

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BJAUT IN
Equity Shares (m)	279
M.Cap.(INRb)/(USD\$)	3244.1 / 38.6
52-Week Range (INR)	12774 / 5032
1, 6, 12 Rel. Per (%)	1/17/102
12M Avg Val (INR M)	4140

## Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	447	519	627
EBITDA	88.2	105.0	131.0
EBITDA (%)	19.7	20.2	20.9
Adj. PAT	77.1	84.3	108.3
EPS (INR)	276	302	388
EPS Gr. (%)	28.9	9.4	28.4
BV/Sh. (INR)	890	998	1,089

## Ratios

RoE (%)	30.7	32.0	37.2
RoCE (%)	28.8	31.4	35.4
Payout (%)	29.9	66.2	77.3

## Valuation

P/E (x)	42.1	38.5	29.9
P/BV (x)	13.0	11.6	10.7
Div. Yield (%)	0.7	1.7	2.6
FCF Yield (%)	2.1	1.9	2.9

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.1	55.1	55.0
DII	8.8	8.6	9.6
FII	14.2	14.5	13.7
Others	21.9	21.9	21.7

FII Includes depository receipts

**CMP: INR11,617      TP: INR11,450 (-1%)      Neutral**

## Margins remain stable despite adverse mix

### Festive demand starts off below expectations

- BJAUT's 2QFY25 performance was in line with our estimates. EBITDA margin remained stable QoQ at 20.2% as the impact of an adverse mix and raw material inflation was offset by price hikes, favorable forex rates, and operating leverage benefits. However, the festive season has started on a weak note, with the industry posting just 1-2% YoY growth as of Dussehra and expecting 3-5% YoY growth during the season, assuming a revival before Diwali. The outlook for its key export market, Africa, remains uncertain, though the margin outlook is improving.
- BJAUT has outperformed the Nifty Auto Index over the last 12 months, fueled by market share gains in the 125cc+ domestic motorcycle segment, improved margins, and a unique shareholder reward policy. However, the stock now trades at ~38.5x/30x FY25E/26E EPS and appears fairly valued. We maintain our Neutral rating with a TP of INR11,450, based on 26x Sep'26E consol EPS.

### Export recovery remains gradual

- BJAUT's 2QFY25 revenue/EBITDA/PAT grew 22%/24%/21% YoY to INR131.3b/INR26.5b/INR22.2b (est. INR130.9b/INR26b/INR21.6b). 1HFY25 revenue/EBITDA/adj. PAT grew 19%/24%/20% YoY. 2HFY25 revenue/EBITDA/adj. PAT are expected to grow 14%/15%/14% YoY.
- EBITDA margin was stable QoQ at 20.2% (+40bp YoY/est. 19.8%). We had factored in a 40bp margin hit QoQ due to the deterioration in the product mix (higher Chetak + Freedom 125) to be partly offset by operating leverage benefit. Gross margin at 28.7% was lower than our estimate of 29.2%. We believe better cost control measures – lower staff costs (-10% QoQ) and other expenses (-1% QoQ) – helped to keep margins stable QoQ at 20.2%.
- There was an exceptional item of INR2.1b to account for a cumulative one-time impact on deferred tax on investment income due to changes in the taxation structure.
- Adjusted for one-time item, combined with higher-than-estimated other income, adj. PAT was INR22.2b (est. INR21.6b), up 21% YoY.
- Losses from associates stood at INR5.8b in 1HFY25 (vs. a profit of INR1.84b in 1HFY24). This was due to weak economic conditions in the US, restructuring of bicycle division, and a rise in production/personnel costs in Europe.
- FCFF for 1HFY25 stood at INR39.2b (INR36.1b for 1HFY24), led by strong operating cash flow of INR41.8b (INR38.7b in 1HFY24). Capex for 1HFY25 stood at INR2.55b (INR2.6b for 1HFY24).
- Cash on the balance sheet stood at INR163.9b as of Sep'24 after investment of INR12b in strategic growth initiatives (Bajaj Auto Credit and EV Capex) and the dividend payment of INR22.3b in 1HFY25.

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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.

**Highlights from the management commentary**

- **Domestic 2W:** The motorcycle industry saw 1-2% growth during the festive season, falling short of the expected 5-6% growth. The management is hopeful of a demand recovery in Diwali and expects the overall festive season to end with 3-5% YoY growth. The management expects the 2W industry to clock 5% growth in FY25.
- **Exports:** 2Q was better than 1Q, and 3Q is expected to improve further with over 10% growth. LATAM region has seen an impressive 20% YoY growth. Nigeria's motorcycle sales have rebounded from 5k units in Apr'24 to 25k units in Sep'24. On account of a richer mix and favorable USD exchange rates, export revenue growth is likely to be better than volume growth going ahead.
- **Freedom 125:** BJAUT sold over 10k units by Sep'24, with expectations to reach 18k units in Oct'24. It now plans to increase production capacity to 30k units per month in 3Q and 40k units in 4Q.
- **Green vehicles:** Electric (EV) and CNG vehicles contributed to ~44% of its domestic revenue. EV portfolio contributed to ~20% of revenue. The overall EV segment, including both Chetak and 3W, recorded flat EBITDA margins in 2Q, after accounting for PLI benefits. Chetak remained a drag on overall EV margins even as e-3Ws remain highly profitable.
- Input costs are likely to remain stable QoQ in 3Q.

**Valuation and view**

- We maintain our FY25/FY26 earnings estimates. The festive season has started off on a weak note, with the overall industry likely to post 5% YoY growth in FY25, lower than earlier envisaged. Even the export outlook remains uncertain.
- BJAUT has witnessed a significant re-rating in the last 12 months, aided by market share gains in the 125cc+ domestic motorcycle segment, improved margins, and a one-of-a-kind policy to reward its shareholders. After the sharp rally, the stock now trades at ~38.5x/30x FY25E/26E EPS, appearing fairly valued. We maintain our Neutral rating with a TP of INR11,450, based on 26x Sep'26E consol EPS.

