BUY Hero MotoCorp

Rural outlook improving; growth triggers in place

Auto & Auto Ancillaries ▸ Result Update ▸ **August 15, 2024**

TARGET PRICE (Rs): 6,350

HMCL's Q1 results were a miss (6% on EBITDA), largely dragged by lower ASPs due to subdued spare sales, though underlying ICE margins rose by 80bps QoQ to 16.4%. HMCL expects to outperform industry amid rural revival and product actions. While the 2W industry has further recovery headroom (remains below FY19 peak); uptick in rural demand is an added growth trigger for HMCL – even as Xtreme 125R is driving rapid improvement in the fast growing, highly competitive 125cc motorcycle category (market share now at 22% vs 11% of Jan-24). We trim FY25E EPS by 2% on ASP miss, retain FY26E and introduce FY27E, building in 11%/16% CAGR in revenues/core EPS over FY24-27E. We maintain BUY with revised upwards SoTP-based TP of Rs6,350/sh (core PER of 23x rolled-over to Jun-26E vs Mar-26E earlier). HMCL is our top pick in OEMs.

Target Price – 12M	Jun-25
Change in TP (%)	**5.8**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	25.2
CMP (14-Aug-24) (Rs)	5,072.5

Hero MotoCorp: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	338,057	378,787	423,733	467,186	509,882
EBITDA	39,862	56,787	62,079	69,842	78,465
Adj. PAT	29,106	45,510	48,113	53,921	60,403
Adj. EPS (Rs)	145.7	227.8	240.8	269.9	302.3
EBITDA margin (%)	11.8	15.0	14.7	14.9	15.4
EBITDA growth (%)	18.3	42.5	9.3	12.5	12.3
Adj. EPS growth (%)	17.7	50.9	9.6	12.1	12.0
RoE (%)	17.9	26.2	25.6	26.3	27.5
RoIC (%)	49.2	81.2	96.9	101.3	108.2
P/E (x)	34.8	22.3	21.1	18.8	16.8
EV/EBITDA (x)	23.2	17.8	16.3	14.5	12.9
P/B (x)	6.1	5.6	5.2	4.7	4.5
FCFF yield (%)	2.2	4.6	4.7	4.8	6.5

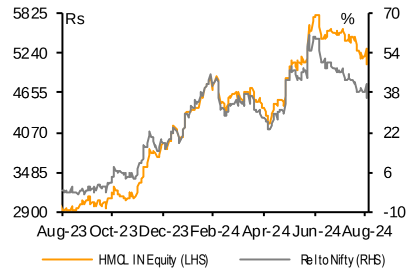
Source: Company, Emkay Research

Stock Data	Ticker
52-week High (Rs)	5,895
52-week Low (Rs)	2,874
Shares outstanding (mn)	199.9
Market-cap (Rs bn)	1,014
Market-cap (USD mn)	12,080
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	3,809.4
ADTV-3M (USD mn)	45.4
Free float (%)	65.2
Nifty-50	24,144
INR/USD	83.9
Shareholding, Jun-24	
Promoters (%)	34.8
FPIs/MFs (%)	29.9/26.9

Price Performance

(%)	1M	3M	12M
Absolute	(8.6)	0.6	69.4
Rel. to Nifty	(7.2)	(7.4)	36.4

1-Year share price trend (Rs)



An ~80bps QoQ increase in underlying ICE margins; ASPs below estimate

Revenue grew ~16% YoY to Rs101.4bn, ~4% below our estimate due to lower-than-expected ASPs (down 3% QoQ), owing to lower contribution from spares. EBITDA margin was flattish QoQ at 14.4% amid higher RM being offset by lower staff costs and other expenses. As per the management, margin improvement on YoY basis (63bps) was driven by operating leverage, mix improvement, cost savings, and pricing. Underlying ICE margins stand at 16.4% vs 15.6% in Q4FY24. Adjusted PAT grew 14% to Rs11.2bn.

