

Hero MotoCorp

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

| | |
|-----------------------|--------------|
| Bloomberg | HMCL IN |
| Equity Shares (m) | 200 |
| M.Cap.(INRb)/(USDb) | 932.2 / 10.6 |
| 52-Week Range (INR) | 6246 / 3323 |
| 1, 6, 12 Rel. Per (%) | 12/5/-12 |
| 12M Avg Val (INR m) | 3143 |

| Financials & Valuations (INR b) | | | |
|---------------------------------|-------|-------|-------|
| Y/E March | 2025 | 2026E | 2027E |
| Sales | 406.7 | 431.2 | 466.4 |
| EBITDA | 57.8 | 61.8 | 67.6 |
| Adj. PAT | 45.3 | 49.6 | 53.9 |
| Adj. EPS (INR) | 226.0 | 247.6 | 269.1 |
| EPS Gr. (%) | 10.5 | 9.5 | 8.7 |
| BV/Sh. (INR) | 989 | 1,062 | 1,141 |
| Ratios | | | |
| RoE (%) | 23.9 | 24.1 | 24.4 |
| RoCE (%) | 23.4 | 23.6 | 23.9 |
| Payout (%) | 73.0 | 70.7 | 70.6 |
| Valuations | | | |
| P/E (x) | 20.6 | 18.8 | 17.3 |
| P/BV (x) | 4.7 | 4.4 | 4.1 |
| Div. Yield (%) | 3.5 | 3.8 | 4.1 |
| FCF Yield (%) | 3.6 | 5.7 | 5.7 |

| Shareholding Pattern (%) | | | |
|--------------------------|--------|--------|--------|
| As On | Jun-25 | Mar-25 | Jun-24 |
| Promoter | 34.7 | 34.7 | 34.8 |
| DII | 27.8 | 27.9 | 26.9 |
| FII | 27.0 | 27.4 | 29.9 |
| Others | 10.4 | 9.9 | 8.5 |

FII includes depository receipts

CMP: INR4,661 **TP: INR5,355 (+15%)** **Buy**

Margins stable despite weak volumes

Volume guidance intact, led by positive rural sentiments

- Hero MotoCorp (HMCL)'s 1QFY26 PAT at INR11.2b came in above our est. of INR10.5b, led largely by higher other income. HMCL was able to retain its margins despite weak volumes due to price hikes and an improved mix.
- We expect HMCL to deliver a volume CAGR of ~4% over FY25-27, driven by new launches and a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments. We expect a CAGR of ~7%/8%/9% in revenue/EBITDA/PAT over FY25-27. At ~18.8x/17.3x FY26E/27E EPS, the stock appears attractively valued. **We reiterate our BUY rating with a TP of INR5,355 (based on 18x Jun'27E EPS + INR129/235 for Hero FinCorp/Ather post-20% Holdco discount).**

Margins intact despite weak demand

- Net revenue dipped 5.6% YoY to INR95.8b (est. INR96.6b).
- Net realizations improved 6% YoY/dipped 2.7% QoQ to INR70k (in line). Volumes were down 11% YoY and 1% QoQ.
- ASP increase on a YoY basis was largely due to price hikes taken over the last four quarters. Further, the sequential ASP decline was due to the reduction in the spare parts business, which is seasonal in nature.
- Gross margin expanded 100bp YoY (-120bp QoQ) to 33.3% (est. 33%), owing to price hikes and favorable mix.
- This resulted in a better-than-estimated EBITDA margin at 14.4% (flat YoY/+20bp QoQ, est. 13.8%).
- EBITDA declined ~6% YoY to INR13.8b (est. INR13.3b).
- Further, higher other income boosted PAT to INR11.2b, largely flat YoY (+4.1% QoQ, ahead of our est. of INR10.5b).

Highlights from the management commentary

- Management retains its 6-7% volume growth guidance for the industry and expects to outperform industry growth, aided by its new launch pipeline.
- Management has indicated that the slight increase seen in input costs is likely to be offset by price hikes and cost savings in Q2. Margin guidance maintained at 14-16% over the long term, however, the same is likely to be at the lower end of the band in the near term.
- New launches for HMCL include two 125cc motorcycles planned for 2Q, Xoom 160, cosmetic refreshes in Xtreme 125R to reignite interest, and new launches from the Harley partnership.
- Despite industry-wide concerns for rare earth supply, management has stated that it has secured supply requirements for 2Q for both ICE and EV models and is continuing to work on long-term alternatives.
- HMCL plans to grow exports by 40% in FY26, with a target of 10% of total revenues and volumes from their global business in the medium term.

