

Steady results; Xtreme 125 on brink of success

Auto & Auto Ancillaries ▶ Result Update ▶ May 8, 2024

TARGET PRICE (Rs): 6,000

HMCL's Q4 performance was largely in line with reported EBITDA margin of 14.3% (underlying ICE margins at 15.6%). Volumes/Revenue/EBITDA/PAT grew ~9%/15%/26%/18% YoY. Management highlighted return of first-time buyers in rural markets and strong response to its recently launched Xtreme 125cc motorcycle. HMCL will continue with its efforts around product actions, upgrading/expanding distribution network, and scaling up the premium/EV portfolio. We raise FY25E/FY26E EPS by 3.5%/4.2% on continued healthy growth and margin outlook. HMCL is our top pick in Autos ([refer to our recent upgrade report](#)). We retain our BUY rating, hiking up our TP to Rs6,000/share (23x FY26E Core PER vs 27x for BJAUT) from Rs5,100 earlier; we believe the stock could re-rate with new launch success similar to that of 2W peers.

Hero MotoCorp: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY26E
Revenue	338,057	377,831	434,850	472,869	4,67,719
EBITDA	39,862	55,831	63,388	69,811	67,748
Adj. PAT	29,106	44,553	49,074	53,897	51,752
Adj. EPS (Rs)	145.7	223.0	245.6	269.8	259.0
EBITDA margin (%)	11.8	14.8	14.6	14.8	14.5
EBITDA growth (%)	18.3	40.1	13.5	10.1	9.8
Adj. EPS growth (%)	17.7	47.6	14.3	9.8	9.1
RoE (%)	17.9	25.7	26.1	26.3	26.7
RoIC (%)	49.2	79.2	99.7	102.0	78.8
P/E (x)	31.7	20.7	18.8	17.1	17.4
EV/EBITDA (x)	20.9	16.5	14.5	13.2	12.1
P/B (x)	5.5	5.1	4.7	4.3	4.5
FCFF yield (%)	2.4	5.1	5.3	5.4	5.6

Source: Company, Emkay Research

Largely in-line performance

Revenue/EBITDA grew ~15%/26% YoY to Rs95.2bn/Rs13.6bn (largely in-line). Volume increased 9.4% YoY to 1.4mn units. EBITDA margin expanded by 27bps QoQ to 14.3% (in-line), led by gross margin expansion of ~90bps QoQ. As per Management, margin improvement on YoY basis (by 124bps) was mainly driven by product mix, lower commodity costs, higher savings, and judicious price increases. Accordingly, Adjusted PAT grew 18% to Rs10.2bn (vs Emkay / Consensus estimate of Rs10.4bn / Rs10.5bn). Final Dividend of Rs40/share has been declared in the board meeting. For FY24, total dividend stands at Rs140/share, including interim and special dividend.

Earnings call KTAs

1) Management is confident of *double-digit revenue growth in the 2W industry* and highlighted a *comeback of first-time buyers* in rural areas aided by improving market sentiments (despite relatively fewer marriage dates in May-June) and retail finance. 2) HMCL is witnessing major traction in its newly-launched *Xtreme 125cc* motorcycle, and will ramp up production to 1K units/day by June (~22K units/month) on the back of extremely good reception and demand running ahead of production. 3) Upcoming launches in the premium segment in H1FY25 (*Xoom125* and *Xoom 160* in scooters) are expected to drive growth in FY25. 4) HMCL has ~1,000 stores overall (off which 400 have been upgraded to Hero 2.0 stores) and targets establishing ~150 Premia stores in FY25. 5) Market-share gains expected in the premium segment are propped by increase in total monthly production capacity of *Karizma* and the 440cc platform (*HD* and *Mavrick*) to 10k units in coming few months. 6) Upcoming *EV launches* in H1FY25 will be *PLI compliant* (*Vida* not eligible currently), and a steep growth is anticipated on the back of further expansion of the product portfolio, wider reach, reduction in production costs, and improvement in profitability. 7) The Spares / accessories / merchandise business has grown more than 4x in the last two years (14.5% of revenue vs 10-11% earlier), with further headroom for growth. 8) Estimated Capex for FY25 stands at ~Rs10-15bn.

