# Happy Forgings

| Estimate changes | ↑ |
|---|---|
| TP change | ↑ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | HAPPYFOR IN |
| Equity Shares (m) | 94 |
| M.Cap.(INRb)/(USDb) | 171.5 / 1.8 |
| 52-Week Range (INR) | 1829 / 862 |
| 1, 6, 12 Rel. Per (%) | 20/66/87 |
| 12M Avg Val (INR M) | 101 |

**Consol. Financials & Valuations (INR b)**

| Y/E March | FY26 | FY27E | FY28E |
|---|---|---|---|
| Sales | 15.5 | 20.3 | 26.0 |
| EBITDA | 4.7 | 6.4 | 8.6 |
| Adj. PAT | 3.0 | 4.2 | 6.0 |
| EPS (INR) | 32.0 | 44.7 | 63.5 |
| EPS growth % | 12.6 | 39.9 | 42.0 |
| BV/Sh. (INR) | 226 | 265 | 320 |
| **Ratios** | | | |
| RoE (%) | 15.2 | 18.2 | 21.7 |
| RoCE (%) | 13.6 | 16.0 | 19.0 |
| Payout (%) | 12.5 | 12.3 | 12.6 |
| **Valuations** | | | |
| P/E (x) | 57.0 | 40.7 | 28.7 |
| P/BV (x) | 8.1 | 6.9 | 5.7 |
| EV/EBITDA (x) | 36.2 | 26.9 | 20.1 |
| Div. Yield (%) | 0.2 | 0.3 | 0.4 |

**Shareholding Pattern (%)**

| As On | Jun-26 | Mar-26 | Jun-25 |
|---|---|---|---|
| Promoter | 78.5 | 78.5 | 78.5 |
| DII | 15.5 | 16.5 | 17.0 |
| FII | 1.9 | 1.7 | 2.2 |
| Others | 4.1 | 3.3 | 2.3 |

**CMP: INR1,817 TP: INR2,095 (+15%) Buy**

## Strong performance amid a challenging quarter

### Multiple margin levers ahead

- Happy Forgings (HFL)'s 1QFY27 earnings at INR915m came in line with our estimates. While margins remained resilient in a tough quarter and were ahead of our estimates, lower-than-expected other income limited PAT growth. EBITDA margin expanded 280bp YoY to 31.3% (vs. our estimate of 30.3%), marking the fourth consecutive quarter of >30% EBITDA margin.
- Led by a better-than-expected margin performance in 1Q and a strong outlook, we have raised our FY27/FY28E EPS by 3%/9%. Given its healthy new order wins, we expect HFL to post a 30% standalone revenue CAGR over FY26-28. Further, while there could be some margin pressure due to rising input costs in the near term, we expect HFL to post a margin expansion to 33% over FY26-28, led by an improved mix, operating leverage benefits, and the benefit from solar power generation in the coming years. We, thus, expect HFL to post a 41% earnings CAGR over FY26-28. **We reiterate our BUY rating on the stock with a TP of INR2,095 (based on 33x FY28E EPS).**

### Strong margin performance

- Standalone revenue grew 27% YoY in 1Q to INR4.5b (in line), driven entirely by volume growth, which stood at 17,793 MT. Realization/kg improved sequentially to INR253.
- Revenue mix in 1QFY27 (vs. 1QFY26):
  - CV – 33% (39%), Farm Equipment – 32% (32%), Off-highway – 11% (10%), Industrials – 16% (13%), and PV – 8% (6%).
  - Domestic – 72% (73%), Deemed exports – 12% (12%), and direct exports – 16% (16%).
- EBITDA margins expanded 280bp YoY to 31.3% (100bp above est.) on the back of an improving product mix and operating leverage. EBITDA also grew 39.3% YoY to INR1.4b (slightly above estimated INR1.3b).
- PAT grew 39.2% YoY to INR915m (in line with est. of INR897m), due to strong margin performance.

### Key highlights from the management commentary

- The total order book stands at ~INR9.5b of peak incremental annual revenue potential over the next 2-3 years. Orders are well diversified across segments, as CVs contribute to 25-30%, the Industrial segment accounts for 35-40%, PVs contribute 25-30%, and the balance contribution is spread between farm and OHV. Exports contribute to 60% of the total order book.
- Management reiterated its confidence in delivering high-teen volume growth in FY27.

**Research analyst - Aniket Mhatre** (Aniket.Mhatre@MotilalOswal.com) | **Radha Agarwalla** (Radha.Agarwalla@MotilalOswal.com)
**Research analyst - Jeemit Shah** (Jeemit.Shah@MotilalOswal.com) | **Uday Nair** (Uday.Nair@MotilalOswal.com)

- Management expects the Industrial business to double over the next 3-4 years.
- New industrial programs are likely to generate superior economics, with gross margins of 80-85% for machined crankshafts and 60-65% for forged crankshafts. 50% of the gross profits can potentially translate into EBITDA.
- Passenger vehicles are expected to contribute 12-15% of revenue over the next 3-4 years.
- The SOP for the captive solar power project is Jan’27, and it is expected to deliver a 1.0-1.5% EBITDA margin improvement once fully operational.