Valuation and view

- We expect HMCL to deliver a volume CAGR of ~4% over FY25-27, driven by new launches and a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments.
- We project a CAGR of ~7%/8%/9% in revenue/EBITDA/PAT over FY25-27. At ~18.8x/17.3x FY26E/27E EPS, the stock appears attractively valued. **We reiterate our BUY rating with a TP of INR5,355 (based on 18x Jun'27E EPS + INR129/235 for Hero FinCorp/Ather post-20% Holdco discount).**

| Y/E March | Qty Performance (S/A) | | | | | | | | (INR b) | | |
|--------------------------------|-----------------------|-----------------|-----------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | FY25 | | | | FY26E | | | | FY25 | FY26 | 1QE |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | Var. (%) |
| Total Volumes ('000 nos) | 1,535 | 1,520 | 1,464 | 1,381 | 1,367 | 1,730 | 1,457 | 1,441 | 5,899 | 5,995 | 1,367 |
| Growth YoY (%) | 13.5 | 7.3 | 0.3 | -0.9 | -10.9 | 13.8 | -0.5 | 4.4 | 4.9 | 6.6 | -10.9 |
| Net Realization | 66,076 | 68,851 | 69,755 | 71,991 | 70,069 | 71,605 | 71,848 | 74,155 | 68,945 | 71,927 | 70,702 |
| Growth YoY (%) | 1.9 | 3.3 | 4.7 | 5.3 | 6.0 | 4.0 | 3.0 | 3.0 | 3.5 | 7.9 | 7.0 |
| Net Op Revenues | 1,01,437 | 1,04,632 | 1,02,108 | 99,387 | 95,789 | 1,23,877 | 1,04,673 | 1,06,836 | 4,06,719 | 4,31,175 | 96,654 |
| Growth YoY (%) | 15.7 | 10.8 | 5.0 | 4.4 | -5.6 | 18.4 | 2.5 | 7.5 | 8.6 | 15.1 | -4.7 |
| RM Cost (% sales) | 67.7 | 66.7 | 65.8 | 65.5 | 66.7 | 67.6 | 66.6 | 66.5 | 66.6 | 66.9 | 67.0 |
| Staff Cost (% sales) | 6.0 | 6.2 | 6.5 | 6.8 | 6.5 | 5.5 | 6.2 | 6.2 | 6.4 | 6.1 | 6.8 |
| Other Exp (% sales) | 11.9 | 12.6 | 13.3 | 13.5 | 12.3 | 12.4 | 13.0 | 13.0 | 12.8 | 12.7 | 12.4 |
| EBITDA | 14,598 | 15,159 | 14,765 | 14,156 | 13,817 | 17,913 | 14,864 | 15,252 | 57,832 | 61,846 | 13,341 |
| EBITDA Margins (%) | 14.4 | 14.5 | 14.5 | 14.2 | 14.4 | 14.5 | 14.2 | 14.3 | 14.2 | 14.3 | 13.8 |
| Other Income | 2,317 | 2,830 | 3,175 | 2,237 | 3,037 | 3,100 | 2,750 | 2,970 | 10,559 | 11,857 | 2,500 |
| Interest | 48 | 49 | 55 | 47 | 56 | 55 | 40 | 50 | 199 | 201 | 52 |
| Depreciation | 1,932 | 1,937 | 1,969 | 1,921 | 1,928 | 1,950 | 2,000 | 1,960 | 7,759 | 7,838 | 1,940 |
| PBT before EO Exp/(Inc) | 14,935 | 16,003 | 15,916 | 14,425 | 14,870 | 19,008 | 15,574 | 16,212 | 60,434 | 65,664 | 13,849 |
| Effective Tax Rate (%) | 24.8 | 24.8 | 24.4 | 25.1 | 24.3 | 24.5 | 24.5 | 24.7 | 25.1 | 24.5 | 24.5 |
| Adj. PAT | 11,226 | 12,035 | 12,028 | 10,809 | 11,257 | 14,344 | 11,752 | 12,215 | 45,255 | 49,567 | 10,450 |
| Growth (%) | 18.7 | 14.2 | 12.1 | 6.4 | 0.3 | 19.2 | -2.3 | 13.0 | 10.7 | 21.2 | -6.9 |



Key takeaways from the management commentary

Domestic 2Ws – industry update

- The company had taken a planned shutdown in four plants (Daruhera, Neemrana, Gurgaon, and Haridwar) in April for around five days to resolve supply chain issues. HMCL also timed this with the maintenance activity. The impact of this shutdown was felt this quarter with lower volumes reported (down 11% YoY); however, the numbers have since normalized.
- The domestic 2W industry saw a mixed performance in the first four months of FY26. April and May saw strong growth driven by the marriage season and improved rural demand outpacing urban. However, momentum slowed in the months of June and July, primarily due to the early onset of the monsoon.
- HMCL's retail 2W market share in 1Q improved 100bp QoQ to 30.9%, driven by strong performance in entry and 125cc segments.
- Despite the recent slowdown, HMCL expects a rebound in demand during the upcoming festive season, supported by positive macro conditions such as lower inflation, the RBI rate cuts, and a favourable monsoon. Management maintains its 6-7% volume growth guidance for the industry and expects to outperform industry growth on the back of its new launch pipeline.
- Management has indicated that there should not be any material net cost increase QoQ in 2Q as the slight increase seen in input costs is likely to be offset by price hikes and cost savings. Margin guidance maintained at 14-16% over the long term, however, the same is likely to be at the lower end of the band in the near term.
- New launches for HMCL include two 125cc motorcycles planned for 2Q, Xoom 160, cosmetic refreshes in Xtreme 125R to reignite interest, and one new launch from the Harley partnership.
- In the 100cc segment, they launched an upgraded HF Deluxe Pro, which has led to an 800bp improvement in market share in the entry-level segment. With multiple segment-first features, HMCL plans to blend affordability and aspiration in the entry segment with the launch of this model.
- While the sporty 125cc segment faced headwinds at an industry level, Xtreme 125 continues to gain share in this segment.
- ICE scooter market share improved sequentially to 6%, led by the successful launches of Destini 125 and Xoom 125. It hopes to further improve the share with the upcoming launch of the Xoom 160.
- HMCL is scaling up its Premia channel, which currently stands at ~125 stores covering 45% of its premium industry footprint.