Earnings Call KTAs

1) The company remains optimistic about the ongoing 2W recovery with rural seen leading the charge; the company expects to grow ahead of the industry on the back of its strength in rural, ramp up of 125cc motorcycles, and brand-building activities. 2) Sentiment in rural is positive amid supportive spends by GoI and ongoing monsoons; the outlook is positive for the upcoming festive season; while progress is visible across all markets, rural is seen outpacing urban demand. 3) Apart from upcoming festive, spillover of marriage dates into November is also seen helping demand in the coming months. 4) Share of first-time buyers is showing some recovery in rural as well as in the 125cc segment. 5) *Xtreme 125R* has brought in incremental customers; the company is working on increasing capacities for the model – has increased to 25K/mth now and would further rise to 40K/mth in a couple of months; HMCL is also working on some product refreshes in the 125cc category. 6) New product actions would be seen in premium motorcycles this year along with scooters incl. *Destini* refresh, new launches in *Xoom,* and EV portfolio expansion. 7) Hero 2.0 stores have crossed the 500 mark; Hero Premia store count is now at 40 and would cross 100 by end-FY25. 8) HMCL is working on a number of alternative fuels incl. flex-fuels, ethanol, and even hybrids. 9) Commodity prices are seen being range-bound; the company's ICE margins are now at the upper end of guided 14-16% margin band; market share growth would now take priority. 10) HMCL expects losses in EVs to start narrowing amid improving scale, ongoing work on reduction in costs, and changes in architecture; the management expects upcoming EV launches to be PLI compliant. 11) Capex guidance stands at Rs10-12bn.

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Exhibit 1: Volume analysis – Volume increased ~13.5% YoY with realizations down ~3% QoQ on lower spares sales

Year to March	Q1FY25	Q1FY24	(%/bps) change	Q4FY24	(%/bps) change
Domestic motorcycles (units)	1,398,749	1,232,758	13.5	1,231,881	13.5
Market share (%)	43.7	45.0	(1)	42.3	1.4
Domestic scooters (units)	85,389	84,492	1.1	91,003	(6.2)
Market share (%)	5.1	6.5	(1)	6.2	(1.1)
Domestic volumes (units)	1,484,138	1,317,250	12.7	1,322,884	12.2
Market share (%)	29.8	0.0	30	29.4	0.4
Total volumes (units)	**1,534,892**	**1,352,574**	**13.5**	**1,392,423**	**10.2**
Realisation (Rs)	**66,088**	**64,819**	**2.0**	**68,365**	**(3.3)**

Source: Company, Emkay Research

Exhibit 2: Actual vs Estimates (Q1FY25)

(Rs mn)	Actual	Emkay Est	Var %	Consensus	Var %
Net sales	101,437	105,982	(4.3)	104,322	(2.8)
EBITDA	14,598	15,579	(6.3)	15,411	(5.3)
EBITDA Margin (%)	14.4	14.7	(31) bps	14.8	(38) bps
Adj net income	11,226	12,067	(7.0)	11,567	(2.9)
FDEPS (Rs)	56.2	60.4	(7.0)	55.7	0.8

Source: Emkay Research

Exhibit 3: Q1FY25 Result Snapshot – Revenue/EBITDA grew ~16%/~21% YoY; margins stable QoQ

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Revenue	**83,068**	**87,673**	**94,454**	**97,237**	**95,193**	**101,437**	**15.7**	**6.6**
Expenditure	72,238	75,610	81,171	83,617	81,602	86,840	14.9	6.4
as % of sales	*87.0*	*86.2*	*85.9*	*86.0*	*85.7*	*85.6*		
Consumption of RM	56,463	60,809	64,780	65,470	63,249	68,672	12.9	8.6
as % of sales	*68.0*	*69.4*	*68.6*	*67.3*	*66.4*	*67.7*		
Employee Cost	5,571	5,802	5,768	6,017	6,437	6,083	4.9	(5.5)
as % of sales	*6.7*	*6.6*	*6.1*	*6.2*	*6.8*	*6.0*		
Other expenditure	10,204	9,000	10,624	12,130	11,916	12,085	34.3	1.4
as % of sales	*12.3*	*10.3*	*11.2*	*12.5*	*12.5*	*11.9*		
EBITDA	10,830	12,063	13,283	13,620	13,592	14,598	21.0	7.4
EBITDA margin (%)	**13.0**	**13.8**	**14.1**	**14.0**	**14.3**	**14.4**		
Depreciation	1,686	1,690	1,749	1,825	1,851	1,932	14.3	4.4
EBIT	9,144	10,373	11,534	11,795	11,741	12,666	22.1	7.9
Other Income	2,369	2,222	2,483	2,420	1,800	2,317	4.3	28.7
Interest	47	47	48	45	46	48	3.2	5.5
PBT	11,467	12,548	13,970	14,170	13,496	14,935	19.0	10.7
Total Tax	2,877	2,701	3,431	3,437	3,335	3,708	37.3	11.2
Adjusted PAT	8,589	9,847	10,538	10,734	10,161	11,226	14.0	10.5
Extra ordinary items Loss/(Gain)	0	1,600	0	0	0	0		
Reported PAT	**8,589**	**8,247**	**10,538**	**10,734**	**10,161**	**11,226**	**36.1**	10.5
Adjusted EPS (Rs)	43.0	41.3	52.7	53.7	50.8	56.2	36.1	10.5