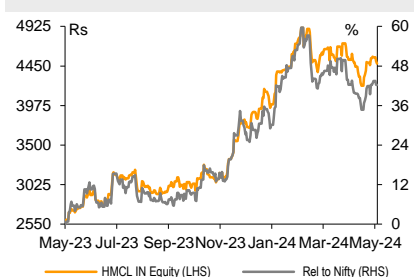
Target Price – 12M	Mar-25
Change in TP (%)	17.6
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	30.0
CMP (08-May-24) (Rs)	4,613.9

Stock Data	Ticker
52-week High (Rs)	4,953
52-week Low (Rs)	2,551
Shares outstanding (mn)	199.9
Market-cap (Rs bn)	922
Market-cap (USD mn)	11,045
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	3,340.2
ADTV-3M (USD mn)	40.0
Free float (%)	65.2
Nifty-50	22,303
INR/USD	83.5
Shareholding, Mar-24	
Promoters (%)	34.8
FPIs/MFs (%)	28.9/27.8

Price Performance

(%)	1M	3M	12M
Absolute	0.4	(3.5)	80.1
Rel. to Nifty	2.0	(6.0)	47.5

1-Year share price trend (Rs)



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Exhibit 1: Volume analysis – Volume increased ~9.5% YoY, with realizations changing marginally QoQ

Year to March	4QFY24	4QFY23	(%/bps) change	3QFY24	(%/bps) change
Domestic motorcycles (no. of units)	1,231,906	1,158,112	6.4	1,286,452	(4.2)
Market share	42.3%	50.6%	(8)	41.6%	0.7
Domestic scooters (no. of units)	91,003	76,372	19.2	127,442	(28.6)
Market share	6.2%	6.3%	(0)	8.5%	(2.3)
Domestic volumes (no. of units)	1,322,909	1,234,484	7.2	1,413,894	(6.4)
Market share	29.4%	0.0%	29	29.9%	(0.5)
Total volumes (no. of units)	1,389,875	1,270,492	9.4	1,459,927	(4.8)
Realization (INR)	69,630	65,382	6.5	68,544	1.6

Source: Company, Emkay Research

Exhibit 2: Actual vs. Estimates (Q4FY24)

(Rs mn)	Actual	Emkay Est	Var %	Consensus	Var %
Net sales	95,193	96,954	(1.8)	94,013	1.3
EBITDA	13,592	13,959	(2.6)	13,229	2.7
EBITDA Margin (%)	14.3	14.4	(12) bps	14.1	21 bps
Adj net income	10,161	10,362	(1.9)	10,477	(3.0)
FDEPS (Rs)	50.8	51.8	(1.9)	51.4	(1.1)

Source: Emkay Research

Exhibit 3: Q4FY24 Result Snapshot – Revenue/EBITDA grew ~15%/~26% YoY; margins were stable QoQ