Update on EVs

- EV business witnessed a robust scale-up, achieving its highest ever EV market share of 7% (doubling YoY). It has further improved to ~10% in July, led by strong customer traction for the VIDA product range.
- The launch of VIDA VX2 in July marked a move towards the Battery as a Service (Baas) model, which is an industry first. This is expected to reduce the upfront TCO for EVs with customers paying a fixed per-kilometer rate for batteries, and thereby attracting new customers and driving EV adoption. Their subscription plans would be based on customer usage patterns. The Vida VX2 Go is planned

to launch with a 2/3 year battery subscription plan, while the VX2 Plus will incorporate a 2/3/5 year subscription plan.

- HMCL's EVs are now available in 600+ touchpoints across 400+ cities.
- The company received PLI certification for the VIDA V2 Pro in July and is working to secure the same for other models.
- Despite industry-wide concerns for rare earth supply, management has stated that it has secured supply requirements for 2Q for both ICE and EV models, and is continuing to work on long-term alternatives.

Update on Exports

- Global business continued its robust performance with a 27% increase in YoY dispatch in Q1, with an even stronger retail growth. Currently, it is focused on 10-12 key global markets with tailored products aligned to the specific needs and preferences of the customers.
- They plan to grow exports by 40% in FY26, with a target of 10% of total revenues and volumes from their global business in the medium term.

Other Highlights

- HeroFincorp's financing penetration had dipped in 1Q primarily due to seasonality, as 1Q demand is largely driven by the marriage season with cash purchases. However, its finance penetration has normalised back to ~65% in July. However, elevated NPAs and rising credit costs have led to a loss at HFCL in 1Q. However, this is likely to reverse with the reduction in interest rates, as per management. HeroFincorp loan book currently sits at INR54.73b.
- Inventory is currently sitting at ~7 weeks and is expected to build further ahead of the festive season.
- First-time buyer share increased to ~74% in 1Q, from 71% earlier.
- The Government has floated a draft proposal making ABS mandatory for all scooters above 50cc, EVs above 4kWh, and motorcycles above 100cc from June 2026. This is likely to dampen demand given the likely cost increase. However, OEMs are working with regulators to propose alternative safety solutions with realistic implementation timelines.

Exhibit 1: Trend in volumes

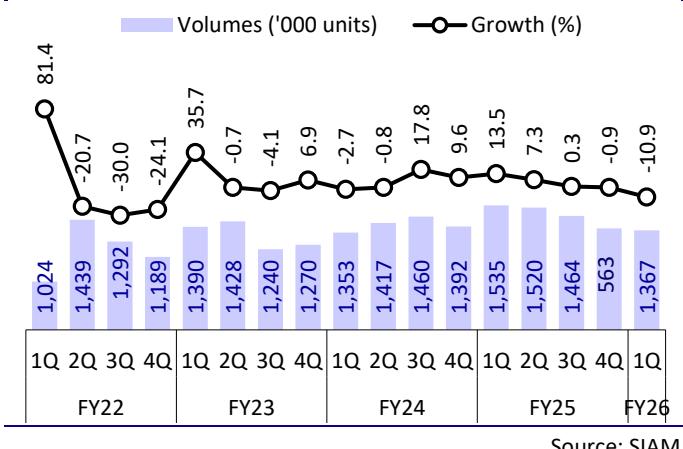
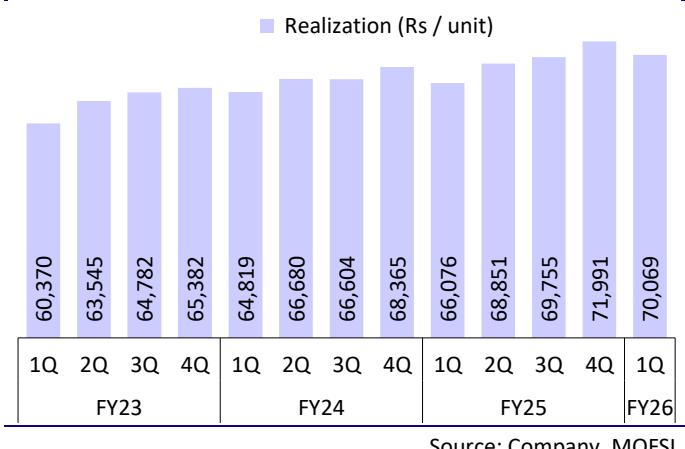