(%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (bps)	QoQ (bps)
EBITDAM	13.0	13.8	14.1	14.0	14.3	14.4	63	11
EBITM	11.0	11.8	12.2	12.1	12.3	12.5	65	15
EBTM	13.8	14.3	14.8	14.6	14.2	14.7	41	55
PATM	10.3	11.2	11.2	11.0	10.7	11.1	(16)	39
Effective Tax rate	25.1	21.5	24.6	24.3	24.7	24.8	331	12

Source: Emkay Research

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

Year to March (%)	Q1FY25	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
Raw material	67.7	69.4	(166)	66.4	126
Staff costs	6.0	6.6	(62)	6.8	(77)
Other expenses	11.9	10.3	165	12.5	(60)
EBITDA	14.4	13.8	63	14.3	11
Adjusted net profit	11.1	11.2	(16)	10.7	39
Effective Tax rate	24.8	21.5	331	24.7	12

Source: Emkay Research

Exhibit 5: 125cc category now forms ~16% of overall 2Ws/29% of domestic motorcycles

Industry mix (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Domestic Motorcycles	58.2	56.5	55.7	54.8	55.6	53.6	54.5	50.2	52.4	55.5	53.0	55.3	53.7	54.1
Up to 110cc	38.0	35.2	32.5	32.4	34.5	30.4	29.3	27.7	26.8	27.2	25.7	27.2	25.3	25.4
110-125cc	**8.8**	**9.5**	**9.5**	**9.5**	**7.9**	**11.3**	**13.2**	**12.3**	**13.8**	**15.5**	**14.6**	**14.8**	**14.8**	**15.5**
125-150cc	6.7	4.9	6.4	4.8	5.2	4.4	2.9	2.1	2.1	2.2	1.9	2.7	3.1	3.0
Over 150cc	4.7	7.0	7.2	8.1	8.0	7.4	9.1	8.0	9.8	10.6	10.7	10.6	10.5	10.3
Domestic Scooters	24.4	26.6	28.1	29.2	27.4	26.6	24.4	22.4	26.6	26.3	28.5	26.9	27.1	28.2
Domestic Mopeds	4.1	3.8	4.5	3.7	3.6	3.0	3.4	2.6	2.3	2.1	2.1	2.4	2.3	2.1
Domestic 2W	86.7	86.9	88.3	87.8	86.6	83.2	82.2	75.2	81.3	84.0	83.7	84.7	83.1	84.4
Export 2W	13.3	13.1	11.7	12.2	13.4	16.8	17.8	24.8	18.7	16.0	16.3	15.3	16.9	15.6
Total 2W	100.0	100.0	100.0	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 ~12% of volumes