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	83,068	87,673	94,454	97,237	95,193	14.6	(2.1)
Expenditure	72,238	75,610	81,171	83,617	81,602	13.0	(2.4)
as % of sales	87.0	86.2	85.9	86.0	85.7		
Consumption of RM	56,463	60,809	64,780	65,470	63,249	12.0	(3.4)
as % of sales	68.0	69.4	68.6	67.3	66.4		
Employee Cost	5,571	5,802	5,768	6,017	6,437	15.6	7.0
as % of sales	6.7	6.6	6.1	6.2	6.8		
Other expenditure	10,204	9,000	10,624	12,130	11,916	16.8	(1.8)
as % of sales	12.3	10.3	11.2	12.5	12.5		
EBITDA	10,830	12,063	13,283	13,620	13,592	25.5	(0.2)
EBITDA margin (%)	13.0	13.8	14.1	14.0	14.3		
Depreciation	1,686	1,690	1,749	1,825	1,851	9.8	1.4
EBIT	9,144	10,373	11,534	11,795	11,741	28.4	(0.5)
Other Income	2,369	2,222	2,483	2,420	1,800	(24.0)	(25.6)
Interest	47	47	48	45	46	(2.6)	0.9
PBT	11,467	12,548	13,970	14,170	13,496	17.7	(4.8)
Total Tax	2,877	2,701	3,431	3,437	3,335	15.9	(2.9)
Adjusted PAT	8,589	9,847	10,538	10,734	10,161	18.3	(5.3)
Extra ordinary items Loss/(Gain)	0	1,600	0	0	0		
Reported PAT	8,589	8,247	10,538	10,734	10,161	18.3	(5.3)
Adjusted EPS (Rs)	43.0	41.3	52.7	53.7	50.8	18.3	(5.3)
Margins (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (bps)	QoQ (bps)
EBIDTA	13.0	13.8	14.1	14.0	14.3	124	27
EBIT	11.0	11.8	12.2	12.1	12.3	133	20
EBT	13.8	14.3	14.8	14.6	14.2	37	(40)
PAT	10.3	11.2	11.2	11.0	10.7	33	(37)
Effective Tax rate	25.1	21.5	24.6	24.3	24.7	(38)	46

Source: Emkay Research

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Exhibit 4: Gross margins higher by 153bps YoY (up 89bps QoQ) due to lower RM costs

Year to March	4QFY24	4QFY23	YoY (bps)	3QFY24	QoQ (bps)
Raw material costs	66.4	68.0	(153.0)	67.3	(89)
Staff costs	6.8	6.7	5.6	6.2	55
Other expenses	12.5	12.3	23.3	12.5	483
EBITDA	14.3	13.0	124.0	14.0	27
Adjusted net profit	10.7	10.3	33.3	11.0	(37)
Effective Tax rate	24.7	25.1	(37.9)	24.3	46

Source: Emkay Research

Exhibit 5: The 125cc category now forms 15% of overall 2Ws/27% of domestic motorcycles

Industry mix (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Dom. Motorcycles	62.1	58.2	56.5	55.7	54.8	55.6	53.6	54.5	50.2	52.4	54.4
Up to 110cc	40.2	38.0	35.2	32.5	32.4	34.5	30.4	29.3	27.7	26.8	26.4
110-125cc	11.7	8.8	9.5	9.5	9.5	7.9	11.3	13.2	12.3	13.8	14.9
125-150cc	6.7	6.7	4.9	6.4	4.8	5.2	4.4	2.9	2.1	2.1	2.5
Over 150cc	3.5	4.7	7.0	7.2	8.1	8.0	7.4	9.1	8.0	9.8	10.6
Dom. Scooters	21.3	24.4	26.6	28.1	29.2	27.4	26.6	24.4	22.4	26.6	27.2
Dom. Mopeds	4.3	4.1	3.8	4.5	3.7	3.6	3.0	3.4	2.6	2.3	2.2
Dom. 2Ws	87.7	86.7	86.9	88.3	87.8	86.6	83.2	82.2	75.2	81.3	83.9
Export 2Ws	12.3	13.3	13.1	11.7	12.2	13.4	16.8	17.8	24.8	18.7	16.1
Total 2Ws	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Emkay Research

Exhibit 6: For HMCL, the 125cc category forms ~10% of volumes

HMCL mix (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Dom. Motorcycles	86.9	85.6	84.5	85.4	85.7	88.1	90.9	89.0	87.7	90.0	89.3
Up to 110cc	71.8	74.9	72.3	72.6	73.1	77.9	72.0	71.0	74.9	78.2	78.1
110-125cc	12.7	8.8	10.6	11.3	11.6	9.7	18.3	16.6	11.4	10.5	9.7
125-150cc	1.8	1.5	1.5	1.5	0.9	0.3	0.2	0.3	-	-	-
Over 150cc	0.6	0.4	0.1	0.0	0.0	0.3	0.5	1.1	1.4	1.3	1.5
Dom. Scooters	11.0	11.3	12.3	11.9	11.6	9.2	6.3	7.7	6.2	6.7	7.1
Dom. Mopeds	-	-	-	-	-	-	-	-	-	-	-
Dom. 2Ws	97.9	97.0	96.8	97.3	97.3	97.3	97.2	96.7	93.9	96.8	96.4
Export 2Ws	2.1	3.0	3.2	2.7	2.7	2.7	2.8	3.3	6.1	3.2	3.6
Total 2Ws	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Emkay Research