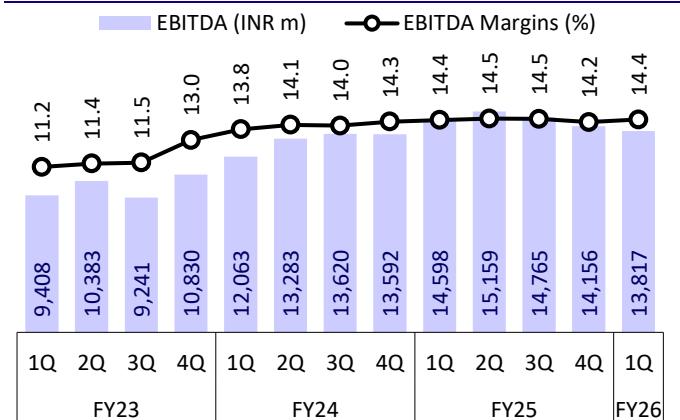
Exhibit 2: Trend in blended realizations



Source: SIAM

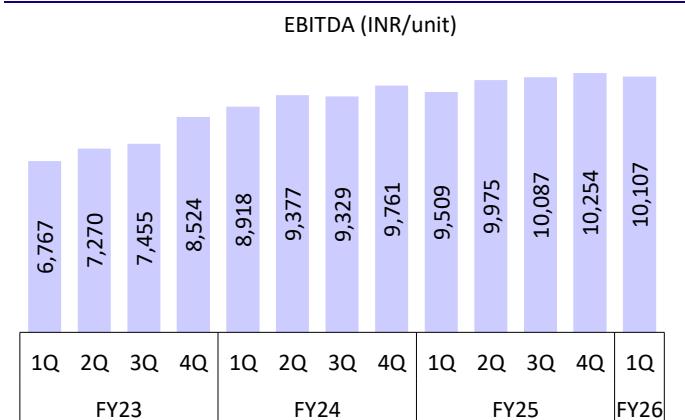
Source: Company, MOFSL

Exhibit 3: Trends in EBITDA and EBITDA margin



Source: Company, MOFSL

Exhibit 4: Trend in EBITDA per unit



Source: Company, MOFSL

Valuation and view

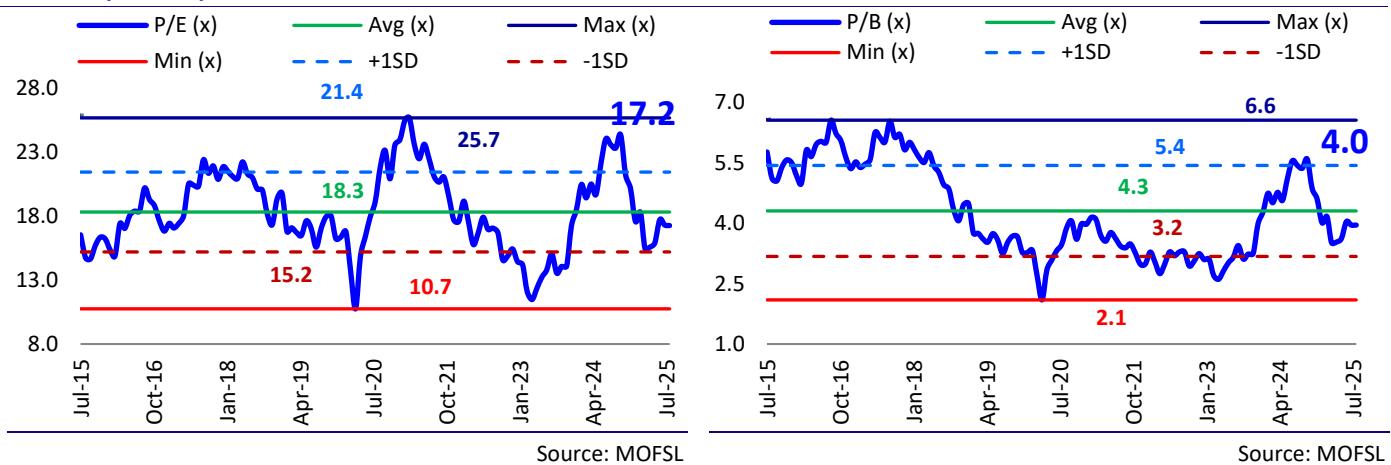
- **We expect HMCL to deliver a volume CAGR of ~4% over FY25-27**, driven by 1) new model launches in scooters and motorcycles showcased at the Bharat Mobility Show, 2) a couple of product interventions to be done in the 125cc motorcycle segment soon, and 3) a ramp-up in exports.
- **Gradual rural revival bodes well for HMCL**: Rural sentiments are positive given positive terms of trade for farmers and a healthy monsoon so far. Further, management has indicated that it is seeing a gradual recovery in rural markets currently. Given that HMCL has a dominant 100-110cc portfolio, any recovery in the rural region bodes well for the company. Further, the recent tax cut in the Union Budget is likely to help support entry-level demand, in our opinion.
- **Exports offer a huge headroom for growth**: Exports to emerging markets present a huge opportunity (~2x that of the Indian market) for HMCL, given that it has a relatively smaller presence in exports so far. HMCL has doubled its target export markets to 40 countries over the past few years. Over the years, HMCL has been working on launching new products customized to key markets, revamping its distribution network, and investing in brand building in key markets. In FY25, HMCL posted 43% YoY growth in exports, at 2x the industry growth, and targets 40%+ growth in FY26E as well. We expect exports to continue to be a steady growth driver for HMCL in the coming years.
- **Reiterate BUY**: We expect HMCL to deliver a volume CAGR of ~4% over FY25-27, driven by new launches and a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments. We project a CAGR of ~7%/8%/9% in revenue/EBITDA/PAT over FY25-27. At ~18.8x/17.3x FY26E/27E EPS, the stock appears attractively valued. **We reiterate our BUY rating with a TP of INR5,355 (based on 18x Jun'27E EPS + INR129/235 for Hero FinCorp/Ather post-20% Holdco discount).**