**Quarterly Performance**

	INR m										
	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Volumes ('000 units)	1,027	1,054	1,201	1,069	1,102	1,222	1,345	1,138	4,351	4,807	1,222
Growth YoY (%)	10.0	-8.4	22.1	24.3	7.3	15.9	12.0	6.5	10.8	10.5	15.9
Realization (INR/unit)	1,00,347	1,02,256	1,00,862	1,07,476	1,08,234	1,07,470	1,08,007	1,08,420	1,02,703	1,08,020	1,07,152
Growth YoY (%)	17.0	15.4	6.5	3.8	7.9	5.1	7.1	0.9	10.7	5.2	4.8
<b>Net Sales</b>	<b>1,03,098</b>	<b>1,07,773</b>	<b>1,21,135</b>	<b>1,14,847</b>	<b>1,19,280</b>	<b>1,31,275</b>	<b>1,45,282</b>	<b>1,23,432</b>	<b>4,46,852</b>	<b>5,19,269</b>	<b>1,30,886</b>
Change (%)	28.8	5.6	30.0	29.0	15.7	21.8	19.9	7.5	22.7	16.2	21.4
<b>EBITDA</b>	<b>19,539</b>	<b>21,329</b>	<b>24,299</b>	<b>23,063</b>	<b>24,154</b>	<b>26,522</b>	<b>29,562</b>	<b>24,733</b>	<b>88,229</b>	<b>1,04,970</b>	<b>25,971</b>
EBITDA Margins (%)	19.0	19.8	20.1	20.1	20.2	20.2	20.3	20.0	19.7	20.2	19.8
Other Income	3,463	3,614	3,461	3,487	3,209	3,845	3,900	3,672	14,025	14,626	3,600
Interest	121	65	121	228	207	159	120	114	535	600	175
Depreciation	835	876	881	906	937	956	950	970	3,498	3,813	945
<b>PBT after EO</b>	<b>22,046</b>	<b>24,000</b>	<b>26,758</b>	<b>25,416</b>	<b>26,219</b>	<b>27,139</b>	<b>32,392</b>	<b>27,320</b>	<b>98,220</b>	<b>1,13,071</b>	<b>28,451</b>
Effective Tax Rate (%)	24.5	23.5	23.7	23.8	24.2	26.1	24.2	22.3	23.9	24.2	24.2
<b>Adj. PAT</b>	<b>16,648</b>	<b>18,361</b>	<b>20,419</b>	<b>19,360</b>	<b>19,884</b>	<b>22,160</b>	<b>24,560</b>	<b>21,237</b>	<b>74,788</b>	<b>87,340</b>	<b>21,568</b>
Change (%)	41.9	20.0	36.9	35.1	19.4	20.7	20.3	9.7	32.9	16.8	17.5

E: MOFSL Estimates

## Key Performance Indicators

	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Volumes ('000 units)	1,027	1,054	1,201	1,069	1,102	1,222	1,345	1,138	4,351	4,807	1,222
Growth YoY (%)	10.0	-8.4	22.1	24.3	7.3	15.9	12.0	6.5	10.8	10.5	15.9
Dom. M/Cycle Mkt Sh (%)	19.8	17.3	21.2	18.8	18.2	19.8			18.2		
Realization (INR/unit)	1,00,347	1,02,256	1,00,862	1,07,476	1,08,234	1,07,470	1,08,007	1,08,420	1,02,703	1,08,020	1,07,152
Growth YoY (%)	17.0	15.4	6.5	3.8	7.9	5.1	7.1	0.9	10.7	5.2	4.8
<b>Cost Break-up</b>											
RM Cost (% of sales)	71.9	71.0	71.1	70.3	70.0	71.3	71.3	70.8	71.0	70.9	70.8
Staff Cost (% of sales)	3.7	3.5	3.2	3.4	3.6	3.0	2.9	3.3	3.4	3.2	3.5
Other Cost (% of sales)	5.6	5.7	5.8	6.4	6.1	5.5	5.5	6.0	5.9	5.8	5.9
<b>Gross Margins (%)</b>	28.1	29.0	28.9	29.7	30.0	28.7	28.7	29.2	25.3	28.1	29.2
EBITDA Margins (%)	19.0	19.8	20.1	20.1	20.2	20.2	20.3	20.0	19.7	20.2	19.8
EBIT Margins (%)	18.1	19.0	19.3	19.3	19.5	19.5	19.7	19.3	14.4	16.3	19.1

E:MOSL Estimates



## Key takeaways from the earnings call

- **Domestic demand: Expect overall industry growth of 3-5% YoY in festive season**
  - Motorcycle industry saw 1-2% growth during the festive season, falling short of the expected 5-6% growth. The 100cc segment declined, while the 125cc+ segment witnessed slight growth.
  - BJAUT underperformed in the 100cc segment, which saw huge discounting from competition. However, it continued to outperform in the 125cc+ segment, as per the management.
  - Performance varied by regions – UP showed strength, while areas in the northeast and southern states underperformed.
  - The management is hopeful of a recovery in the last two weeks of the festive season, which should lead to industry growth of 3-5% for the season.
  - The management expects the 2W industry to clock 5% growth in FY25.
- **Exports: 2Q was better than Q1, and 3Q is expected to improve further with over 10% growth**
  - LATAM region clocked an impressive 20% YoY growth, solidifying BJAUT's leadership in Mexico, which is now the world's fourth-largest motorcycle market.
  - After a significant decline in sales, Nigeria's motorcycle sales have rebounded from 5k units in Apr'24 to 25k units in Sep'24 (vs. normalized avg of 50k per month), indicating a steady recovery despite ongoing currency volatility.
  - The new plant in Brazil is operating close to the rated capacity of 20k units p.a. The board has approved further investments to increase production capacity to 35k units annually by FY26.
  - On account of a richer mix and favorable USD exchange rates, export revenue growth is likely to be better than volume growth going ahead.
- **Freedom 125:** BJAUT retailed over 10k units by Sep'24, with expectations to reach 18k units in Oct'24. It now plans to increase production capacity to 30k units per month in 3Q and 40k units in 4Q.
- **Chetak:** Increased its market share from ~10% in 2QFY24 to nearly 19% in 2QFY25. It plans to launch a refreshed range of Chetak models starting in mid-Nov'24. This new platform would also come with cost benefits, which are likely to be visible from 4Q onward once sales ramp up.
  - Distribution network for Chetak will be widened to ~4,000 stores by Jan'25 as part of a broader strategy to enhance its brand presence and customer care.

