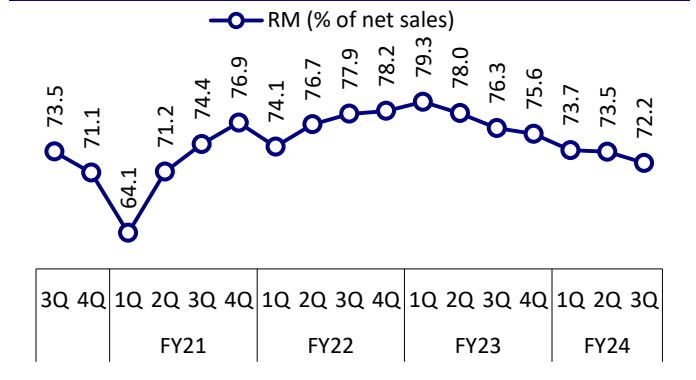


**Exhibit 5: Trends in EBITDA and EBITDA margin**



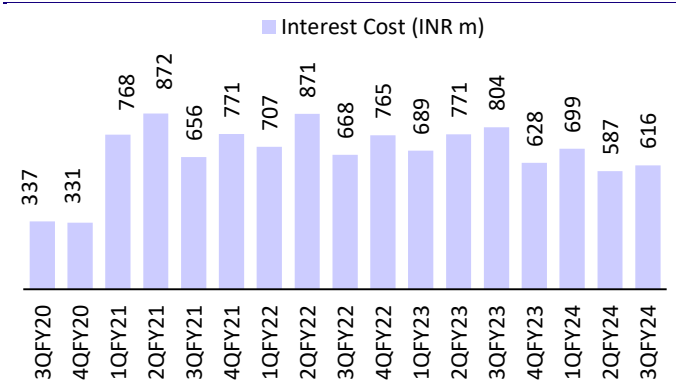
Source: Company, MOFSL

**Exhibit 6: Trend in RM cost**



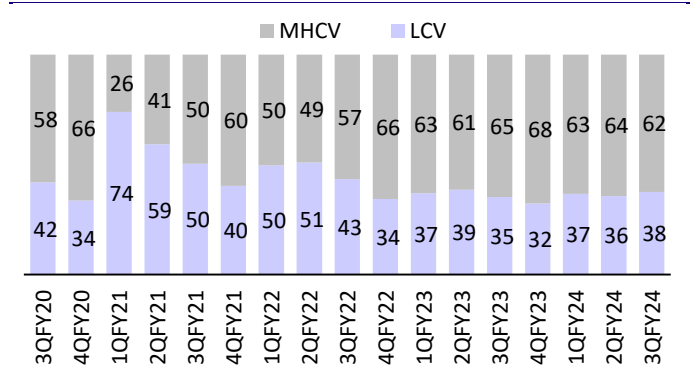
Source: Company, MOFSL

**Exhibit 7: Trend in interest cost**



Source: Company, MOFSL

**Exhibit 8: M&HCV and LCV's contributions in sales mix**



Source: SIAM, MOFSL

**Valuation and view**

- **Focus on market share recovery in M&HCV and gains in LCVs:** Unlike in the PV segment, the implementation of a modular strategy is uncommon in M&HCV segment globally. This is mainly due to the significantly high number of SKUs and the more substantial changes required in the traditional way of conducting business. This could be an important driver of market share gains for AL as it improves its response time and is a better application fit for the customer. These, coupled with launches in the LCV segment, would expand the company's addressable market in India (in LCV by 2x) and globally (by offering a wide range of products – from LCV to M&HCV).
- **Domestic M&HCV to see some moderation in 4QFY24/1QFY25:** After a sustained demand till 2QFY24, CV demand is expected to see some demand moderation due to the high base of last year (4QFY23) and upcoming general elections. FY24 volumes, which were expected to see a new peak, would not be able to scale up due to this demand moderation. Although the voluntary scrapping of trucks may have some positive impact on CV demand, it is not expected to be significant. We estimate AL's M&HCV volumes to register a CAGR of ~4% over FY23-26E.
- **Focus on creating and expanding profit/revenue pools:** AL is focused on expanding and creating new revenue and profit pools. De-risking of the M&HCV business, along with the expansion of nascent businesses – such as Spares (7% of FY23 sales) – Exports (5% of sales), LCV (12% sales), and Defense (1% of sales),

is a key focus area. Further, AL has set up a new business vertical – Customer Solutions – targeting a higher share of the customer wallet across the life cycle in areas such as finance, spares, and fuel.