Exhibit 5: Revisions to our estimates

| (INR b) | FY26E | | | FY27E | | |
|----------------------|-------|-------|---------|-------|-------|---------|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Volumes ('000 units) | 5,995 | 6,076 | -1.3 | 6,369 | 6,455 | -1.3 |
| Net Sales | 431.2 | 436.2 | -1.2 | 466.4 | 471.9 | -1.2 |
| EBITDA | 61.8 | 60.4 | 2.4 | 67.6 | 66.2 | 2.1 |
| EBITDA Margins (%) | 14.3 | 13.8 | 50 | 14.5 | 14.0 | 50 |
| Net Profit | 49.6 | 47.9 | 3.5 | 53.9 | 52.7 | 2.3 |
| EPS (INR) | 247.6 | 239.1 | 3.5 | 269.1 | 263.2 | 2.3 |

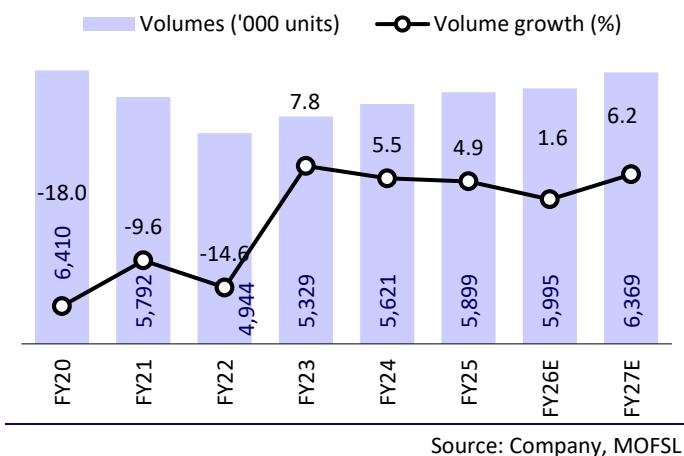
Source: MOFSL

Exhibit 6: P/E and P/B bands



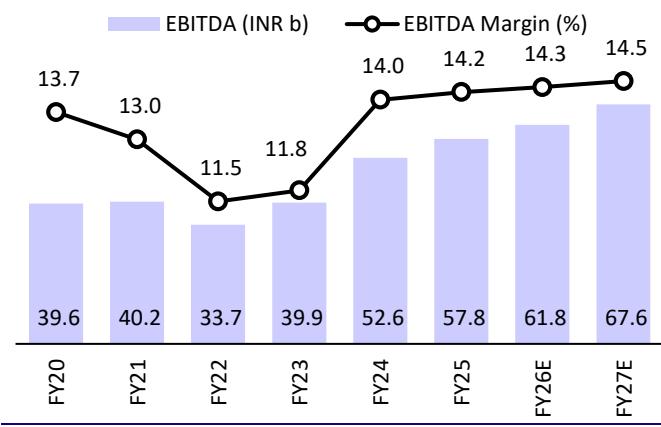
Story in charts

Exhibit 7: Steady growth expected, led by rural recovery



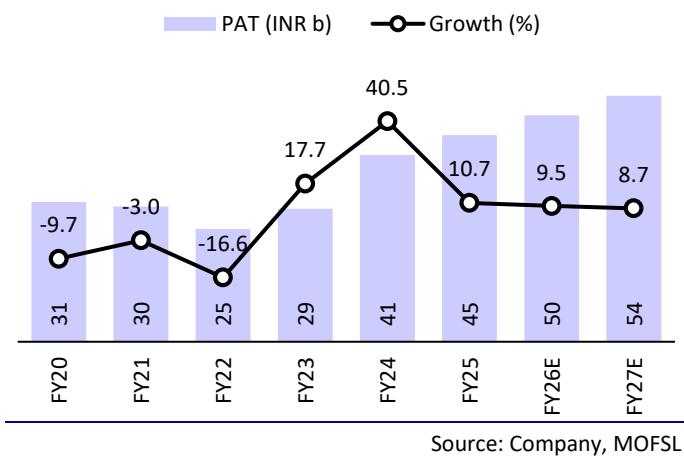
Source: Company, MOFSL

Exhibit 8: EBITDA margin trend



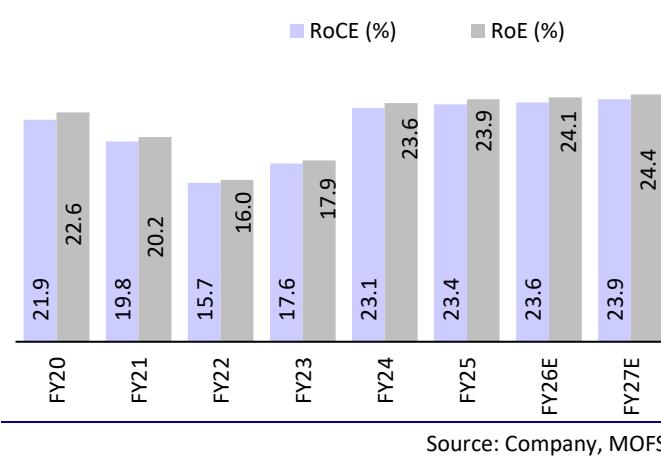
Source: Company, MOFSL

Exhibit 9: PAT growth to be steady



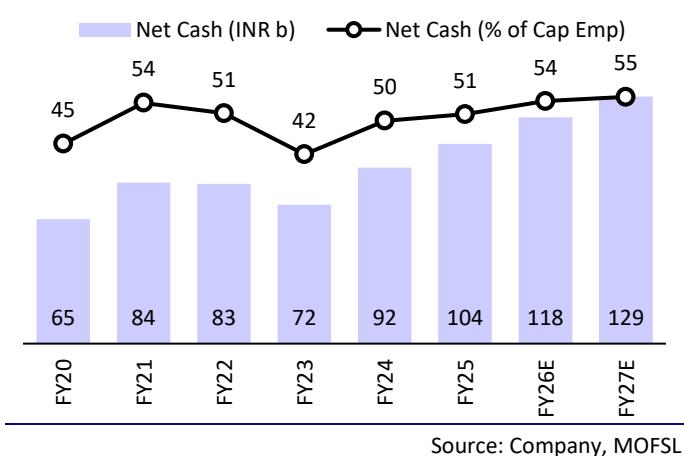
Source: Company, MOFSL

Exhibit 10: Trend in return ratios



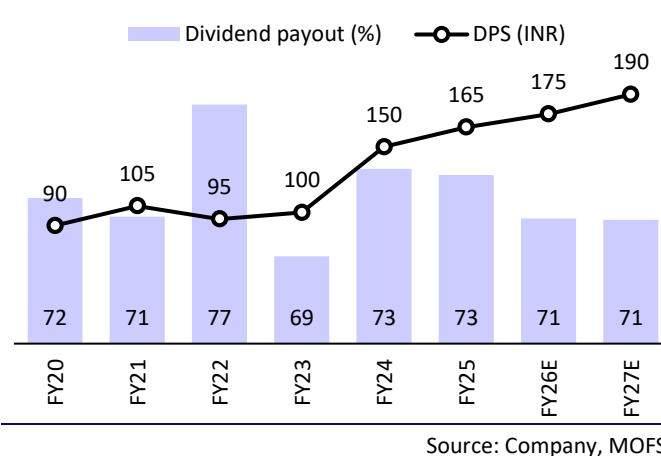
Source: Company, MOFSL

Exhibit 11: Trend in cash levels



Source: Company, MOFSL