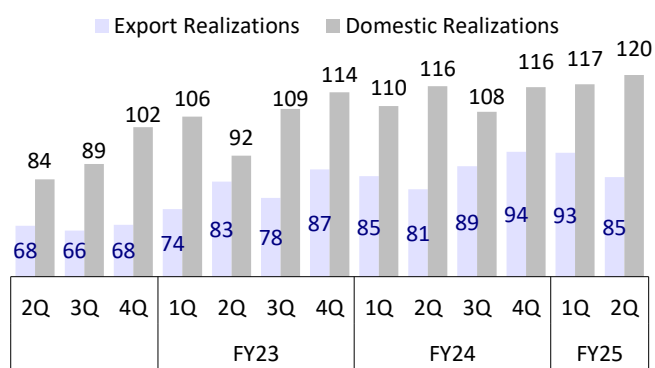
- **3Ws-** Market share in e-3Ws has increased to 35%, just short of leadership in this growing market. ICE market share stands at 78%. E-autos are now available in over 700 locations, covering 90-95% of regions.
- **Pulsar:** The upgraded Pulsar models, including the NS400Z and upgraded 250s, have begun to clock nearly 3k units in retail sales.
- **PLI-** Received PLI approval for the affordable Chetak variant mid-quarter, allowing the company to begin accruing benefits from the program for this model.
- **Commodity prices to remain stable in 3QFY25:**
  - The impact of material cost inflation was ~50bp in 2Q compared to 1Q. Almost 50% of this impact was offset by selective price increase (~25bp) taken in 2Q.
  - In 2Q, the overall raw material basket is likely to remain stable QoQ.
- **Bajaj Auto Credit Ltd. (BACL)** has covered ~70% of BJAUT's network and is on track to achieve 100% coverage by Jan'25. In Sep'24, BACL began posting a cash profit and its AUM was ~INR40b. Its financing penetration stands at ~50%. The board has approved a capital infusion of INR23b in BACL, of which INR9.55b has been invested so far in 1H and the balance would be invested in 2H.
- Loss from associates for 1HFY25 stood at INR5.8b (vs. a profit of INR1.84b in 1HFY24). This was due to weak economic conditions in USA, the restructuring of its bicycle division, and a rise in production/personnel costs in Europe.
- **Others**
  - EVs and CNG vehicles contributed to ~44% of its domestic revenue. EV portfolio contributed to ~20% of revenue. The overall EV segment, including both Chetak and 3W, clocked flat EBITDA margins in 2Q, after accounting for PLI benefits. Chetak remained a drag on overall EV margins even as e-3Ws remained highly profitable.
  - It made a one-time exceptional deferred tax provision of INR2.11b during the quarter, primarily due to changes in tax regulations affecting long-term capital gains on investments in debt mutual funds.
  - Spares revenue for the quarter stood at INR15b, up from INR13b in 1QFY25.
  - Export revenue stood at USD450m, down from USD460m in 1QFY25.
  - USD-INR rate for the quarter stood at 83.8 vs. 83.4 in 1QFY25 and 82.6 in 2QFY24.

**Exhibit 1: Trend in product mix**

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)
<b>Motorcycles</b>					
Domestic	5,52,714	4,83,772	14.3	5,38,643	2.6
<i>% of total volumes</i>	45.2	45.9		48.9	
Exports	3,96,407	3,76,263	5.4	3,68,420	7.6
<i>% of total volumes</i>	32.5	35.7		33.4	
<b>Domestic Scooters</b>	84,087	21,548	290.2	43,854	91.7
<i>% of total volumes</i>	6.9	2.0		4.0	
<b>Total 2Ws</b>	<b>10,33,208</b>	<b>8,81,583</b>	<b>17.2</b>	<b>9,50,917</b>	<b>8.7</b>
<i>% of total volumes</i>	84.6	83.6		86.3	
<b>Three Wheelers</b>					
Domestic	1,39,910	1,32,236	5.8	1,08,124	29.4
<i>% of total volumes</i>	11.5	12.5		9.8	
Exports	48,386	40,134	20.6	43,015	12.5
<i>% of total volumes</i>	4.0	3.8		3.9	
<b>Total 3Ws</b>	<b>1,88,296</b>	<b>1,72,370</b>	<b>9.2</b>	<b>1,51,139</b>	<b>24.6</b>
<i>% of total volumes</i>	15.4	16.4		13.7	
<b>Total Volumes</b>	<b>12,21,504</b>	<b>10,53,953</b>	<b>15.9</b>	<b>11,02,056</b>	<b>10.8</b>