## Valuation and view

HFL’s cost-competitive advantage is expected to help the company drive sustainable outperformance to the core. Supported by a better-than-expected margin performance in 1Q and a strong outlook, we have raised our FY27/FY28E EPS by 3%/9%. Given its healthy new order wins, we expect HFL to post a 30% standalone revenue CAGR over FY26-28. Further, while there could be some margin pressure due to rising input costs in the near term, we expect HFL to post a margin expansion to 33% over FY26-28, led by an improved mix, operating leverage benefits, and the benefit from solar power generation in the coming years. We, thus, expect HFL to post a 41% earnings CAGR over FY26-28. **We reiterate our BUY rating on the stock with a TP of INR2,095 (based on 33x FY28E EPS)**.

**Quarterly (Standalone)** **(INR M)**

| | FY26 | | | | FY27E | | | | FY26 | FY27E | 1QE | Var |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | (%) |
| **Net operating income** | **3,538** | **3,774** | **3,913** | **4,238** | **4,494** | **4,906** | **5,244** | **5,609** | **15,463** | **20,253** | **4,458** | **0.8** |
| Change (%) | 3.6 | 4.5 | 10.4 | 20.4 | 27.0 | 30.0 | 34.0 | 32.3 | 9.8 | 31.0 | 26.0 | |
| RM/Sales (%) | 42.1 | 39.7 | 41.1 | 40.6 | 39.3 | 41.0 | 41.0 | 40.9 | 40.9 | 40.6 | 42.0 | |
| Staff Cost (%) | 9.1 | 8.9 | 8.8 | 8.6 | 8.6 | 8.1 | 7.8 | 8.4 | 8.8 | 8.2 | 8.2 | |
| Other Exp. (%) | 20.3 | 20.7 | 19.3 | 19.3 | 20.7 | 19.5 | 19.4 | 18.6 | 19.9 | 19.5 | 19.5 | |
| **EBITDA** | **1,012** | **1,158** | **1,204** | **1,333** | **1,409** | **1,540** | **1,667** | **1,798** | **4,707** | **6,415** | **1,351** | **4.3** |
| EBITDA Margins (%) | 28.6 | 30.7 | 30.8 | 31.5 | 31.3 | 31.4 | 31.8 | 32.1 | 30.4 | 31.7 | 30.3 | 100bp |
| Change (%) | 3.6 | 9.9 | 18.7 | 30.4 | 39.3 | 33.0 | 38.5 | 34.8 | 15.7 | 36.3 | 33.5 | |
| Non-Operating Income | 104 | 63 | 82 | 60 | 111 | 110 | 90 | 109 | 308 | 420 | 120 | |
| Interest | 23 | 19 | 25 | 38 | 31 | 28 | 30 | 25 | 105 | 114 | 25 | |
| Depreciation | 206 | 216 | 224 | 245 | 262 | 270 | 280 | 283 | 890 | 1096 | 250 | |
| **PBT after EO items** | **886** | **986** | **1,037** | **1,111** | **1,226** | **1,352** | **1,447** | **1,599** | **4,020** | **5,625** | **1,196** | |
| Tax | 230 | 252 | 247 | 275 | 312 | 338 | 362 | 394 | 1004 | 1406 | 299 | |
| Eff. Tax Rate (%) | 25.9 | 25.5 | 23.9 | 24.8 | 25.4 | 25.0 | 25.0 | 24.7 | 25.0 | 25.0 | 25.0 | |
| **Rep. PAT** | **657** | **734** | **789** | **836** | **915** | **1,014** | **1,086** | **1,204** | **3,016** | **4,219** | **897** | |
| Change (%) | 2.9 | 2.8 | 22.4 | 23.3 | 39.2 | 38.1 | 37.5 | 44.1 | 12.7 | 39.9 | 36.5 | |
| **Adj. PAT** | **657** | **734** | **789** | **836** | **915** | **1,014** | **1,086** | **1,204** | **3,016** | **4,219** | **897** | **2.0** |
| Change (%) | 2.9 | 10.2 | 22.4 | 23.3 | 39.2 | 38.1 | 37.5 | 44.1 | 12.7 | 39.9 | 36.5 | |