Exhibit 12: Dividend payout trends



Source: Company, MOFSL

Exhibit 13: Snapshot of the revenue model

| 000 units | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total M/Cycles | 5,990 | 5,333 | 4,628 | 4,959 | 5,191 | 5,476 | 5,554 | 5,906 |
| Growth (%) | -15.4 | -11.0 | -13.2 | 7.2 | 4.7 | 5.5 | 1.4 | 6.3 |
| % of total volumes | 93.5 | 92.1 | 93.6 | 93.1 | 92.3 | 92.8 | 92.7 | 92.7 |
| Total Scooters | 419 | 458 | 316 | 369 | 431 | 423 | 440 | 462 |
| Growth (%) | -43.3 | 9.2 | -30.9 | 16.8 | 16.6 | -1.9 | 4.2 | 5.0 |
| % of total volumes | 6.5 | 7.9 | 6.4 | 6.9 | 7.7 | 7.2 | 7.3 | 7.3 |
| Total volumes | 6,410 | 5,792 | 4,944 | 5,329 | 5,621 | 5,899 | 5,995 | 6,369 |
| Growth (%) | -18.0 | -9.6 | -14.6 | 7.8 | 5.5 | 4.9 | 1.6 | 6.2 |
| - of which Exports | 162 | 172 | 290 | 162 | 171 | 258 | 310 | 347 |
| % of total volumes | 2.8 | 3.3 | 6.5 | 3.3 | 3.3 | 4.8 | 5.7 | 6.0 |
| Net Realizations (INR/unit) | 44,988 | 53,182 | 59,152 | 63,443 | 66,632 | 69,088 | 71,927 | 73,239 |
| Growth (%) | 4.3 | 18.8 | 10.7 | 8.4 | 6.0 | 3.6 | 4.1 | 1.8 |
| Net Revenues (INR b) | 288 | 308 | 292 | 338 | 375 | 407 | 431 | 466 |
| Growth (%) | -14.3 | 6.8 | -5.0 | 15.6 | 10.8 | 8.6 | 6.0 | 8.2 |