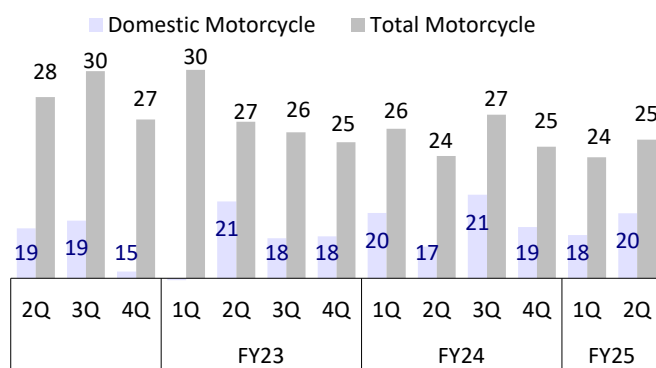
Source: Company, MOFSL

**Exhibit 2: Trends in domestic and export realizations**



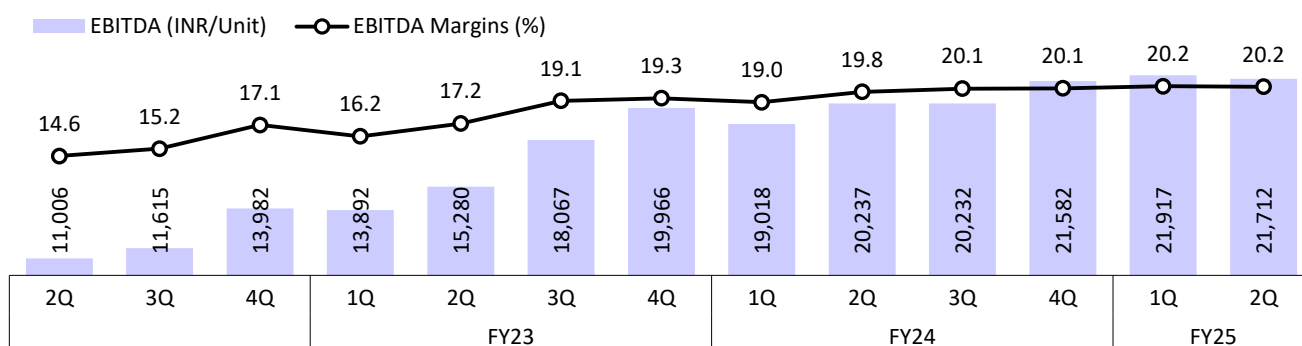
Sources: Company reports, MOFSL estimates

**Exhibit 3: Trends in domestic and total 2W market share**



Sources: Company reports, MOFSL estimates

**Exhibit 4: EBITDA and EBITDA margin trends**



Sources: Company reports, MOFSL estimates

**Valuation and view**

- Well placed to ride the premiumization trend:** The 125cc+ motorcycle segment’s contribution has increased to 52% in FY24 from 38% in FY19. Given its continued focus on this segment over the last few years, BJAUT has emerged as a major beneficiary of this trend – BJAUT’s contribution in this segment has risen sharply to 73% in FY24 from 41% in FY19. Given the strong presence in the 125cc segment and the major revamp of the Pulsar brand last year in the premium segment, along with a healthy presence of brands like Dominar and KTM, BJAUT seems very well placed to capitalize on the continued premiumization trend visible in India.
- BJAUT to outperform domestic motorcycles:** We anticipate the domestic 2W industry to continue to witness recovery, led by healthy growth in 125cc and above segments. Despite double-digit volume growth over the last two years, domestic 2W volumes in FY24 were lower by 15% vs. peak FY19 volumes. We expect a ~9% CAGR in domestic 2W volumes over FY24-27, driven by steady demand in the 125cc+ segment. Given its focus on the 125cc+ segment, we expect BJAUT to outperform the domestic motorcycle industry.
- BJAUT creates an opportunity to make inroads in the entry-level motorcycle segment:** BJAUT had launched the world's first CNG-integrated motorcycle, Freedom 125. We think the company has clearly done everything within its stride to make the motorcycle both attractive (despite having a CNG tank) and accessible to customers. It has reported volumes of ~10k units till September’24 and is expecting ~18k units in October. Also, the capacity is expected to ramp up to 40k

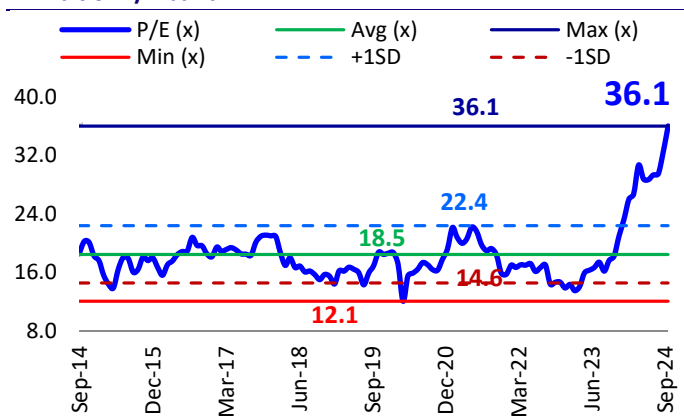
per month by FY25 end, based on customer demand. However, it remains to be seen whether customers consider the vehicle for personal use. Hence, we refrain from forecasting any incremental sales numbers for BJAUT after this launch as it is too early to gauge the success of the product.

- Scaling up its EV business:** Chetak’s market share rose from ~10% in 2QFY24 to nearly 19% in 2QFY25. It plans to launch a refreshed range of Chetak models starting in mid-Nov’24. Distribution network for Chetak will be widened to ~4,000 stores by Jan’25 as a part of a broader strategy to enhance its brand presence and customer care. Also, the launch of sub-INR100k Chetak is likely to help BJAUT further increase its share in this market. The total contribution of EVs in domestic revenue is now 20%. The overall EV segment, including both Chetak and 3W, posted flat margins in absolute terms, wherein Chetak was a drag, offset by better 3W margins. Given e-3W is as profitable as ICE, BJAUT would continue to ramp up its penetration in e-3Ws.
- Export outlook remains uncertain:** While BJAUT is seeing some recovery in LatAm and ASEAN, demand remains weak in some of its key markets, including Nigeria, Bangladesh, Kenya, Egypt and Argentina. Some of these markets continue to face forex availability issues and the impact of severe inflation. However, the management remains cautiously optimistic about the recovery in exports, which is happening at a gradual pace.
- Valuation and view:** We expect BJAUT to continue to outperform domestic motorcycle industry growth given its focus on 125cc+ segment. We expect BJAUT to post a ~9% volume CAGR over FY24-27E. While export volumes are improving sequentially, we expect it to remain a drag in the near term due to a slowdown in Africa. We maintain our FY25/26E EPS. The stock appears fairly valued at ~38.5x/30x FY25E/26E EPS. **Reiterate Neutral with a TP of INR11,450.**