E: MOFSL Estimates

CONFERENCE CALL

## Key highlights from the management commentary

**Overall Business Updates**

- HFL reported its highest-ever quarterly revenue and profitability, supported by healthy volume growth and an improved product mix.
- Finished goods volumes increased 23.1% YoY, while realizations improved 3.2% YoY to INR253/kg.
- The company concluded negotiations with domestic OEMs for price revisions to offset manufacturing cost inflation. Around 30% of the benefit was reflected in Q1, with the full benefit expected from Q2FY27 onwards. Exports benefited from a depreciating currency.
- Product mix continued to be enhanced, with the share of machined components increasing to 90% of revenue in 1QFY27 from 88% in 1QFY26, supporting better realizations and margins.
- Revenue diversification continued, with industrials and passenger vehicles increasing their contribution, reducing dependence on traditional CV and farm segments.
- The total order book stands at ~INR9.5b of peak incremental annual revenue potential over the next 2-3 years. Orders are well diversified across segments, as CVs contribute 25-30%, the Industrial segment accounts for 35-40%, PVs contribute 25-30%, and the balance is spread between farm and OHV. Exports contribute to 60% of the total order book.
- Export enquiry pipeline, particularly from Europe, remains robust as global OEMs increasingly evaluate India as an alternative sourcing base, although order conversion timelines remain long due to customer qualification processes.
- While export demand is witnessing a gradual recovery across key end-markets, Europe currently contributes ~60% of export revenues.
- Working capital remained well controlled, with inventory reducing to ~50 days, reflecting improved operating efficiency.

**Update on CV segment**

- Commercial vehicles remained the largest business segment, contributing 33% of Q1FY27 revenue.
- The segment delivered healthy single-digit growth, with the domestic business growing ~18%, outperforming industry production growth, supported by infrastructure activity, replacement demand, healthy freight movement and sustained transportation activity.
- Exports declined 12% YoY and were hit by geopolitical disruptions, which led to longer transit times, elevated inventory in transit and delayed revenue recognition.
- Freight costs increased sharply from ~USD2k to ~USD6k per container. However, 75-100% of the increase is contractually recoverable from customers, limiting the margin impact.
- Around 25-30% of the INR9.5b order book is attributable to commercial vehicle programs.

**Update on farm segment**

- Farm equipment accounted for 32% of revenue, making it the second-largest business segment.
- The segment delivered mid-20% growth, with the domestic business growing over 20% supported by healthy demand in the Indian farm equipment market.
- Export business continued to grow despite weak underlying demand in the US and Europe, where tractor demand remained subdued due to lower farm

incomes, elevated interest rates, weak commodity prices and softer farm spending.

**Update on industrials segment**

- Industrials contributed 16% of revenue and delivered ~50% YoY growth across both domestic and export markets.
- Demand remained robust across power generation, renewable energy (including wind), railways, oil & gas and digital infrastructure, supported by continued government and private sector investments.
- Management expects sustained investments in renewable energy, power transmission, grid infrastructure, railway modernisation and data centers to remain key long-term demand drivers.
- Around 35-40% of the current order book pertains to industrial applications, with exports accounting for a majority of these opportunities.
- The upcoming heavy forging facility is expected to significantly expand the company's addressable market by enabling production of components weighing up to 3 tons, compared with the current capability of ~200 kg.
- The new heavy forging line is expected to cater primarily to energy, data centers, mining, wind and earthmoving equipment, where global capacity remains constrained.
- Management expects the industrial business to approximately double over the next 3-4 years, driven by heavy forging capabilities and strong global demand.
- The 14,000-tonne press is currently operating at 65-70% utilization, largely servicing industrial applications, with further capacity expected to become available through production optimization.
- New industrial programs are expected to generate superior economics, with gross margins of 80-85% for machined crankshafts and 60-65% for forged crankshafts. 50% of the gross profits can potentially translate into EBITDA.

**Update on PV segment**

- Passenger vehicles contributed ~8% of revenue and recorded over 70% YoY growth.
- Domestic PV business grew more than 50%, driven by healthy industry demand, increased wallet share and strong performance across major OEM customers.
- Export PV revenue more than doubled, supported by execution of previously secured export orders.
- Management highlighted that current PV growth is concentrated across a limited customer base, leaving significant headroom for further customer additions and wallet share expansion.
- Passenger vehicles are expected to contribute 12-15% of revenue over the next 3-4 years, supported by strong order inflows and expanding export opportunities.

**Capex updates**

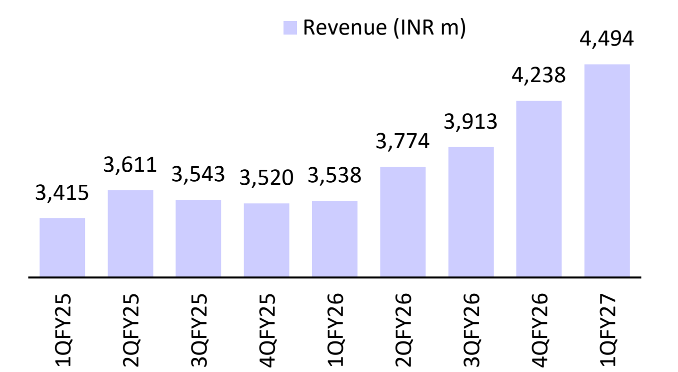
- The company commissioned an additional 4,000-tonne forging line, taking total installed forging capacity to 152k MT pa, and the machining capacity has been increased to 75,200 MTPA.
- Capacity utilization during the quarter stood at 59% for the forging line and at 78% for machining, leaving adequate headroom for future growth.
- The 18,000-tonne vertical press is under commissioning, with trial production expected in Q3FY27 and commercial contribution beginning from 4QFY27.