SIAM, Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | | (INR m) |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Y/E March | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
| Volumes ('000) | 6,410 | 5,792 | 4,944 | 5,329 | 5,621 | 5,899 | 5,995 | 6,369 |
| Volume Growth (%) | -18.0 | -9.6 | -14.6 | 7.8 | 5.5 | 4.9 | 1.6 | 6.2 |
| Net Revenues | 288,360 | 308,006 | 292,455 | 338,057 | 374,557 | 406,719 | 431,175 | 466,423 |
| Change (%) | -14.3 | 6.8 | -5.0 | 15.6 | 10.8 | 8.6 | 6.0 | 8.2 |
| EBITDA | 39,579 | 40,192 | 33,688 | 39,862 | 52,557 | 57,832 | 61,846 | 67,604 |
| EBITDA Margin (%) | 13.7 | 13.0 | 11.5 | 11.8 | 14.0 | 14.2 | 14.3 | 14.5 |
| Depreciation | 8,180 | 6,769 | 6,498 | 6,570 | 7,114 | 7,759 | 7,838 | 8,321 |
| EBIT | 31,400 | 33,424 | 27,190 | 33,293 | 45,443 | 50,074 | 54,009 | 59,284 |
| Interest cost | 220 | 218 | 258 | 199 | 185 | 199 | 201 | 203 |
| Other Income | 7,283 | 5,799 | 5,569 | 5,652 | 8,926 | 10,559 | 11,857 | 12,336 |
| Non-recurring Expense | -7,274 | 0 | 0 | 0 | 1,600 | 0 | 0 | 0 |
| PBT | 45,736 | 39,004 | 32,501 | 38,746 | 52,584 | 60,434 | 65,664 | 71,416 |
| Tax | 9,404 | 9,362 | 7,771 | 9,640 | 12,904 | 15,179 | 16,097 | 17,538 |
| Effective Tax Rate (%) | 20.6 | 24.0 | 23.9 | 24.9 | 24.5 | 25.1 | 24.5 | 24.6 |
| Adj. PAT | 30,554 | 29,642 | 24,730 | 29,106 | 40,887 | 45,255 | 49,567 | 53,878 |
| Change (%) | -9.7 | -3.0 | -16.6 | 17.7 | 40.5 | 10.7 | 9.5 | 8.7 |

| Balance Sheet | | | | | | | | (INR m) |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Y/E March | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
| Sources of Funds | | | | | | | | |
| Share Capital | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Reserves | 140,965 | 151,585 | 157,430 | 166,651 | 179,462 | 197,669 | 212,201 | 228,041 |
| Net Worth | 141,364 | 151,984 | 157,829 | 167,051 | 179,862 | 198,069 | 212,601 | 228,441 |
| Deferred Tax | 3,928 | 4,041 | 3,833 | 4,054 | 4,348 | 5,096 | 5,096 | 5,096 |
| Capital Employed | 145,292 | 156,025 | 161,662 | 171,105 | 184,210 | 203,165 | 217,697 | 233,537 |
| Application of Funds | | | | | | | | |
| Gross Fixed Assets | 138,161 | 142,362 | 146,657 | 151,942 | 157,862 | 165,383 | 175,383 | 186,383 |
| Less: Depreciation | 76,991 | 82,478 | 88,592 | 94,328 | 99,522 | 106,369 | 114,206 | 122,527 |
| Net Fixed Assets | 61,171 | 59,884 | 58,065 | 57,614 | 58,340 | 59,014 | 61,176 | 63,856 |
| Capital WIP | 3,413 | 4,366 | 4,582 | 4,638 | 4,805 | 4,925 | 4,925 | 4,925 |
| Investments | 83,166 | 105,876 | 107,288 | 111,875 | 131,551 | 150,445 | 162,445 | 177,445 |
| Curr. Assets, L & Adv. | 39,744 | 51,485 | 47,206 | 58,504 | 61,019 | 64,817 | 69,877 | 74,658 |
| Inventory | 10,920 | 14,696 | 11,227 | 14,341 | 14,438 | 14,576 | 17,416 | 18,840 |
| Sundry Debtors | 16,031 | 24,268 | 23,043 | 27,982 | 27,034 | 36,744 | 32,511 | 35,168 |
| Cash & Bank Balances | 1,479 | 1,692 | 987 | 1,684 | 5,399 | 2,891 | 8,730 | 8,512 |
| Loans & Advances | 896 | 892 | 402 | 436 | 457 | 271 | 286 | 310 |
| Others | 10,417 | 9,938 | 11,547 | 14,062 | 13,691 | 10,335 | 10,934 | 11,828 |
| Current Liab. & Prov. | 42,201 | 65,585 | 55,478 | 61,527 | 71,506 | 76,037 | 80,727 | 87,347 |
| Sundry Creditors | 30,305 | 52,046 | 42,603 | 47,045 | 55,282 | 55,661 | 63,860 | 69,081 |
| Other Liabilities | 9,207 | 10,211 | 9,490 | 10,744 | 11,516 | 13,317 | 11,611 | 12,560 |
| Provisions | 2,689 | 3,328 | 3,385 | 3,738 | 4,708 | 7,058 | 5,255 | 5,706 |
| Net Current Assets | -2,457 | -14,101 | -8,272 | -3,022 | -10,487 | -11,220 | -10,849 | -12,688 |
| Application of Funds | 145,292 | 156,025 | 161,662 | 171,105 | 184,210 | 203,165 | 217,697 | 233,537 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Basic (INR) | | | | | | | | |
| EPS | 153.0 | 148.4 | 123.8 | 145.6 | 204.6 | 226.0 | 247.6 | 269.1 |
| EPS Growth (%) | -9.7 | -3.0 | -16.6 | 17.7 | 40.5 | 10.5 | 9.5 | 8.7 |
| Cash EPS | 222.8 | 182.2 | 156.3 | 178.5 | 234.1 | 264.8 | 286.7 | 310.7 |
| Book Value per Share | 707.7 | 760.7 | 789.9 | 835.9 | 900.0 | 989.4 | 1,061.9 | 1,141.1 |
| DPS | 90.0 | 105.0 | 95.0 | 100.0 | 150.0 | 165.0 | 175.0 | 190.0 |
| Payout (Incl. Div. Tax) % | 71.8 | 70.8 | 76.8 | 68.7 | 73.3 | 73.0 | 70.7 | 70.6 |
| Valuation (x) | | | | | | | | |
| P/E | 30.5 | 31.4 | 37.6 | 32.0 | 22.8 | 20.6 | 18.8 | 17.3 |
| EV/EBITDA | 21.4 | 20.5 | 24.4 | 20.5 | 15.1 | 13.5 | 12.3 | 11.0 |
| EV/Sales | 2.9 | 2.7 | 2.8 | 2.4 | 2.1 | 1.9 | 1.8 | 1.6 |
| Price to Book Value | 6.6 | 6.1 | 5.9 | 5.6 | 5.2 | 4.7 | 4.4 | 4.1 |
| Dividend Yield (%) | 1.9 | 2.3 | 2.0 | 2.1 | 3.2 | 3.5 | 3.8 | 4.1 |
| Profitability Ratios (%) | | | | | | | | |
| RoE | 22.6 | 20.2 | 16.0 | 17.9 | 23.6 | 23.9 | 24.1 | 24.4 |
| RoCE | 21.9 | 19.8 | 15.7 | 17.6 | 23.1 | 23.4 | 23.6 | 23.9 |
| RoIC | 39.7 | 50.1 | 44.5 | 49.2 | 71.9 | 85.8 | 94.3 | 106.2 |
| Turnover Ratios | | | | | | | | |
| Debtors (Days) | 21 | 30 | 30 | 32 | 28 | 35 | 29 | 29 |
| Inventory (Days) | 15 | 18 | 15 | 16 | 15 | 14 | 16 | 16 |
| Creditors (Days) | 38 | 62 | 53 | 51 | 54 | 50 | 54 | 54 |
| Working Capital (Days) | -3 | -17 | -10 | -3 | -10 | -10 | -9 | -10 |
| Asset Turnover (x) | 2.0 | 2.0 | 1.8 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Fixed Asset Turnover | 2.3 | 2.2 | 2.0 | 2.3 | 2.4 | 2.5 | 2.5 | 2.6 |