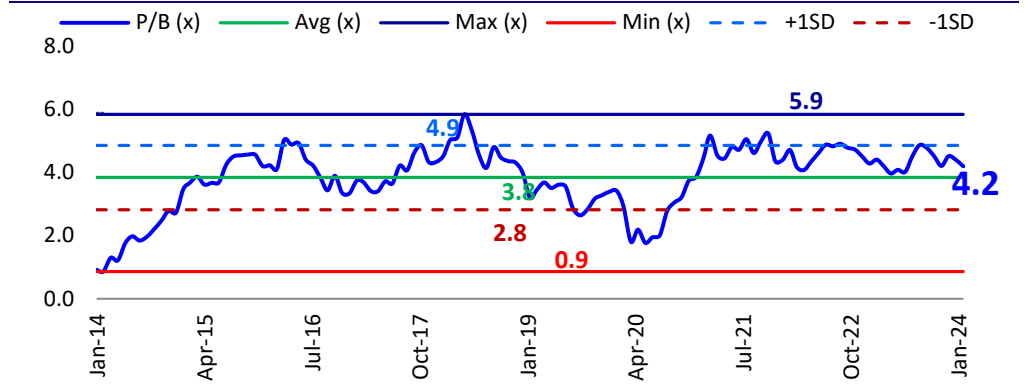
- **Expect recovery to continue with market share gains:** AL's revenue/EBITDA/PAT is estimated to register a CAGR of 7%/21%/37% over FY23–26E. In the long term, AL's focus on expanding and creating new profit/revenue pools is likely to de-risk the business – the share of domestic trucks in revenue is anticipated to shrink to 62% in FY25 (~68% in FY19).
- **Switch Mobility (EV subs) offers option value:** AL's EV subsidiary, Switch Mobility, is focusing on LCVs (including pick-ups and vans) and buses for both India and globally. While Switch Mobility had sold 1% stake in the company to its supplier Dana for implied valuations of USD1.8b, the management has made it amply clear that it would be looking to raise funds in this subsidiary. It has committed to infuse INR12b in Optare PLC (holding company of Switch and Ohm mobility) of which it already infused INR6.6b in 3QFY24. If the company manages to raise fund at a valuation of at least USD1.6-1.8b, this could lead to an additional value of INR30-35 per share for AL. Similar to what happened in TTMT post the minority stake sale in EV business to TPG, this could potentially result in a re-rating of AL.
- **Valuation and view:** With the high base of 4QFY23 and upcoming general elections in 1HCY24, demand momentum for domestic CVs is expected to see moderation. However, on the back of stable RM cost, lower discounting, and cost-saving initiatives AL should be able to maintain double-digit margins. AL is the best investment choice in the CV growth cycle, as it has positioned itself to expand revenue/profit pools. While valuations at 17.5x FY25E P/E and 10.7x EV/EBITDA are reflecting the mid-cycle recovery, they do not fully reflect AL's focus on diversifying new revenue streams and increasing profit pools. We cut FY24E/FY25E EPS estimates by 6% each to factor in demand moderation in domestic MHCV volumes. We reiterate our **BUY** rating with a TP of INR205 (based on 10x Mar'26E EV/EBITDA + ~INR17/sh for the NBFC).
- **Key risks** to our TP include: a) a loss of road share for freight movement from the upcoming DFCC and b) increasing competitive intensity, resulting in a loss of market share and shrinking margins.