- The ongoing INR6.5b expansion program remains on schedule and is expected to begin contributing meaningfully from FY28, while larger revenue benefits are expected from FY29 onwards.
- The captive solar power project is progressing as planned, with commissioning targeted from January 2027. The solar power project is expected to deliver 1-1.5% EBITDA margin improvement once fully operational.
- Management expects the majority of future growth capex to be funded through internal accruals, with the requirement of only limited bridge financing, if at all.

**Outlook**

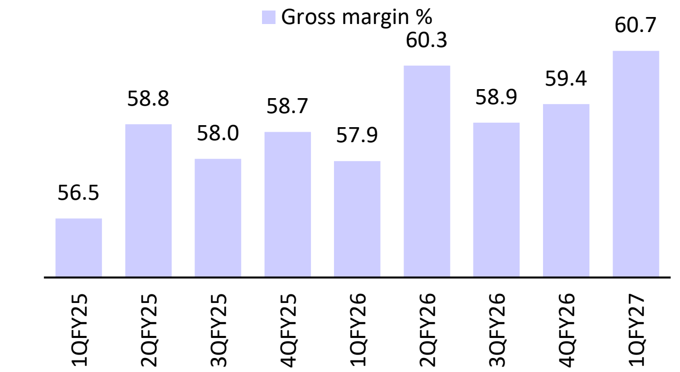
- Management reiterated confidence in delivering high-teen volume growth in FY27, supported by a strong order pipeline, improving export demand and continued diversification.
- EBITDA margins are expected to remain broadly in line with FY26 levels, with scope for further improvement through pricing actions, richer product mix and benefits from the solar power project.
- Full benefit of recently negotiated domestic price revisions will accrue from Q2FY27 onwards, providing additional margin support.
- New capacity additions are expected to drive the next phase of growth, with meaningful contribution beginning from FY28, while large industrial and heavy forging programs are expected to scale up from FY29 onwards.
- Over the medium term, industrials and passenger vehicles together are expected to contribute 45-50% of total revenues, resulting in a more diversified and resilient business mix.