**Exhibit 5: Our revised estimates (INR m)**

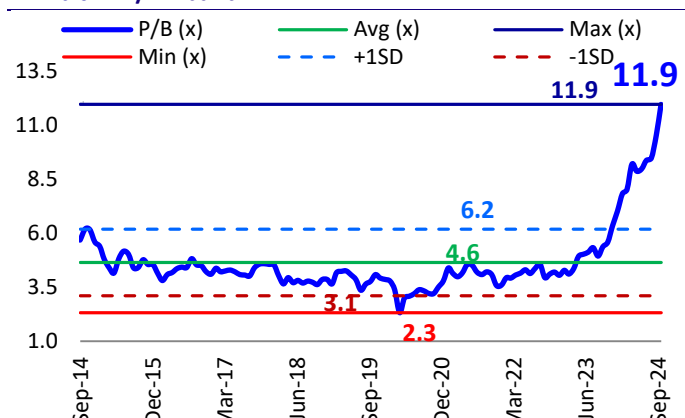
	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Vols ('000 units)	4,807	4,807	0.0	5,598	5,598	0.0
Net Sales	5,19,269	5,19,269	0.0	6,27,060	6,27,060	0.0
EBITDA	1,04,970	1,04,966	0.0	1,31,015	1,31,001	0.0
EBITDA Margins (%)	20.2	20.2	0bp	20.9	20.9	0bp
Net Profit	84,334	84,317	0.0	1,08,300	1,08,289	0.0
EPS (INR)	4,807	4,807	0.0	5,598	5,598	0.0

**Exhibit 6: P/E band**



Source: MOFSL

**Exhibit 7: P/BV band**



Source: MOFSL

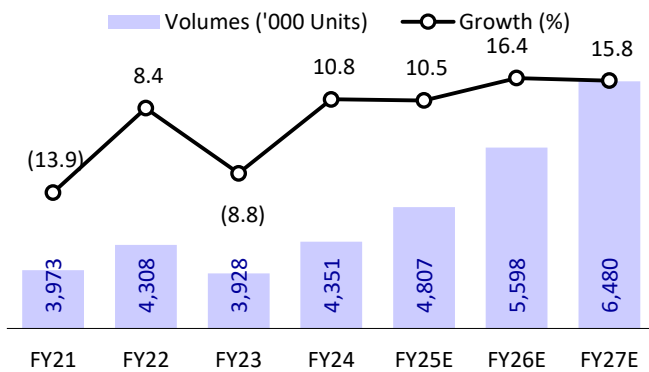


**Snapshot of Revenue Model**

<b>000 units</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
<b>2Ws (units)</b>									
Domestic	2,541	2,078	1,809	1,641	1,806	2,251	2,543	2,940	3,432
Growth (%)	28.7	-18.2	-12.9	-9.3	10.0	24.6	13.0	15.6	16.7
% of total volumes	50.6	45.0	45.5	38.1	46.0	51.7	52.9	52.5	53.0
Exports	1,696	1,869	1,797	2,196	1,637	1,477	1,581	1,897	2,200
Growth (%)	21.6	10.2	-3.9	22.2	-25.4	-9.8	7.0	20.0	16.0
% of total volumes	33.8	40.5	45.2	51.0	41.7	34.0	32.9	33.9	34.0
<b>Total 2Ws</b>	<b>4,237</b>	<b>3,948</b>	<b>3,606</b>	<b>3,837</b>	<b>3,443</b>	<b>3,728</b>	<b>4,124</b>	<b>4,837</b>	<b>5,633</b>
Growth (%)	25.7	-6.8	-8.7	6.4	-10.3	8.3	10.6	17.3	16.4
% of total volumes	84.4	85.5	90.8	89.1	87.7	85.7	85.8	86.4	86.9
<b>3Ws</b>									
Domestic	399	366	109	161	301	464	501	551	607
Growth (%)	8.1	-8.4	-70.1	47.1	87.1	54.3	8.0	10.0	10.0
% of total volumes	8.0	7.9	2.8	3.7	7.7	10.7	10.4	9.9	9.4
Exports	383	302	258	311	184	159	182	209	241
Growth (%)	43.1	-21.2	-14.6	20.6	-40.7	-13.8	14.5	15.0	15.0
% of total volumes	7.6	6.5	6.5	7.2	4.7	3.7	3.8	3.7	3.7
<b>3Ws</b>	<b>783</b>	<b>668</b>	<b>367</b>	<b>472</b>	<b>485</b>	<b>623</b>	<b>683</b>	<b>761</b>	<b>847</b>
Growth (%)	22.8	-14.7	-45.0	28.5	2.9	28.5	9.7	11.3	11.4
% of total volumes	15.6	14.5	9.2	10.9	12.3	14.3	14.2	13.6	13.1
<b>Total Volumes</b>	<b>5,020</b>	<b>4,615</b>	<b>3,973</b>	<b>4,308</b>	<b>3,928</b>	<b>4,351</b>	<b>4,807</b>	<b>5,598</b>	<b>6,480</b>
Growth (%)	25.3	-8.1	-13.9	8.4	-8.8	10.8	10.5	16.4	15.8
<b>Avg. Net Realn (INR/unit)</b>	<b>52,928</b>	<b>56,462</b>	<b>60,588</b>	<b>65,467</b>	<b>79,010</b>	<b>88,611</b>	<b>93,275</b>	<b>97,154</b>	<b>1,01,289</b>
Growth (%)	-5.1	6.7	7.3	8.1	20.7	12.2	5.3	4.2	4.3
<b>Net Revenues (INR B)</b>	<b>296</b>	<b>291</b>	<b>271</b>	<b>321</b>	<b>354</b>	<b>436</b>	<b>506</b>	<b>610</b>	<b>734</b>
Growth (%)	19.7	-1.5	-6.8	18.4	10.0	23.2	16.2	20.6	20.3
<b>EBITDA (INR B)</b>	<b>52</b>	<b>51</b>	<b>49</b>	<b>51</b>	<b>65</b>	<b>88</b>	<b>105</b>	<b>131</b>	<b>161</b>
EBITDA margins (%)	17.1	17.0	17.8	15.5	18.0	19.7	20.2	20.9	21.3
<b>EBITDA (INR/Unit)</b>	<b>10,345</b>	<b>11,042</b>	<b>12,405</b>	<b>11,877</b>	<b>16,674</b>	<b>20,278</b>	<b>21,836</b>	<b>23,405</b>	<b>24,812</b>
Growth (%)	7.3	-1.9	-3.3	3.8	28.0	34.7	19.0	24.8	22.7
<b>Consol. PAT (INR B)</b>	<b>47</b>	<b>52</b>	<b>49</b>	<b>53</b>	<b>61</b>	<b>77</b>	<b>84</b>	<b>108</b>	<b>138</b>
Consol. EPS	162	180	168	184	214	276	302	388	493