Exhibit 7: HMCL has suffered a huge drop in 125cc motorcycles over the past 3 years, amid increased competition

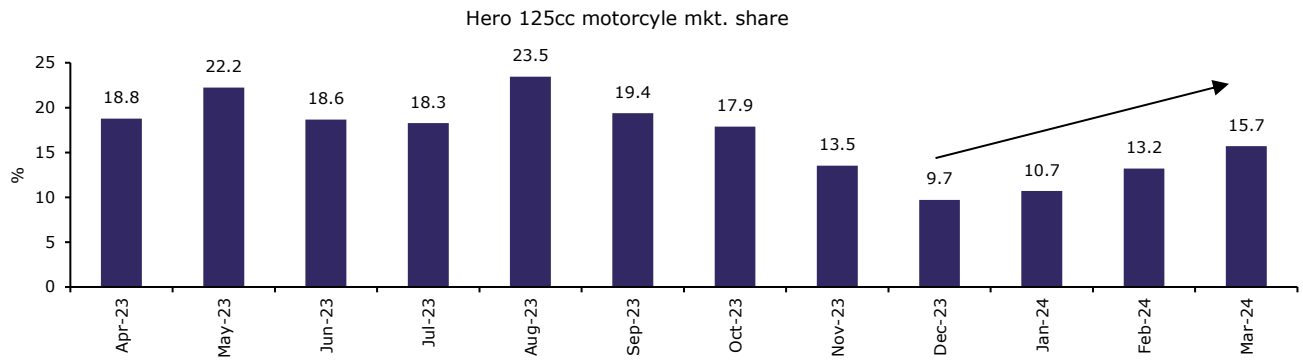
HMCL market share (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Dom. Motorcycles	51.8	53.0	52.4	51.3	51.5	50.7	52.0	51.5	48.3	46.9	43.1
Up to 110cc	66.1	70.9	72.0	74.6	74.5	72.3	72.4	76.3	74.6	79.6	77.7
110-125cc	40.2	36.1	39.3	39.9	40.0	39.0	49.5	39.8	25.7	20.9	17.0
125-150cc	9.7	8.2	10.9	7.7	6.4	1.7	1.1	3.6	-	-	-
Over 150cc	6.2	3.0	0.3	0.0	-	1.2	1.9	3.9	4.7	3.7	3.8
Dom. Scooters	19.2	16.7	16.3	14.1	13.1	10.7	7.2	9.9	7.6	6.9	6.9
Dom. Mopeds	-	-	-	-	-	-	-	-	-	-	-
Dom. 2Ws	41.3	40.3	39.0	36.9	36.6	35.9	35.8	37.0	34.5	32.5	30.2
Export 2Ws	6.3	8.1	8.5	7.7	7.3	6.3	5.1	5.8	6.8	4.7	5.8
Total 2Ws	37.0	36.0	35.0	33.4	33.0	32.0	30.6	31.5	27.6	27.3	26.2