**Exhibit 1: SA revenue trend**



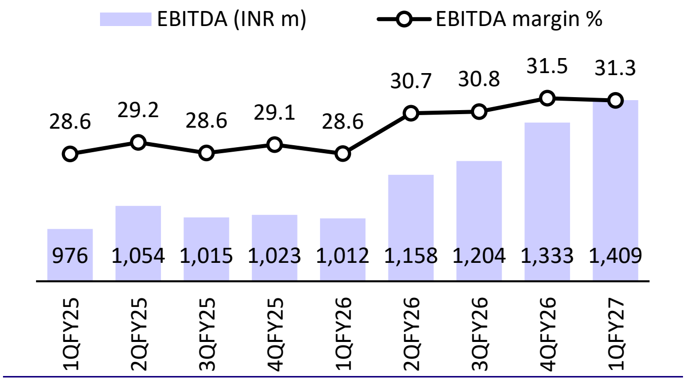

Source: Company, MOFSL

**Exhibit 2: SA gross margin trend**



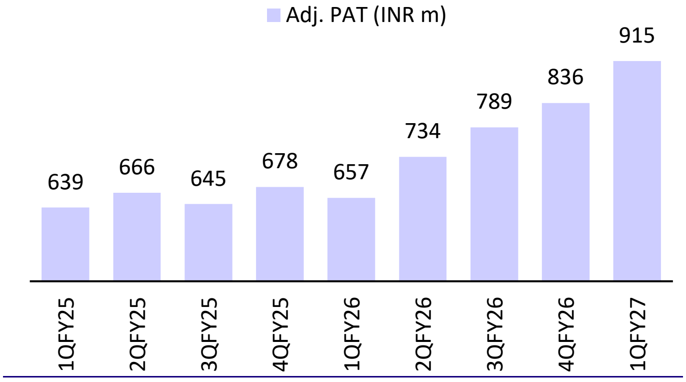

Source: Company, MOFSL

**Exhibit 3: EBITDA and margin trends**




Source: Company, MOFSL

**Exhibit 4: Adj. PAT trend over the quarters**




Source: Company, MOFSL

## Valuation and view

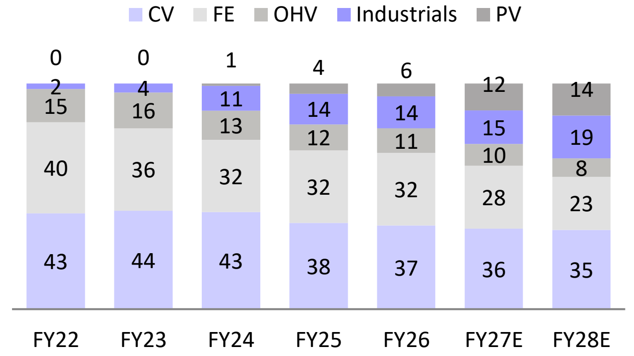
- **Industrial business to remain the long-term growth driver:** The Industrials segment remains a key growth driver for the company. HFL is now investing INR6.5b to set up a heavyweight precision components facility, which will be among the largest in Asia, capable of producing 250-3,000kg forged and fully-machined parts. The company has already secured orders worth INR3.5b from this new facility and expects a further boost once the new plant is on stream and customers gain confidence in its execution capabilities. Given the company's healthy new order wins, we expect the Industrials segment to post a robust 50% revenue CAGR over FY26-28.
- **PV mix on track to reach 10% of mix in a couple of years**: The PV segment, which is a focus area for the management, remains a major growth driver, contributing 6% of revenue in FY26, up from just 1% in FY24. Leveraging its competitive advantage, the company has won multiple orders over the last few years, both for domestic and export businesses. To execute these orders, HFL has invested INR800m in the PV business in FY26. The company has also set a target for PV contribution to rise to 8-10% of revenue over the next two years.
- **Outlook has improved in core segments:** The outlook for HFL's core segment, domestic tractors, has improved following the GST rate cuts announced in Sept and is expected to remain strong in the near term. Despite the slowdown in CV volumes due to the West Asia crisis, commencement of new orders for a domestic CV OEM is expected to drive growth for the segment over FY26-28E. Further, demand in key developed markets such as the US and Europe is now stabilizing at lower levels. The outlook for CV exports has improved for FY27E, as one of the company's key export clients anticipates a recovery. Tractor exports are also expected to drive a revenue pick-up for HFL in FY27, supported by new order wins. Overall, we expect the CV/tractor segments to deliver a 26%/11% revenue CAGR over FY26-28E, respectively.
- **Valuation and view:** HFL's cost-competitive advantage is expected to help the company drive sustainable outperformance to the core. Supported by a better-than-expected margin performance in 1Q and a strong outlook, we have raised our FY27/FY28E EPS by 3%/9%. Given its healthy new order wins, we expect HFL to post a 30% standalone revenue CAGR over FY26-28. Further, while there could be some margin pressure due to rising input costs in the near term, we expect HFL to post a margin expansion to 33% over FY26-28, led by an improved mix, operating leverage benefits, and the benefit from solar power generation in the coming years. We, thus, expect HFL to post a 41% earnings CAGR over FY26-28. **We reiterate our BUY rating on the stock with a TP of INR2,095 (based on 33x FY28E EPS)**.

**Exhibit 5: Our revised forecasts**

| (INR b) | FY26E | | | FY27E | | |
|---|---|---|---|---|---|---|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Net Sales | 20.3 | 20.0 | 1.3 | 26.0 | 25.2 | 3.6 |
| **EBITDA Margin (%)** | **31.7** | **30.9** | **70bp** | **33.0** | **31.5** | **150bp** |
| PAT | 4.2 | 4.1 | 2.9 | 6.0 | 5.5 | 9.3 |
| **EPS (INR)** | **44.7** | **43.4** | **2.9** | **63.5** | **58.1** | **9.3** |