#### Exhibit 9: Our revised estimates

	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	195	203	-4.0	205	218	-5.7
Net Sales	3,79,882	4,02,655	-5.7	4,10,923	4,41,238	-6.9
EBITDA	43,737	45,398	-3.7	48,429	50,541	-4.2
EBITDA margins (%)	11.5	11.3	20bp	11.8	11.5	30bp
Net Profit	24,488	25,915	-5.5	30,134	32,078	-6.1
EPS (INR)	8.3	8.8	-5.5	10.3	10.9	-6.1

Source: MOFSL

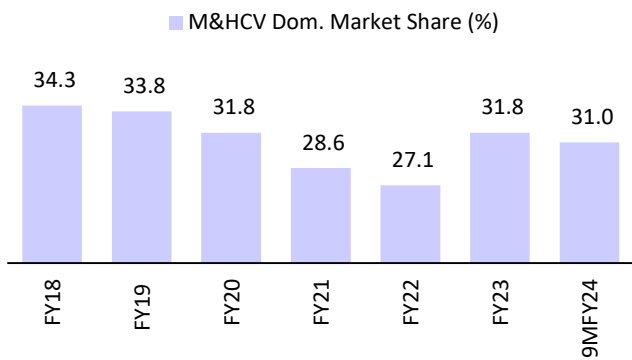
Exhibit 10: AL's trend in P/B (x)