Source: SIAM, Emkay Research

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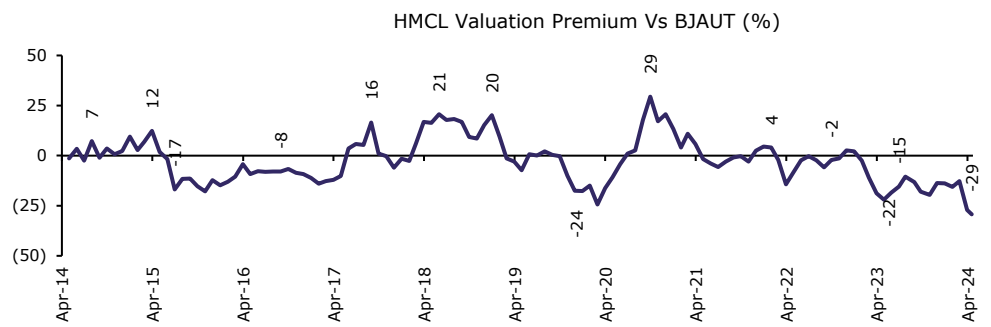
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Exhibit 8: Market share of HMCL in fast-growing domestic 125cc motorcycles has increased following the launch of Xtreme 125cc motorcycle



Source: SIAM, Emkay Research

Exhibit 9: HMCL's valuation discount vs. BJAUT now at a multi-year high

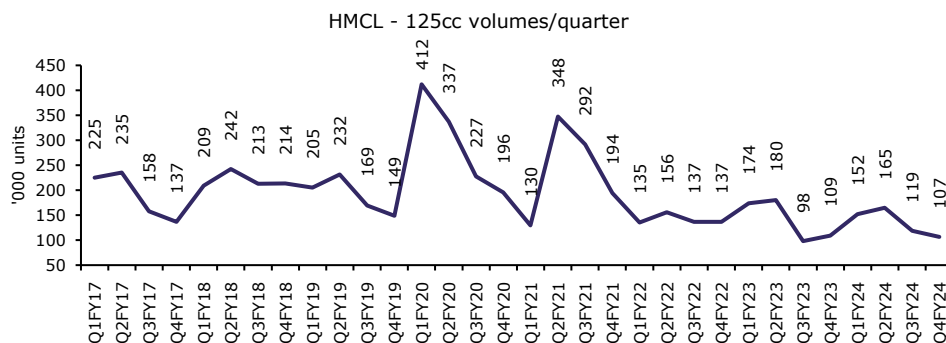


Source: Company, Emkay Research

Exhibit 10: HMCL's recently launched Xtreme 125R



Source: Company

Exhibit 11: Growth in HMCL's absolute volumes in the 125cc category toward even 50% of the previous peak would translate into strong market-share gains (now at 25% of the previous peak)

Source: SIAM, Emkay Research

Exhibit 12: Revenue model – WE expects 14% EPS CAGR over FY25E-26E

Revenue Model	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Avg. monthly volumes (no. of units)	651,729	534,143	482,198	412,012	444,046	466,930	516,376	554,080
Volumes (no. of units)	7,820,745	6,409,719	5,786,374	4,944,148	5,328,548	5,603,164	6,196,513	6,648,965
Growth (%)	3.1	(18.0)	(9.7)	(14.6)	7.8	5.2	10.6	7.3
ASP (Rs/unit)	43,027	44,988	53,230	59,152	63,443	66,847	70,177	71,119
Growth (%)	1.3	4.6	18.3	11.1	7.3	5.4	5.0	1.3
Revenues	336,505	288,361	308,006	292,455	338,057	374,557	434,850	472,869
Growth (%)	4.4	(14.3)	6.8	(5.0)	15.6	10.8	16.1	8.7
EBITDA	49,301	39,580	40,192	33,688	39,862	52,557	63,388	69,811
EBITDA margin (%)	14.7	13.7	13.0	11.5	11.8	14.0	14.6	14.8
EBITDA growth (%)	(6.6)	(19.7)	1.5	(16.2)	18.3	31.8	20.6	10.1
EBITDA/unit (Rs)	6,304	6,175	6,946	6,814	7,481	9,380	10,230	10,500
EBIT	50,193	39,183	39,222	32,759	38,944	54,369	65,233	71,641
EBIT margin (%)	14.9	13.6	12.7	11.2	11.5	14.5	15.0	15.2
PAT	33,849	31,841	29,642	24,730	29,106	41,280	49,074	53,897
EPS (Rs)	169	159	148	124	146	207	246	270
Growth (%)	(8.5)	(5.9)	(6.9)	(16.6)	17.7	41.8	18.9	9.8