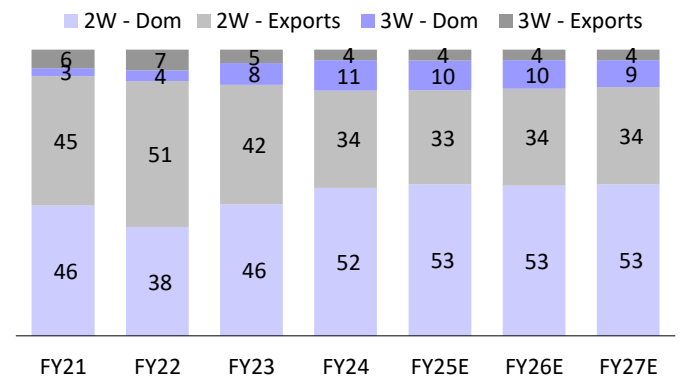
## Story in charts

**Exhibit 8: Trends in volume and volume growth**



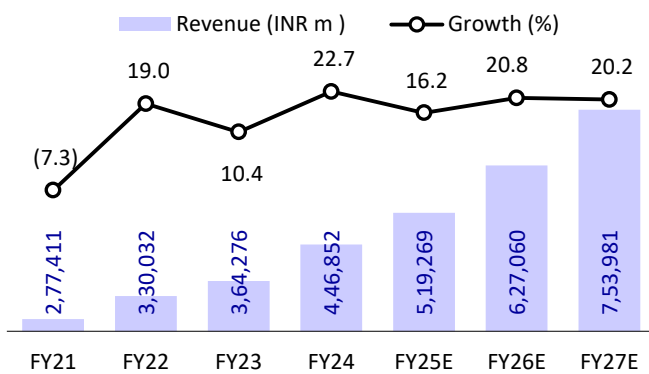
Sources: Company reports, MOFSL estimates

**Exhibit 9: Product mix trend**



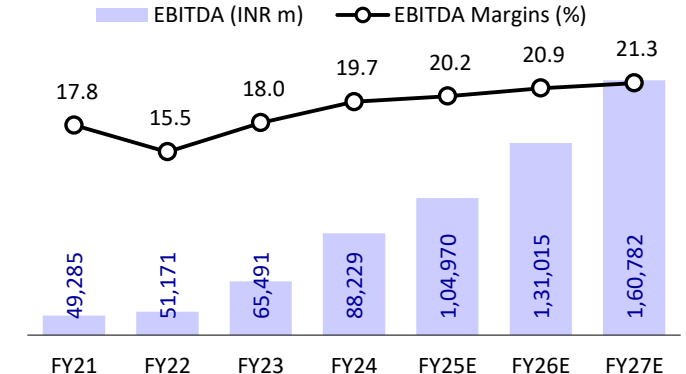
Sources: Company reports, MOFSL estimates