Source: MOFSL

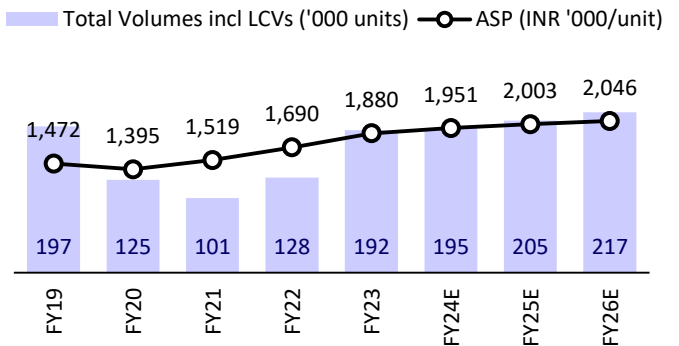
## Story in charts

Exhibit 11: AL's market share trend



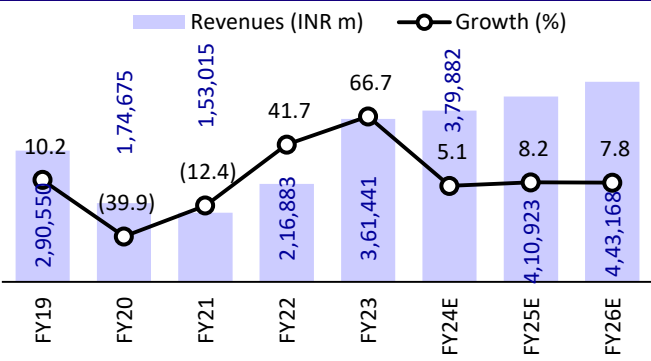
Source: Company, MOFSL

Exhibit 12: Volume and realization growth trends



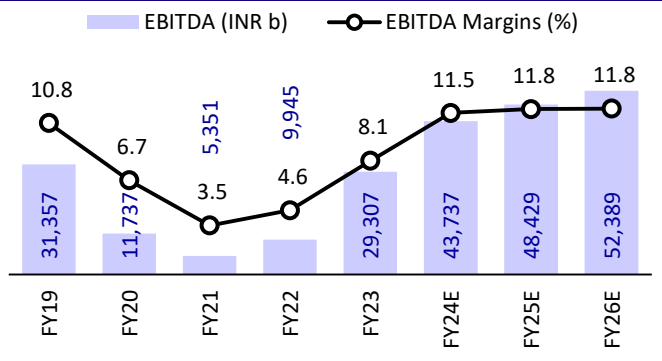
Source: Company, MOFSL

Exhibit 13: Revenue growth trend



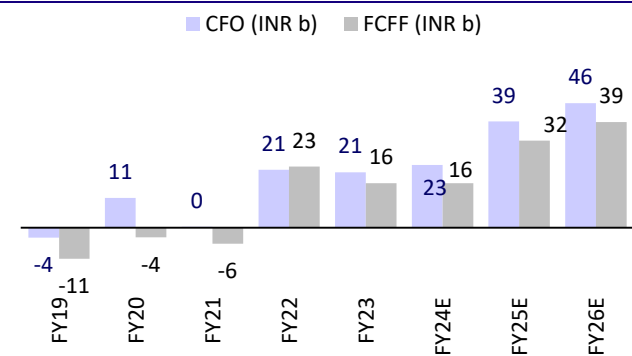
Source: Company, MOFSL

Exhibit 14: EBITDA and EBITDA margin trends



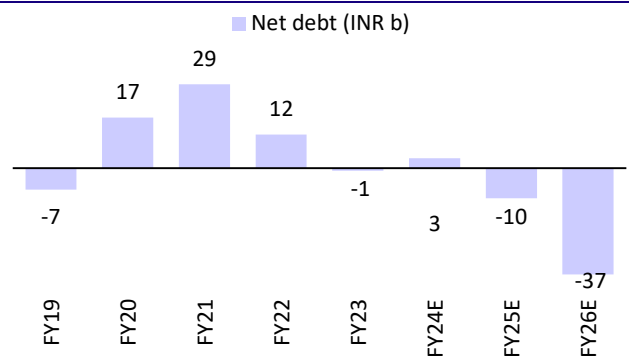
Source: Company, MOFSL

Exhibit 15: CFO and FCFF trends



Source: Company, MOFSL

Exhibit 16: AL's net debt is expected to decline in FY25E



Source: Company, MOFSL

## Financials and valuations

Income Statement						(INR Million)		
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Volumes ('000 units)	197	125	101	128	192	195	205	217
Growth (%)	12.9	-36.5	-19.6	27.4	49.8	1.3	5.4	5.6
<b>Net Sales</b>	<b>2,90,550</b>	<b>1,74,675</b>	<b>1,53,015</b>	<b>2,16,883</b>	<b>3,61,441</b>	<b>3,79,882</b>	<b>4,10,923</b>	<b>4,43,168</b>
Change (%)	10.2	-39.9	-12.4	41.7	66.7	5.1	8.2	7.8
<b>EBITDA</b>	<b>31,357</b>	<b>11,737</b>	<b>5,351</b>	<b>9,945</b>	<b>29,307</b>	<b>43,737</b>	<b>48,429</b>	<b>52,389</b>
Change (%)	5.8	-62.6	-54.4	85.8	194.7	49.2	10.7	8.2
EBITDA Margins (%)	10.8	6.7	3.5	4.6	8.1	11.5	11.8	11.8
Depreciation	6,210	6,698	7,477	7,528	7,320	7,181	7,544	7,999
<b>EBIT</b>	<b>25,147</b>	<b>5,039</b>	<b>-2,126</b>	<b>2,418</b>	<b>21,987</b>	<b>36,556</b>	<b>40,885</b>	<b>44,390</b>
Interest & Fin. Charges	704	1,095	3,068	3,011	2,891	2,885	2,570	1,895
Other Income	1,099	1,233	1,195	761	1,161	1,640	1,970	2,690
<b>PBT</b>	<b>24,968</b>	<b>3,619</b>	<b>-4,119</b>	<b>5,276</b>	<b>21,104</b>	<b>35,071</b>	<b>40,286</b>	<b>45,185</b>
Tax	5,136	1,224	(982)	(142)	7,303	10,749	10,152	11,387
Effective Rate (%)	20.6	33.8	23.8	-2.7	34.6	30.7	25.2	25.2
<b>Rep. PAT</b>	<b>19,832</b>	<b>2,395</b>	<b>-3,137</b>	<b>5,418</b>	<b>13,801</b>	<b>24,322</b>	<b>30,134</b>	<b>33,799</b>
Change (%)	15.5	-87.9	-231.0	-272.7	154.7	76.2	23.9	12.2
% of Net Sales	6.8	1.4	-2.0	2.5	154.7	76.2	23.9	12.2
<b>Adjusted PAT</b>	<b>20,268</b>	<b>3,426</b>	<b>-3,045</b>	<b>172</b>	<b>13,248</b>	<b>24,488</b>	<b>30,134</b>	<b>33,799</b>
Change (%)	16.8	-83.1	-188.9	-105.7	7,587.8	84.8	23.1	12.2