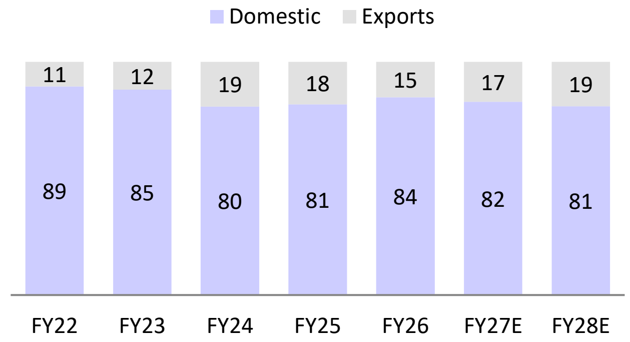
## Key operating indicators

**Exhibit 6: Revenue mix % – Share of industrials & PVs to rise**



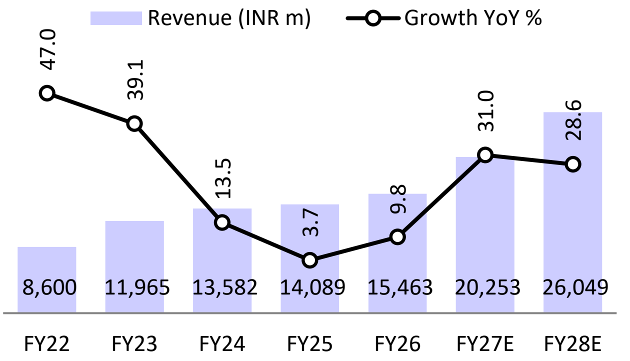

Source: Company, MOFSL

**Exhibit 7: Revenue share % of exports to continue improving**



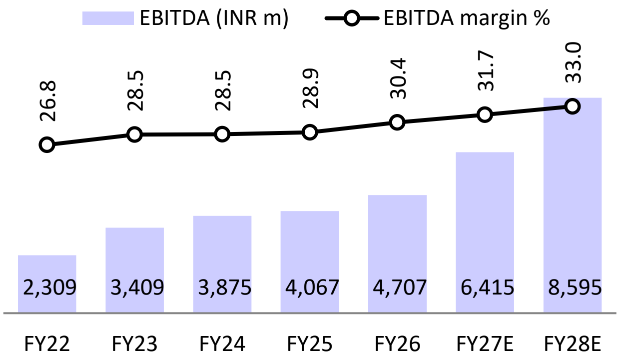

Source: Company, MOFSL

**Exhibit 8: Revenue to register ~30% CAGR over FY26-28**



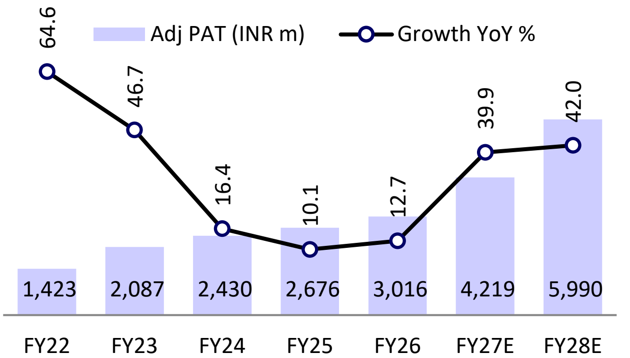

Source: Company, MOFSL

**Exhibit 9: EBITDA margin to expand over FY26-28**



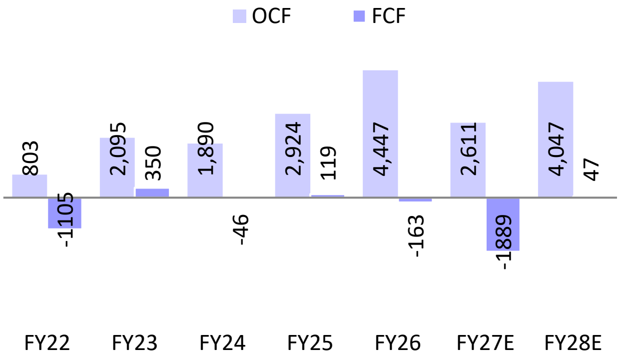

Source: Company, MOFSL

**Exhibit 10: PAT to register ~41% CAGR over FY26-28**



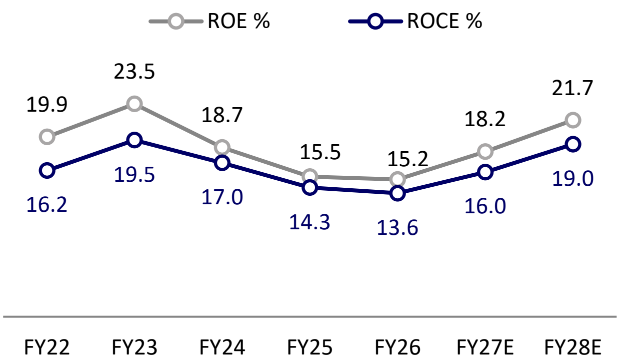

Source: Company, MOFSL

**Exhibit 11: Bulk of capex will be met from internal accruals**



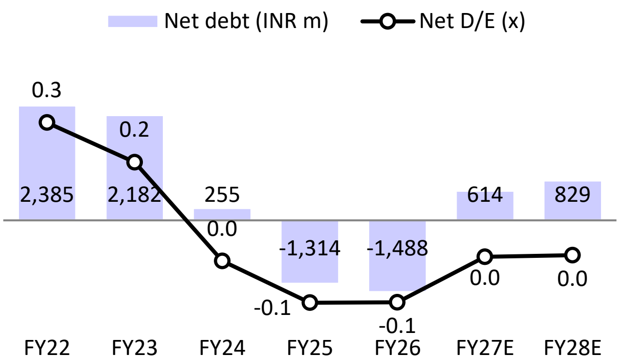

Source: Company, MOFSL

**Exhibit 12: Returns set to gradually improve in future**




Source: Company, MOFSL

**Exhibit 13: Overall debt continues to decline**




Source: Company, MOFSL

# Financials and valuations

**Income Statement** (INR m)

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|
| **Net Sales** | **8,600** | **11,965** | **13,582** | **14,089** | **15,463** | **20,253** | **26,049** |
| Change (%) | 47.0 | 39.1 | 13.5 | 3.7 | 9.8 | 31.0 | 28.6 |
| **EBITDA** | **2,309** | **3,409** | **3,875** | **4,067** | **4,707** | **6,415** | **8,595** |
| Margin (%) | 26.8 | 28.5 | 28.5 | 28.9 | 30.4 | 31.7 | 33.0 |
| Depreciation | 377 | 542 | 647 | 771 | 890 | 1,096 | 1,154 |
| **EBIT** | **1,931** | **2,868** | **3,228** | **3,296** | **3,817** | **5,319** | **7,441** |
| Int. and Finance Charges | 72 | 125 | 118 | 75 | 105 | 114 | 107 |
| Other Income | 61 | 58 | 134 | 376 | 308 | 420 | 600 |
| **PBT after EO Exp.** | **1,920** | **2,800** | **3,244** | **3,597** | **4,020** | **5,625** | **7,934** |
| Current Tax | 471 | 685 | 748 | 848 | 899 | 1,406 | 1,944 |
| Deferred Tax | 27 | 29 | 65.67 | 72.81 | 104.69 | - | - |
| Tax Rate (%) | 25.9 | 25.5 | 25.1 | 25.6 | 25.0 | 25.0 | 24.5 |
| **Reported PAT** | **1,423** | **2,087** | **2,430** | **2,676** | **3,016** | **4,219** | **5,990** |