HMCL mix (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Domestic Motorcycles	85.6	84.5	85.4	85.7	88.1	90.9	89.0	87.7	90.0	91.1	89.4	88.1	88.7	91.1
Up to 110cc	74.9	72.3	72.6	73.1	77.9	72.0	71.0	74.9	78.2	78.7	76.5	78.4	79.0	77.8
110-125cc	**8.8**	**10.6**	**11.3**	**11.6**	**9.7**	**18.3**	**16.6**	**11.4**	**10.5**	**11.3**	**11.6**	**8.1**	**7.7**	**11.8**
125-150cc	1.5	1.5	1.5	0.9	0.3	0.2	0.3	-	-	-	-	-	-	-
Over 150cc	0.4	0.1	0.0	-	0.3	0.5	1.1	1.4	1.3	1.2	1.3	1.6	2.0	1.5
Domestic Scooters	11.3	12.3	11.9	11.6	9.2	6.3	7.7	6.2	6.7	6.2	6.9	8.7	6.5	5.6
Domestic Mopeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic 2W	97.0	96.8	97.3	97.3	97.3	97.2	96.7	93.9	96.8	97.4	96.3	96.8	95.2	96.7
Export 2W	3.0	3.2	2.7	2.7	2.7	2.8	3.3	6.1	3.2	2.6	3.7	3.2	4.8	3.3
Total 2W	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

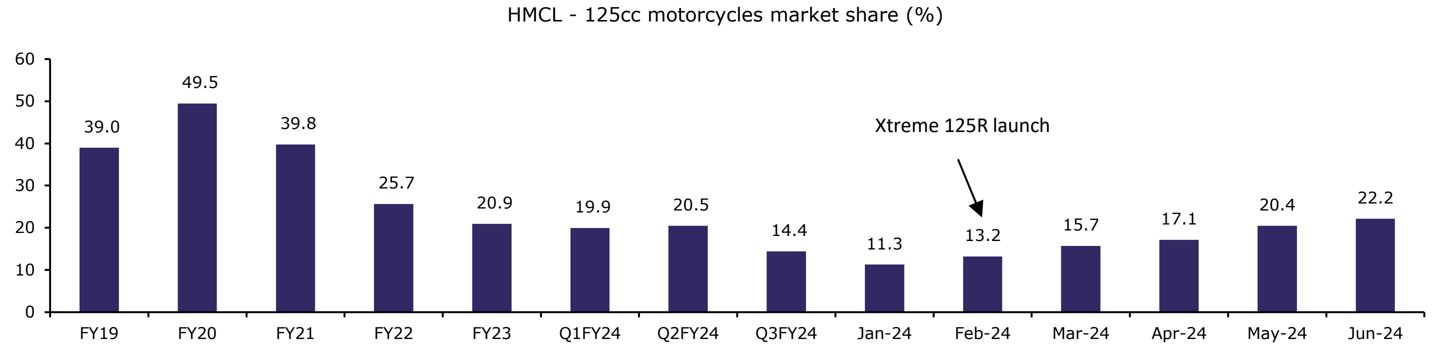
Source: SIAM, Emkay Research

Exhibit 7: HMCL's seen a significant recovery in the 125cc motorcycles market share since the launch of Xtreme125

HMCL mkt. share	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Domestic Motorcycles	**53.0**	**52.4**	**51.3**	**51.5**	**50.7**	**52.0**	**51.5**	**48.3**	**46.9**	**45.0**	**43.5**	**41.6**	**42.4**	**43.7**
Up to 110cc	70.9	72.0	74.6	74.5	72.3	72.4	76.3	74.6	79.6	79.3	76.6	75.2	80.2	79.5
110-125cc	**36.1**	**39.3**	**39.9**	**40.0**	**39.0**	**49.5**	**39.8**	**25.7**	**20.9**	**19.9**	**20.5**	**14.4**	**13.3**	**19.9**
125-150cc	8.2	10.9	7.7	6.4	1.7	1.1	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Over 150cc	3.0	0.3	0.0	0.0	1.2	1.9	3.9	4.7	3.7	3.0	3.1	3.9	5.0	3.7
Domestic Scooters	16.7	16.3	14.1	13.1	10.7	7.2	9.9	7.6	6.9	6.5	6.2	8.5	6.2	5.1
Domestic Mopeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic 2W	40.3	39.0	36.9	36.6	35.9	35.8	37.0	34.5	32.5	31.8	29.7	29.9	29.4	29.8
Export 2W	8.1	8.5	7.7	7.3	6.3	5.1	5.8	6.8	4.7	4.5	5.9	5.4	7.3	5.5
Total 2W	**36.0**	**35.0**	**33.4**	**33.0**	**32.0**	**30.6**	**31.5**	**27.6**	**27.3**	**27.4**	**25.8**	**26.1**	**25.7**	**26.0**