Balance Sheet						(INR Million)		
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Sources of Funds</b>								
Share Capital	2,936	2,936	2,936	2,936	2,936	2,936	2,936	2,936
Reserves	80,389	69,704	66,837	70,434	81,322	99,771	1,24,033	1,51,959
<b>Net Worth</b>	<b>83,324</b>	<b>72,640</b>	<b>69,772</b>	<b>73,369</b>	<b>84,258</b>	<b>1,02,707</b>	<b>1,26,969</b>	<b>1,54,895</b>
Loans	6,324	30,648	37,163	35,071	31,801	32,301	24,801	17,301
Deferred Tax Liability	2,497	2,648	1,708	1,444	5,035	5,035	7,049	9,309
<b>Capital Employed</b>	<b>92,145</b>	<b>1,05,936</b>	<b>1,08,642</b>	<b>1,09,884</b>	<b>1,21,094</b>	<b>1,40,043</b>	<b>1,58,819</b>	<b>1,81,505</b>
<b>Application of Funds</b>								
Gross Fixed Assets	71,437	91,913	1,01,269	1,03,773	1,07,732	1,12,557	1,19,557	1,26,557
Less: Depreciation	19,791	28,376	35,264	41,626	48,470	55,651	63,195	71,194
<b>Net Fixed Assets</b>	<b>51,646</b>	<b>63,537</b>	<b>66,005</b>	<b>62,146</b>	<b>59,262</b>	<b>56,906</b>	<b>56,362</b>	<b>55,363</b>
Capital WIP	6,576	5,941	3,719	1,943	1,325	3,000	3,000	3,000
Goodwill	4,499	4,499	4,499	4,499	4,499	4,499	4,499	4,499
Investments	26,365	27,196	30,687	48,196	66,636	78,636	88,636	1,03,636
<b>Curr.Assets, L &amp; Adv.</b>	<b>93,158</b>	<b>62,723</b>	<b>79,590</b>	<b>86,554</b>	<b>94,194</b>	<b>1,13,569</b>	<b>1,32,414</b>	<b>1,50,992</b>
Inventory	26,847	12,380	21,423	20,752	27,745	33,305	39,404	42,496
Sundry Debtors	25,055	11,804	28,163	31,111	40,627	41,631	45,033	48,566
Cash & Bank Balances	13,736	13,225	8,230	10,470	5,013	1,186	7,470	16,244
Loans & Advances	27,520	25,314	21,774	24,221	20,810	37,448	40,508	43,686
<b>Current Liab. &amp; Prov.</b>	<b>90,099</b>	<b>57,960</b>	<b>75,857</b>	<b>93,454</b>	<b>1,04,822</b>	<b>1,16,567</b>	<b>1,26,091</b>	<b>1,35,986</b>
Sundry Creditors	50,189	26,239	51,647	68,752	71,751	72,854	78,807	84,991
Other Liabilities	29,386	23,666	17,665	17,997	22,686	31,223	33,775	36,425
Provisions	10,524	8,055	6,545	6,705	10,385	12,489	13,510	14,570
<b>Application of Funds</b>	<b>92,145</b>	<b>1,05,936</b>	<b>1,08,642</b>	<b>1,09,884</b>	<b>1,21,094</b>	<b>1,40,043</b>	<b>1,58,819</b>	<b>1,81,505</b>

E: MOFSL Estimates



## Financials and valuations

### Ratios

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Basic (INR)</b>								
EPS	6.9	1.2	-1.0	0.1	4.5	8.3	10.3	11.5
EPS Fully Diluted	6.9	1.2	-1.0	0.1	4.5	8.3	10.3	11.5
EPS Growth (%)	16.4	-83.1	-188.9	-105.7	7,586.2	84.8	23.1	12.2
Cash EPS	9.0	3.4	1.5	2.6	7.0	10.8	12.8	14.2
Book Value per Share	28.4	24.7	23.8	25.0	28.7	35.0	43.2	52.8
DPS	3.4	0.5	0.6	1.0	2.6	2.0	2.0	2.0
Div. Payout (%)	59.4	51.5	-57.8	1,703.5	57.6	24.0	19.5	17.4
<b>Valuation (x)</b>								
P/E	26.1	154.2	-173.5	3,066.3	39.9	21.6	17.5	15.6
Cash P/E	20.0	52.2	119.2	68.6	25.7	16.7	14.0	12.6
EV/EBITDA	16.6	46.5	104.1	54.3	18.0	12.2	10.7	9.4
EV/Sales	1.8	3.1	3.6	2.5	1.5	1.4	1.3	1.1
Price to Book Value	6.3	7.3	7.6	7.2	6.3	5.1	4.2	3.4
Dividend Yield (%)	1.9	0.3	0.3	0.6	1.4	1.1	1.1	1.1
<b>Profitability Ratios (%)</b>								
ROE	26.0	4.4	-4.3	0.2	16.8	26.2	26.2	24.0
RoCE	23.2	4.2	-0.7	3.0	13.1	20.3	21.5	20.7
RoIC	64.0	6.3	-2.6	4.3	29.5	48.1	52.3	56.1
<b>Turnover Ratios</b>								
Debtors (Days)	31	25	67	52	41	40	40	40
Inventory (Days)	34	26	51	35	28	32	35	35
Creditors (Days)	63	55	123	116	72	70	70	70
Working Capital (Days)	2	-4	-5	-28	-3	2	5	5
Fixed-Asset Turnover (x)	5.6	2.7	2.3	3.5	6.1	6.7	7.3	8.0
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	-0.1	0.2	0.4	0.2	0.0	0.0	-0.1	-0.2