| Y/E March | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash Flow Statement (INR m) | | | | | | | | |
| Profit before Tax | 45,736 | 39,004 | 32,501 | 38,746 | 52,584 | 60,434 | 65,664 | 71,416 |
| Depreciation & Amort. | 8,180 | 6,769 | 6,498 | 6,570 | 7,114 | 7,759 | 7,838 | 8,321 |
| Direct Taxes Paid | -5,443 | -9,759 | -7,688 | -8,496 | -13,142 | -15,341 | -16,097 | -17,538 |
| (Inc)/Dec in Working Capital | 12,027 | 10,700 | -6,825 | -5,832 | 10,747 | -3,036 | 5,469 | 1,621 |
| Other Items | -6,399 | -4,987 | -4,283 | -5,197 | -6,637 | -7,997 | 201 | 203 |
| CF from Oper. Activity | 54,101 | 41,727 | 20,203 | 25,791 | 50,665 | 41,819 | 63,075 | 64,023 |
| Extraordinary Items | 0 | 0 | 0 | 0 | -1,600 | 0 | 0 | 0 |
| CF after EO Items | 54,101 | 41,727 | 20,203 | 25,791 | 49,065 | 41,819 | 63,075 | 64,023 |
| (Inc)/Dec in FA+CWIP | -13,586 | -5,101 | -5,240 | -5,675 | -7,102 | -8,103 | -10,000 | -11,000 |
| Free Cash Flow | 40,515 | 36,626 | 14,963 | 20,115 | 43,563 | 33,716 | 53,075 | 53,023 |
| (Pur)/Sale of Invest. | -15,245 | -16,998 | 3,721 | 987 | -10,917 | -7,755 | -12,000 | -15,000 |
| CF from Inv. Activity | -28,831 | -22,099 | -1,519 | -4,688 | -18,019 | -15,858 | -22,000 | -26,000 |
| Interest Paid | -874 | -515 | -458 | -455 | -449 | -540 | -201 | -203 |
| Dividends Paid | -23,323 | -18,900 | -18,931 | -19,951 | -26,883 | -27,929 | -35,035 | -38,038 |
| CF from Fin. Activity | -24,198 | -19,415 | -19,389 | -20,406 | -27,331 | -28,469 | -35,236 | -38,241 |
| Inc/(Dec) in Cash | 1,072 | 213 | -705 | 697 | 3,715 | -2,508 | 5,839 | -218 |
| Add: Beginning Balance | 407 | 1,479 | 1,692 | 987 | 1,684 | 5,399 | 2,891 | 8,730 |
| Closing Balance | 1,479 | 1,692 | 987 | 1,684 | 5,399 | 2,891 | 8,730 | 8,512 |

E: MOFSL Estimates

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|----------------------------------|--|
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| 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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