Source: SIAM, Emkay Research

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

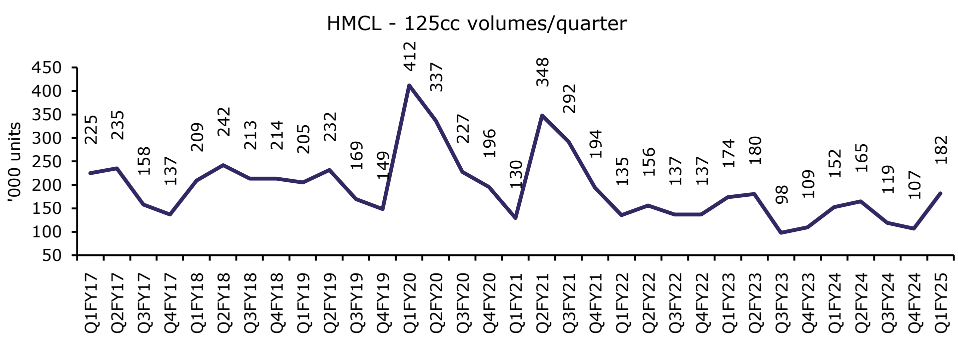


Source: SIAM, Emkay Research

Exhibit 9: HMCL's recently launched *Xtreme 125R*

Source: Company

Exhibit 10: 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 44% of previous peak)



Source: SIAM, Emkay Research

Exhibit 11: Revenue model – We build in 11/16% CAGR in revenues/core EPS over FY24-27E

Revenue Model	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Avg. monthly volumes (units)	651,729	534,143	482,198	412,012	444,046	468,581	515,426	559,247	603,238
Volumes (units)	7,820,745	6,409,719	5,786,374	4,944,148	5,328,548	5,622,969	6,185,115	6,710,960	7,238,853
Growth (%)	3.1	(18.0)	(9.7)	(14.6)	7.8	5.5	10.0	8.5	7.9
ASP (Rs/unit)	43,027	44,988	53,230	59,152	63,443	66,612	68,509	69,615	70,437
Growth (%)	1.3	4.6	18.3	11.1	7.3	5.0	2.8	1.6	1.2
Revenues	**336,505**	**288,361**	**308,006**	**292,455**	**338,057**	**374,557**	**423,733**	**467,186**	**509,882**
Growth (%)	4.4	(14.3)	6.8	(5.0)	15.6	10.8	13.1	10.3	9.1
EBITDA	49,301	39,580	40,192	33,688	39,862	52,557	62,079	69,842	78,465
EBITDA margin (%)	**14.7**	**13.7**	**13.0**	**11.5**	**11.8**	**14.0**	**14.7**	**14.9**	**15.4**
EBITDA growth (%)	(6.6)	(19.7)	1.5	(16.2)	18.3	31.8	18.1	12.5	12.3
EBITDA/unit (Rs)	6,304	6,175	6,946	6,814	7,481	9,347	10,037	10,407	10,839
EBIT	50,193	39,183	39,222	32,759	38,944	54,369	63,960	71,672	80,280
EBIT margin (%)	14.9	13.6	12.7	11.2	11.5	14.5	15.1	15.3	15.7
PAT	33,849	31,841	29,642	24,730	29,106	41,280	48,113	53,921	60,403
EPS (Rs)	**169**	**159**	**148**	**124**	**146**	**207**	**241**	**270**	**302**
Core-EPS (Rs)	**152**	**111**	**125**	**102**	**124**	**167**	**203**	**230**	**260**

Source: Company, Emkay Research

Exhibit 12: Change in estimates – Our FY25E/26 estimates are largely unchanged; we introduce FY27E