### Cash flow Statement

(INR Million)

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
OP/(Loss) before Tax	24,968	3,619	-4,119	5,276	21,104	36,556	40,885	44,390
Int/Div Received	-413	-756	-945	-220	-404	1,640	1,970	2,690
Depreciation	6,210	6,698	7,477	7,528	7,320	7,181	7,544	7,999
Direct Taxes Paid	-5,603	-941	779	714	-4,002	-10,749	-8,138	-9,127
(Inc)/Dec in Work Cap.	-29,638	-1,756	-6,058	15,696	-4,265	-11,458	-3,036	90
Other Items	853	4,105	3,198	-7,633	762	0	0	0
<b>CF from Oper. Activity</b>	<b>-3,624</b>	<b>10,969</b>	<b>332</b>	<b>21,361</b>	<b>20,514</b>	<b>23,170</b>	<b>39,226</b>	<b>46,041</b>
Extra-ordinary Items	-549	-1,558	-120	5,108	846	-241	0	0
<b>CF after EO Items</b>	<b>-4,172</b>	<b>9,411</b>	<b>211</b>	<b>26,469</b>	<b>21,360</b>	<b>22,930</b>	<b>39,226</b>	<b>46,041</b>
(Inc)/Dec in FA+CWIP	-7,315	-12,923	-6,166	-3,933	-4,884	-6,500	-7,000	-7,000
<b>Free Cash Flow</b>	<b>-11,487</b>	<b>-3,512</b>	<b>-5,954</b>	<b>22,536</b>	<b>16,477</b>	<b>16,430</b>	<b>32,226</b>	<b>39,041</b>
<b>CF from Inv. Activity</b>	<b>23,115</b>	<b>-21,775</b>	<b>-9,752</b>	<b>-14,589</b>	<b>-17,345</b>	<b>-18,500</b>	<b>-17,000</b>	<b>-22,000</b>
Inc/(Dec) in Debt	-6,621	25,655	4,780	-2,721	-3,918	500	-7,500	-7,500
Interest Rec./ (Paid)	-1,029	-1,463	-2,720	-2,755	-2,598	-2,885	-2,570	-1,895
Dividends Paid	-8,598	-12,702	0	-1,761	-2,936	-5,872	-5,872	-5,872
<b>CF from Fin. Activity</b>	<b>-16,162</b>	<b>11,490</b>	<b>2,060</b>	<b>-7,238</b>	<b>-9,402</b>	<b>-8,257</b>	<b>-15,942</b>	<b>-15,267</b>
<b>Inc/(Dec) in Cash</b>	<b>2,781</b>	<b>-874</b>	<b>-7,481</b>	<b>4,643</b>	<b>-5,387</b>	<b>-3,827</b>	<b>6,284</b>	<b>8,774</b>
Add: Beginning Balance	13,423	16,205	15,330	7,850	12,492	7,105	3,278	9,562
<b>Closing Balance</b>	<b>16,205</b>	<b>15,330</b>	<b>7,850</b>	<b>12,492</b>	<b>7,105</b>	<b>3,278</b>	<b>9,562</b>	<b>18,337</b>

E: MOFSL Estimates

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NOTES

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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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