Source: Company, Emkay Research

Exhibit 13: Change in estimates – We raise FY25E/FY26E EPS by 3.5%/4.2% on continued healthy growth and margin outlook

(Rs mn)	FY24		FY25E				FY26E			
	Actual	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes	5,603,164	5.2	6,098,554	6,196,513	1.6	10.6	6,582,532	6,648,965	1.0	7.3
Net Sales	374,557	10.8	429,028	434,850	1.4	16.1	467,719	472,869	1.1	8.7
EBITDA	52,557	31.8	61,701	63,388	2.7	20.6	67,748	69,811	3.0	10.1
- Margin (%)	14.0	224 bps	14.4	14.6	18 bps	55 bps	14.5	14.8	26 bps	19 bps
APAT	41,280	41.8	47,441	49,074	3.4	18.9	51,752	53,897	4.1	9.8
EPS (Rs)	206.6	41.8	237.4	245.6	3.5	18.9	259.0	269.8	4.2	9.8

Source: Emkay Research

Exhibit 14: Emkay vs Consensus estimates

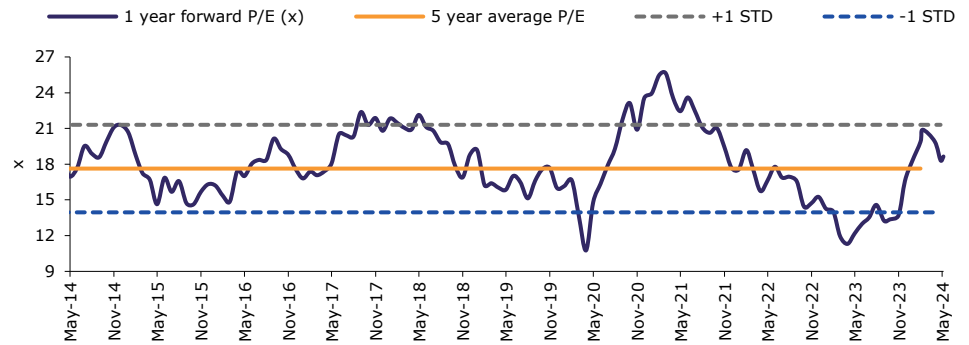
Hero MotoCorp (Rs mn)	Emkay Estimates			Bloomberg estimates			Difference (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net revenue	374,557	434,850	472,869	375,490	426,673	471,558	-0.2%	1.9%	0.3%
EBITDA	52,557	63,388	69,811	52,506	61,476	69,088	0.1%	3.1%	1.0%
EBITDA margin (%)	14.0	14.6	14.8	14.0	14.4	14.7			
EPS (Rs)	206.6	245.6	269.8	204.7	238.5	268.4	0.9%	3.0%	0.5%

Source: Bloomberg, Emkay Research

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Exhibit 15: At current valuations, HMCL is trading below its LT one-year forward P/E



Source: Bloomberg, Emkay Research

Exhibit 16: SOTP valuation – We assign TP of Rs6,000/share to HMCL

HMCL - SOTP Valuation	Basis of Valuation	Equity value (Rs mn)	Equity value/share (Rs)
Core business	23x Mar26E core EPS	1,047,170	5,241
Hero FinCorp	1.5x FY24 P/B (Holdco discount of 20%)	17,278	156
Ather Energy	Investment value (Holdco discount of 20%)	11,737	59
Cash per share (Rs)	As of Mar-26E		568
Total			6,024
Total (Rounded off)			6,000