| **Adj PAT** | **1,423** | **2,087** | **2,430** | **2,676** | **3,016** | **4,219** | **5,990** |
| Change (%) | 65 | 47 | 16 | 10 | 13 | 40 | 42 |

**Balance Sheet** (INR m)

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|
| Equity Share Capital | 179 | 179 | 188 | 188 | 189 | 189 | 189 |
| Total Reserves | 7,697 | 9,704 | 15,937 | 18,308 | 21,094 | 24,794 | 30,029 |
| **Net Worth** | **7,876** | **9,883** | **16,125** | **18,497** | **21,283** | **24,983** | **30,218** |
| Deferred Liabilities | 229 | 230 | 316 | 393 | 490 | 490 | 490 |
| Total Loans | 2,404 | 2,185 | 1,430 | 2,273 | 3,296 | 4,296 | 4,296 |
| **Capital Employed** | **10,509** | **12,299** | **17,871** | **21,163** | **25,069** | **29,769** | **35,004** |
| Gross Block | 5,858 | 8,591 | 9,880 | 12,277 | 14,871 | 19,371 | 23,371 |
| Less: Accum. Deprn. | 1,296 | 1,807 | 2,444 | 3,205 | 3,792 | 4,888 | 6,042 |
| **Net Fixed Assets** | **4,562** | **6,784** | **7,437** | **9,072** | **11,079** | **14,483** | **17,329** |
| Capital WIP | 2,123 | 748 | 1,267 | 1,227 | 2,374 | 2,374 | 2,374 |
| **Total Investments** | **4** | **3** | **1,169** | **3,457** | **4,528** | **3,328** | **3,228** |
| **Curr. Assets, Loans&Adv.** | **4,610** | **5,726** | **8,987** | **8,390** | **8,348** | **11,035** | **13,929** |
| Inventory | 1,840 | 1,696 | 2,242 | 2,324 | 2,328 | 3,046 | 3,918 |
| Account Receivables | 2,220 | 3,081 | 3,569 | 4,265 | 3,948 | 5,379 | 6,918 |
| Cash and Bank Balance | 15 | 0 | 5 | 129 | 256 | 354 | 239 |
| Loans and Advances | 535 | 950 | 3,170 | 1,671 | 1,817 | 2,256 | 2,854 |
| **Curr. Liability & Prov.** | **790** | **963** | **988** | **983** | **1,261** | **1,451** | **1,856** |
| Creditors | 442 | 477 | 555 | 454 | 594 | 686 | 883 |
| Other Current Liabilities | 321 | 448 | 388 | 481 | 632 | 729 | 938 |
| Provisions | 27 | 38 | 45 | 49 | 34 | 36 | 36 |
| **Net Current Assets** | **3,821** | **4,763** | **7,998** | **7,407** | **7,088** | **9,583** | **12,072** |
| **Appl. of Funds** | **10,509** | **12,299** | **17,871** | **21,163** | **25,069** | **29,769** | **35,004** |