**Exhibit 10: Trend in revenue growth**



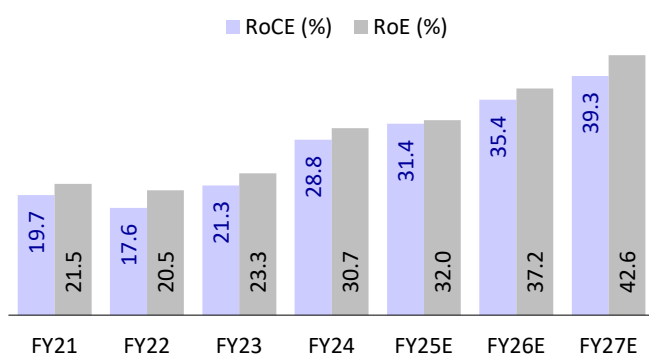
Sources: Company reports, MOFSL

**Exhibit 11: Trends in EBITDA and EBITDA margin**



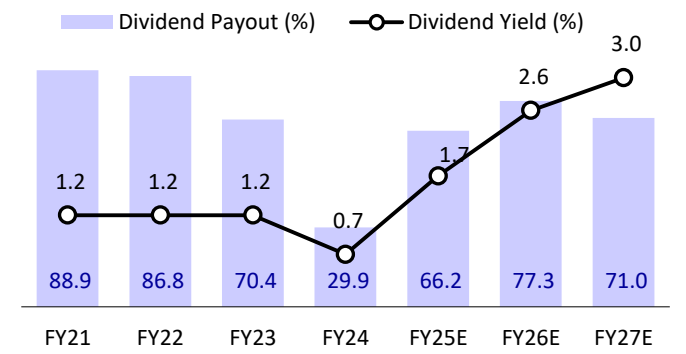
Sources: Company reports, MOFSL

**Exhibit 12: Trends in return ratios**



Sources: Company reports, MOFSL estimates

**Exhibit 13: Dividend payout to remain healthy**



Sources: Company reports, MOFSL estimates



## Financials and valuations

Income Statement								(INR m)
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Volumes</b>	<b>46,15,212</b>	<b>39,72,914</b>	<b>43,08,433</b>	<b>39,27,857</b>	<b>43,50,933</b>	<b>48,07,139</b>	<b>55,97,824</b>	<b>64,79,880</b>
Change (%)	-8.1	-13.9	8.4	-8.8	10.8	10.5	16.4	15.8
<b>Net Sales</b>	<b>2,99,187</b>	<b>2,77,411</b>	<b>3,30,032</b>	<b>3,64,276</b>	<b>4,46,852</b>	<b>5,19,269</b>	<b>6,27,060</b>	<b>7,53,981</b>
Change (%)	-1.4	-7.3	19.0	10.4	22.7	16.2	20.8	20.2
<b>Total Expenditure</b>	<b>2,48,224</b>	<b>2,28,126</b>	<b>2,78,861</b>	<b>2,98,785</b>	<b>3,58,623</b>	<b>4,14,298</b>	<b>4,96,045</b>	<b>5,93,199</b>
<b>EBITDA</b>	<b>50,962</b>	<b>49,285</b>	<b>51,171</b>	<b>65,491</b>	<b>88,229</b>	<b>1,04,970</b>	<b>1,31,015</b>	<b>1,60,782</b>
Change (%)	-1.9	-3.3	3.8	28.0	34.7	19.0	24.8	22.7
EBITDA Margins (%)	17.0	17.8	15.5	18.0	19.7	20.2	20.9	21.3
Depreciation	2,464	2,593	2,692	2,824	3,498	3,813	4,048	4,295
<b>EBIT</b>	<b>48,498</b>	<b>46,692</b>	<b>48,480</b>	<b>62,667</b>	<b>84,731</b>	<b>1,01,158</b>	<b>1,26,967</b>	<b>1,56,487</b>
Int. & Fin. Charges	32	67	87	395	535	600	450	450
Other Income	17,336	12,765	12,092	11,814	14,025	14,626	17,225	20,400
Non-recurring Exp.	0	0	-4,568	0	0	2,113	0	0
<b>PBT</b>	<b>65,802</b>	<b>59,390</b>	<b>65,054</b>	<b>74,086</b>	<b>98,220</b>	<b>1,13,071</b>	<b>1,43,742</b>	<b>1,76,437</b>
Tax	14,802	13,844	14,865	17,810	23,432	27,340	34,442	41,529
Effective Rate (%)	22.5	23.3	22.8	24.0	23.9	24	24	24
<b>PAT</b>	<b>51,000</b>	<b>45,546</b>	<b>50,189</b>	<b>56,276</b>	<b>74,788</b>	<b>85,732</b>	<b>1,09,300</b>	<b>1,34,908</b>
Change (%)	9.1	-10.7	10.2	12.1	32.9	14.6	27.5	23.4
Share in profit of ass. & others	1,119	3,024	11,469	4,326	2,294	-3,000	-1,000	2,676
<b>Adj. Consol PAT</b>	<b>52,119</b>	<b>48,570</b>	<b>53,122</b>	<b>60,602</b>	<b>77,082</b>	<b>84,334</b>	<b>1,08,300</b>	<b>1,37,584</b>
Change (%)	11.1	(6.8)	9.4	14.1	27.2	9.4	28.4	27.0

Balance Sheet								(INR m)
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	2,894	2,894	2,894	2,830	2,792	2,792	2,792	2,792
Reserves	1,96,361	2,49,129	2,63,794	2,51,429	2,45,813	2,75,709	3,01,255	3,38,450
<b>Net Worth</b>	<b>1,99,255</b>	<b>2,52,023</b>	<b>2,66,688</b>	<b>2,54,259</b>	<b>2,48,605</b>	<b>2,78,501</b>	<b>3,04,047</b>	<b>3,41,242</b>
Deferred Tax	3,464	5,221	4,033	3,452	5,069	7,331	10,206	13,734
Loans	1,669	1,601	1,588	1,576	9,906	9,906	9,906	9,906
<b>Capital Employed</b>	<b>2,04,388</b>	<b>2,58,845</b>	<b>2,72,309</b>	<b>2,59,286</b>	<b>2,63,580</b>	<b>2,95,737</b>	<b>3,24,158</b>	<b>3,64,882</b>
Gross Fixed Assets	41,573	43,443	46,312	55,045	62,326	69,600	77,600	87,600
Less: Depreciation	24,583	26,794	27,972	27,885	30,339	34,152	38,200	42,495
<b>Net Fixed Assets</b>	<b>16,990</b>	<b>16,649</b>	<b>18,340</b>	<b>27,160</b>	<b>31,987</b>	<b>35,449</b>	<b>39,401</b>	<b>45,106</b>
Capital WIP	602	160	768	819	275	1,000	1,000	1,000
Investments	1,81,960	2,26,310	2,38,188	2,29,233	2,44,925	2,64,925	2,91,925	3,29,925
<b>Current Assets</b>	<b>48,181</b>	<b>72,183</b>	<b>61,923</b>	<b>54,064</b>	<b>65,320</b>	<b>82,968</b>	<b>98,829</b>	<b>1,17,505</b>
Inventory	10,635	14,939	12,305	13,979	16,956	21,340	25,770	30,986
Sundry Debtors	17,251	27,169	15,164	17,761	21,224	28,453	34,359	41,314
Cash & Bank Balances	2,773	5,051	5,883	2,858	5,366	7,872	8,146	8,466
Loans & Advances	386	372	87	59	53	61	74	89
Others	17,136	24,653	28,484	19,408	21,721	25,241	30,481	36,650
<b>Current Liab. &amp; Prov.</b>	<b>43,345</b>	<b>56,457</b>	<b>46,910</b>	<b>51,991</b>	<b>78,926</b>	<b>88,604</b>	<b>1,06,997</b>	<b>1,28,653</b>
Sundry Creditors	31,997	45,738	36,332	40,739	56,102	57,164	69,030	83,003
Other Liabilities	8,964	9,175	9,028	9,584	20,934	24,327	29,376	35,322
Provisions	2,385	1,544	1,551	1,668	1,891	7,113	8,590	10,329
<b>Net Current Assets</b>	<b>4,836</b>	<b>15,727</b>	<b>15,013</b>	<b>2,073</b>	<b>-13,606</b>	<b>-5,636</b>	<b>-8,167</b>	<b>-11,149</b>
<b>Application of Funds</b>	<b>2,04,387</b>	<b>2,58,845</b>	<b>2,72,309</b>	<b>2,59,286</b>	<b>2,63,580</b>	<b>2,95,737</b>	<b>3,24,158</b>	<b>3,64,882</b>