Source: Emkay Research

Hero MotoCorp: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY26E
Revenue	338,057	377,831	434,850	472,869	4,67,719
Revenue growth (%)	15.6	11.8	15.1	8.7	9.0
EBITDA	39,862	55,831	63,388	69,811	67,748
EBITDA growth (%)	18.3	40.1	13.5	10.1	9.8
Depreciation & Amortization	6,570	7,114	7,848	8,412	8,524
EBIT	33,293	48,717	55,540	61,399	59,223
EBIT growth (%)	22.4	46.3	14.0	10.5	10.2
Other operating income	0	0	0	0	0
Other income	5,652	8,926	9,694	10,242	10,242
Financial expense	199	185	200	216	278
PBT	38,746	57,457	65,033	71,425	69,188
Extraordinary items	0	(1,600)	0	0	0
Taxes	9,640	12,904	15,959	17,528	17,435
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	29,106	42,953	49,074	53,897	51,752
PAT growth (%)	17.7	47.6	14.3	9.8	9.1
Adjusted PAT	29,106	44,553	49,074	53,897	51,752
Diluted EPS (Rs)	145.7	223.0	245.6	269.8	259.0
Diluted EPS growth (%)	17.7	47.6	14.3	9.8	9.1
DPS (Rs)	100.0	138.4	164.6	180.7	194.3
Dividend payout (%)	68.6	64.4	67.0	67.0	75.0
EBITDA margin (%)	11.8	14.8	14.6	14.8	14.5
EBIT margin (%)	9.8	12.9	12.8	13.0	12.7
Effective tax rate (%)	24.9	22.5	24.5	24.5	25.2
NOPLAT (pre-IndAS)	25,010	37,776	41,910	46,331	44,299
Shares outstanding (mn)	199.8	199.8	199.8	199.8	199.8

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY26E
PBT	38,746	57,457	65,033	71,425	69,188
Others (non-cash items)	1,372	(5,754)	3,271	5,579	5,603
Taxes paid	(8,496)	(13,142)	(15,694)	(17,237)	(17,041)
Change in NWC	(5,832)	10,504	2,177	(4,227)	(702)
Operating cash flow	25,791	49,065	54,788	55,541	57,048
Capital expenditure	(5,675)	(8,007)	(12,000)	(12,000)	(12,000)
Acquisition of business	(1,577)	(14,473)	(9,000)	(9,000)	(9,000)
Interest & dividend income	2,564	0	0	0	0
Investing cash flow	(4,688)	(22,480)	(21,000)	(21,000)	(21,000)
Equity raised/(repaid)	32	104	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	256	0	0	0	0
Interest paid	(199)	(185)	(200)	(216)	(278)
Dividend paid (incl tax)	(19,983)	(26,987)	(27,657)	(32,880)	(35,581)
Others	495	(1,345)	0	0	0
Financing cash flow	(19,399)	(28,412)	(27,857)	(33,096)	(35,859)
Net chg in Cash	1,704	(1,827)	5,931	1,445	189
OCF	25,791	49,065	54,788	55,541	57,048
Adj. OCF (w/o NWC chg.)	31,622	38,561	52,610	59,768	57,749
FCFF	20,115	41,058	42,788	43,541	45,048
FCFE	22,481	40,873	42,588	43,325	44,770
OCF/EBITDA (%)	64.7	87.9	86.4	79.6	84.2
FCFE/PAT (%)	77.2	95.2	86.8	80.4	86.5
FCFF/NOPLAT (%)	80.4	108.7	102.1	94.0	101.7

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY26E
Share capital	400	400	400	400	400
Reserves & Surplus	166,651	179,462	195,657	213,443	2,00,220
Net worth	167,051	179,862	196,056	213,842	2,00,620
Minority interests	0	0	0	0	0
Deferred tax liability (net)	4,054	4,348	4,613	4,904	5,125
Total debt	0	0	0	0	0
Total liabilities & equity	171,105	184,210	200,670	218,747	2,05,745
Net tangible fixed assets	50,493	51,219	52,975	56,563	57,276
Net intangible assets	2,985	2,985	2,985	2,985	2,985
Net ROU assets	4,136	4,136	4,136	4,136	4,136
Capital WIP	4,638	4,805	7,201	7,201	10,421
Goodwill	0	0	0	0	0
Investments [JV/Associates]	23,795	23,795	38,795	48,795	58,795
Cash & equivalents	89,764	113,156	113,086	113,532	78,266
Current assets (ex-cash)	56,821	55,620	64,431	70,064	77,333
Current Liab. & Prov.	61,527	71,506	82,939	84,528	83,467
NWC (ex-cash)	(4,706)	(15,886)	(18,509)	(14,464)	(6,134)
Total assets	171,105	184,210	200,670	218,747	2,05,745
Net debt	(89,764)	0	0	0	(78,266)
Capital employed	171,105	184,210	200,670	218,747	2,05,745
Invested capital	52,908	42,455	41,587	49,219	58,263
BVPS (Rs)	836.1	900.2	981.3	1,070.3	1,004.1
Net Debt/Equity (x)	(0.5)	(0.6)	(0.6)	(0.5)	(0.4)
Net Debt/EBITDA (x)	(2.3)	(2.0)	(1.8)	(1.6)	(1.2)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	15.0	19.2	21.7	22.0	22.3