# Financials and valuations

## Ratios

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | | |
| **EPS** | **15.9** | **23.3** | **25.8** | **28.4** | **32.0** | **44.7** | **63.5** |
| Cash EPS | 20.1 | 29.4 | 32.7 | 36.6 | 41.4 | 56.3 | 75.7 |
| BV/Share | 88.0 | 110.4 | 171.2 | 196.3 | 225.6 | 264.8 | 320.3 |
| DPS | - | - | 4.0 | 3.0 | 4.0 | 5.5 | 8.0 |
| Payout (%) | - | - | 15.5 | 10.6 | 12.5 | 12.3 | 12.6 |
| Dividend Yield (%) | - | - | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 |
| FCF per share | -12.4 | 3.9 | -0.5 | 1.3 | -1.7 | -20.0 | 0.5 |
| **Valuation (x)** | | | | | | | |
| P/E | 114.6 | 78.1 | 70.6 | 64.1 | 57.0 | 40.7 | 28.7 |
| Cash P/E | 90.6 | 62.0 | 55.8 | 49.8 | 44.0 | 32.3 | 24.1 |
| P/BV | 20.7 | 16.5 | 10.6 | 9.3 | 8.1 | 6.9 | 5.7 |
| EV/Sales | 19.2 | 13.8 | 12.7 | 12.1 | 11.0 | 8.5 | 6.6 |
| EV/EBITDA | 71.6 | 48.5 | 44.3 | 41.9 | 36.2 | 26.9 | 20.1 |
| **Return Ratios (%)** | | | | | | | |
| RoE | 19.9 | 23.5 | 18.7 | 15.5 | 15.2 | 18.2 | 21.7 |
| RoCE (Post-tax) | 16.2 | 19.5 | 17.0 | 14.3 | 13.6 | 16.0 | 19.0 |
| RoIC | 18.0 | 21.5 | 17.9 | 15.4 | 16.7 | 19.2 | 21.2 |
| **Working Capital Ratios** | | | | | | | |
| Fixed Asset Turnover (x) | 1.5 | 1.4 | 1.4 | 1.1 | 1.0 | 1.0 | 1.1 |
| Inventory (Days) | 65 | 54 | 53 | 59 | 55 | 48 | 49 |
| Debtor (Days) | 82 | 81 | 89 | 101 | 97 | 84 | 86 |
| Creditor (Days) | 17 | 14 | 14 | 13 | 12 | 12 | 11 |
| Working Capital (Days) | 152 | 131 | 171 | 198 | 167 | 145 | 148 |
| **Leverage Ratio (x)** | | | | | | | |
| Net Debt/Equity | 0.3 | 0.2 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 |

## Cash Flow Statement

(INR m)

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|
| Operating PBT | 1,921 | 2,800 | 3,244 | 3,597 | 4,020 | 5,625 | 7,934 |
| Depreciation | 377 | 542 | 647 | 771 | 890 | 1,096 | 1,154 |
| Interest/Div paid | -72 | -125 | 118 | 75 | 105 | 114 | 107 |
| Direct Taxes Paid | -431 | -638 | -839 | -832 | -932 | -1,406 | -1,944 |
| (Inc)/Dec in WC | -1,088 | -779 | -1,230 | 486 | 589 | -2,398 | -2,604 |
| Other items | 96 | 295 | -50 | **-1,172** | **-225** | **-420** | **-600** |
| **CF from Operations** | **803** | **2,095** | **1,890** | **2,924** | **4,447** | **2,611** | **4,047** |
| (inc)/dec in FA | -1,908 | -1,745 | -1,936 | -2,804 | -4,610 | -4,500 | -4,000 |
| **Free Cash Flow** | **-1,105** | **350** | **-46** | **119** | **-163** | **-1,889** | **47** |
| (Pur)/Sale of Investments | 230 | 15 | -2,770 | -587 | -578 | 1,200 | 100 |
| Others | 21 | 5 | 12 | **196** | **212** | **420** | **600** |
| **CF from Investments** | **-1,657** | **-1,725** | **-4,694** | **-3,194** | **-4,976** | **-2,880** | **-3,300** |
| Issue of Shares | - | - | 3,810 | 7 | 21 | - | - |
| Inc/(Dec) in Debt | 895 | -251 | -755 | 839 | 1,023 | 1,000 | - |
| Interest Paid | -68 | -119 | -130 | -74 | -105 | -114 | -107 |
| Dividend Paid | - | - | -116 | -377 | -283 | -519 | -755 |
| **CF from Fin. Activity** | **825** | **-370** | **2,809** | **395** | **656** | **367** | **-862** |
| **Inc/Dec of Cash** | **-29** | **-0** | **5** | 124 | 127 | 98 | -115 |
| Add: Beginning Balance | 29 | 0 | 0 | **5** | **129** | **256** | **354** |
| **Closing Balance** | **0** | **0** | **5** | **129** | **256** | **354** | **239** |

E: MOFSL Estimates

## N O T E S

| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| 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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilaloswal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilaloswal.com |
| Mr. Neeraj Agarwal | 022 40548085 | na@motilaloswal.com |
| Mr. Siddhartha Khemka | 022 50362452 | po.research@motilaloswal.com |

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