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Basic (INR)</b>								
Consol EPS	180.1	167.8	183.6	214.2	276.1	302.1	387.9	492.8
EPS growth (%)	11.1	-6.8	9.4	16.7	28.9	9.4	28.4	27.0
Consol Cash EPS	188.6	176.8	192.9	224.2	288.6	315.7	402.4	508.2
Book Value per Share	688.6	870.9	921.6	898.6	890.5	997.6	1,089.1	1,222.3
DPS	120.0	140.0	140.0	140.0	80.0	200.0	300.0	350.0
Payout (% of S/A PAT)	81.8	88.9	86.8	70.4	29.9	66.2	77.3	71.0
<b>Valuation (x)</b>								
P/E	64.5	69.2	63.3	54.2	42.1	38.5	29.9	23.6
Cash P/E	61.6	65.7	60.2	51.8	40.3	36.8	28.9	22.9
EV/EBITDA	62.4	63.5	61.0	46.7	34.0	28.4	22.5	18.1
EV/Sales	10.6	11.3	9.5	8.4	6.7	5.7	4.7	3.9
Price to Book Value	16.9	13.3	12.6	12.9	13.0	11.6	10.7	9.5
Dividend Yield (%)	1.0	1.2	1.2	1.2	0.7	1.7	2.6	3.0
<b>Profitability Ratios (%)</b>								
RoE	25.0	21.5	20.5	23.3	30.7	32.0	37.2	42.6
RoCE	23.8	19.7	17.6	21.3	28.8	31.4	35.4	39.3
RoIC	176	154	94	120	168	188	214	264
<b>Turnover Ratios</b>								
Debtors (Days)	21	36	17	18	17	20	20	20
Inventory (Days)	13	20	14	14	14	15	15	15
Creditors (Days)	39	60	40	41	46	40	40	40
Working Capital (Days)	-5	-5	-10	-9	-15	-5	-5	-5
Asset Turnover (x)	1.5	1.1	1.2	1.4	1.7	1.8	1.9	2.1
Fixed Asset Turnover	7.1	6.5	7.4	7.2	7.6	7.9	8.5	9.1

### Cash Flow Statement

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>(INR m)</b>								
Profit before Tax	65,802	59,390	65,053	74,086	98,220	1,13,071	1,43,742	1,76,437
Depreciation & Amort.	2,464	2,593	2,692	2,824	3,498	3,813	4,048	4,295
Direct Taxes Paid	-16,777	-13,397	-17,015	-19,184	-23,826	-25,078	-31,567	-38,000
(Inc)/Dec in Working Capital	3,765	-5,105	6,006	7,230	10,171	-5,464	2,804	3,302
Other Items	-16635	-12339	-11480	-9,838	-13,281	-14026	-16775	-19950
<b>CF from Oper. Activity</b>	<b>38,620</b>	<b>31,142</b>	<b>45,255</b>	<b>55,119</b>	<b>74,783</b>	<b>72,316</b>	<b>1,02,252</b>	<b>1,26,084</b>
Extra-ordinary Items	-3	-4	-3,179	0	0	-2,113	0	0
<b>CF after EO Items</b>	<b>38,618</b>	<b>31,139</b>	<b>42,076</b>	<b>55,119</b>	<b>74,783</b>	<b>70,203</b>	<b>1,02,252</b>	<b>1,26,084</b>
(Inc)/Dec in FA+CWIP	-2,800	-2,509	-5,176	-8,064	-7,957	-8,000	-8,000	-10,000
<b>Free Cash Flow</b>	<b>35,818</b>	<b>28,630</b>	<b>36,900</b>	<b>47,055</b>	<b>66,826</b>	<b>62,203</b>	<b>94,252</b>	<b>1,16,084</b>
(Pur)/Sale of Invest.	20,367	-26,157	4,252	21,288	6,565	-5,374	-9,775	-17,600
<b>CF from Inv. Activity</b>	<b>17,567</b>	<b>-28,665</b>	<b>-924</b>	<b>13,224</b>	<b>-1,392</b>	<b>-13,374</b>	<b>-17,775</b>	<b>-27,600</b>
Inc. / Dec.in Network	0	0	0	-30,939	-39,307	0	0	0
Inc/(Dec) in Debt	0	0	0		8,327	0	0	0
Interest Paid	-21	-108	-74	-380	-519	-600	-450	-450
Dividends Paid	-62,444	-87	-40,490	-40,470	-39,602	-55,836	-83,754	-97,713
<b>CF from Fin. Activity</b>	<b>-62,465</b>	<b>-195</b>	<b>-40,563</b>	<b>-71,789</b>	<b>-71,101</b>	<b>-56,436</b>	<b>-84,204</b>	<b>-98,163</b>
<b>Inc/(Dec) in Cash</b>	<b>-6,281</b>	<b>2,278</b>	<b>588</b>	<b>-3,446</b>	<b>2,290</b>	<b>394</b>	<b>273</b>	<b>321</b>
Add: Beginning Bal.	9,054	2,773	5,051	5,640	2,194	4,484	4,878	5,151
<b>Closing Balance</b>	<b>2,773</b>	<b>5,051</b>	<b>5,640</b>	<b>2,194</b>	<b>4,484</b>	<b>4,878</b>	<b>5,151</b>	<b>5,472</b>

E: MOSL Estimates

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Explanation of Investment Rating	
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NEUTRAL	> - 10 % to 15%
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