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY26E
P/E (x)	31.7	20.7	18.8	17.1	17.4
P/CE(x)	25.8	17.8	16.2	14.8	14.6
P/B (x)	5.5	5.1	4.7	4.3	4.5
EV/Sales (x)	2.5	2.5	2.2	2.0	1.8
EV/EBITDA (x)	20.9	16.5	14.5	13.2	12.1
EV/EBIT(x)	25.0	16.6	14.6	13.2	13.5
EV/IC (x)	15.7	19.0	19.4	16.4	13.7
FCFF yield (%)	2.4	5.1	5.3	5.4	5.6
FCFE yield (%)	2.4	4.4	4.6	4.7	5.1
Dividend yield (%)	2.2	3.0	3.6	3.9	4.3
DuPont-RoE split					
Net profit margin (%)	8.6	11.8	11.3	11.4	11.1
Total asset turnover (x)	2.0	2.1	2.3	2.3	2.3
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	17.9	25.7	26.1	26.3	26.7
DuPont-RoIC					
NOPLAT margin (%)	7.4	10.0	9.6	9.8	9.5
IC turnover (x)	6.2	8.7	10.2	9.4	7.8
RoIC (%)	49.2	79.2	99.7	102.0	78.8
Operating metrics					
Core NWC days	(5.1)	(15.3)	(15.5)	(11.2)	(4.8)
Total NWC days	(5.1)	(15.3)	(15.5)	(11.2)	(4.8)
Fixed asset turnover	2.3	2.4	2.6	2.7	2.7
Opex-to-revenue (%)	17.6	17.9	16.7	16.7	16.8

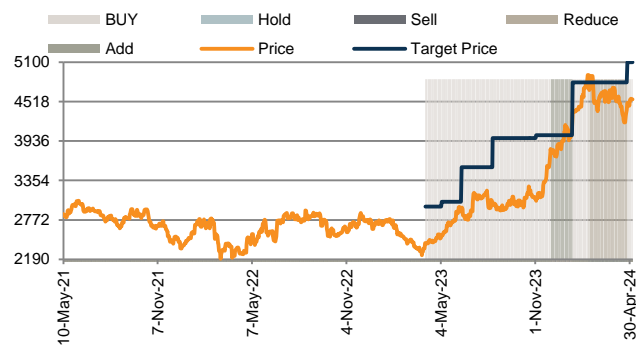
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
25-Apr-24	4,498	5,100	Buy	Chirag Jain
11-Feb-24	4,909	4,800	Reduce	Chirag Jain
24-Jan-24	4,434	4,800	Buy	Chirag Jain
11-Jan-24	4,342	4,800	Buy	Chirag Jain
30-Nov-23	3,819	4,020	Add	Chirag Jain
02-Nov-23	3,052	4,020	Buy	Chirag Jain
11-Aug-23	2,998	3,980	Buy	Chirag Jain
04-Jul-23	3,030	3,550	Buy	Chirag Jain
12-Jun-23	2,930	3,550	Buy	Chirag Jain
05-May-23	2,547	3,040	Buy	Chirag Jain
04-Apr-23	2,431	2,970	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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