(Rs mn)	FY25E				FY26E				FY27E	
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Introduced	% YoY
Volumes	6,196,513	6,185,115	(0.2)	10.0	6,648,965	6,710,960	0.9	8.5	7,238,853	7.9
Net Sales	434,850	423,733	(2.6)	13.1	472,869	467,186	(1.2)	10.3	509,882	9.1
EBITDA	63,388	62,079	(2.1)	18.1	69,811	69,842	0.0	12.5	78,465	12.3
Margin (%)	14.6	14.7	7 bps	62 bps	14.8	14.9	19 bps	30 bps	15.4	44 bps
APAT	49,074	48,113	(2.0)	16.6	53,897	53,921	0.0	12.1	60,403	12.0
EPS (Rs)	245.6	240.8	(2.0)	16.6	269.8	269.9	0.0	12.1	302.3	12.0

Source: Emkay Research

Exhibit 13: Emkay vs Consensus estimates

Hero MotoCorp	Emkay Estimates			Bloomberg Estimates			Difference (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	423,733	467,186	509,882	427,661	477,045	521,160	-0.9%	-2.1%	-2.2%
EBITDA	62,079	69,842	78,465	62,140	70,541	77,135	-0.1%	-1.0%	1.7%
EBITDA margin (%)	14.7	14.9	15.4	14.5	14.8	14.8			
EPS (Rs)	240.8	269.9	302.3	241.0	270.1	298.9	-0.1%	-0.1%	1.1%

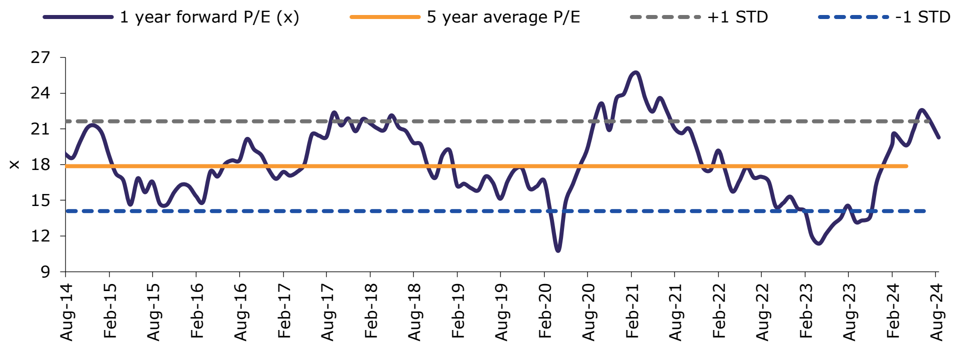
Source: Bloomberg, Emkay Research

Exhibit 14: SOTP valuation – Our revised TP stands at Rs6,350/sh, after roll-over to Jun-26E

HMCL - SOTP Valuation	Basis of Valuation	Equity value	Equity value/share
Core business	23x Jun-26E core EPS	1,091,579	5,463
Hero FinCorp	1.5x FY24 P/B (Holdco discount of 20%)	17,278	141
Ather Energy	As per latest fund raise (valued at US$1.3bn)	34,944	175
Cash per share	As of Mar-26E		580
Total			**6,359**
Total (Rounded off)			**6,350**

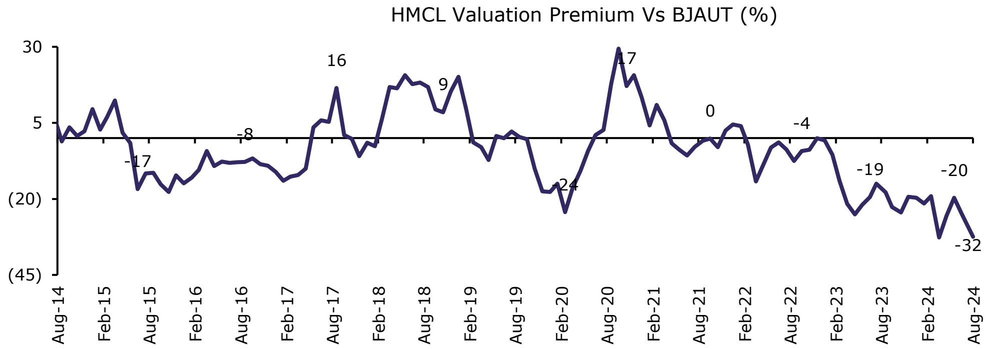
Source: Emkay Research

Exhibit 15: Current valuations are slightly above LTA 1-year forward PER levels



Source: Bloomberg, Emkay Research

Exhibit 16: HMCL's valuation discount vs BJAUT now at a multi-year high



Source: Company, Emkay Research

Hero MotoCorp: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	**338,057**	**378,787**	**423,733**	**467,186**	**509,882**
Revenue growth (%)	15.6	12.0	11.9	10.3	9.1
EBITDA	**39,862**	**56,787**	**62,079**	**69,842**	**78,465**
EBITDA growth (%)	18.3	42.5	9.3	12.5	12.3
Depreciation & Amortization	6,570	7,114	7,812	8,412	8,976
EBIT	**33,293**	**49,673**	**54,266**	**61,429**	**69,489**
EBIT growth (%)	22.4	49.2	9.2	13.2	13.1
Other operating income	0	0	0	0	0
Other income	5,652	8,926	9,694	10,242	10,791
Financial expense	199	185	200	216	233
PBT	**38,746**	**58,414**	**63,760**	**71,456**	**80,047**
Extraordinary items	0	(1,600)	0	0	0
Taxes	9,640	12,904	15,647	17,535	19,643
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**29,106**	**43,910**	**48,113**	**53,921**	**60,403**
PAT growth (%)	17.7	50.9	9.6	12.1	12.0
Adjusted PAT	**29,106**	**45,510**	**48,113**	**53,921**	**60,403**
Diluted EPS (Rs)	**145.7**	**227.8**	**240.8**	**269.9**	**302.3**
Diluted EPS growth (%)	17.7	50.9	9.6	12.1	12.0
DPS (Rs)	**100.0**	**138.4**	**161.3**	**180.8**	**241.9**
Dividend payout (%)	**68.6**	**63.0**	**67.0**	**67.0**	**80.0**
EBITDA margin (%)	11.8	15.0	14.7	14.9	15.4
EBIT margin (%)	9.8	13.1	12.8	13.1	13.6
Effective tax rate (%)	24.9	22.1	24.5	24.5	24.5
NOPLAT (pre-IndAS)	**25,010**	**38,700**	**40,949**	**46,355**	**52,436**
Shares outstanding (mn)	199.8	199.8	199.8	199.8	199.8

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	400	400	400	400	400
Reserves & Surplus	166,651	179,462	195,339	213,133	225,214
Net worth	**167,051**	**179,862**	**195,739**	**213,533**	**225,614**
Minority interests	0	0	0	0	0
Deferred tax liability (net)	4,054	4,348	4,608	4,899	5,225
Total debt	**0**	**0**	**0**	**0**	**0**
Total liabilities & equity	**171,105**	**184,210**	**200,347**	**218,432**	**230,839**
Net tangible fixed assets	50,493	51,219	53,011	56,599	56,023
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	0
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**	**112,273**	**113,027**	**124,519**
Current assets (ex-cash)	56,821	55,620	62,743	69,178	75,500
Current Liab. & Prov.	61,527	71,506	80,798	83,488	91,118
NWC (ex-cash)	**(4,706)**	**(15,886)**	**(18,054)**	**(14,311)**	**(15,619)**
Total assets	**171,105**	**184,210**	**200,347**	**218,432**	**230,839**
Net debt	(89,764)	(113,156)	(112,273)	(113,027)	(124,159)
Capital employed	171,105	184,210	200,347	218,432	230,839
Invested capital	**52,908**	**42,455**	**42,078**	**49,409**	**47,526**
BVPS (Rs)	836.1	900.2	979.7	1,068.7	1,129.2
Net Debt/Equity (x)	(0.5)	(0.6)	(0.6)	(0.5)	(0.6)
Net Debt/EBITDA (x)	(2.3)	(2.0)	(1.8)	(1.6)	(1.6)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	**15.0**	**19.2**	**21.2**	**22.0**	**23.2**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	38,746	58,414	63,760	71,456	80,047
Others (non-cash items)	1,372	(6,711)	3,732	4,986	(2,782)
Taxes paid	(8,496)	(13,142)	(15,387)	(17,244)	(19,317)
Change in NWC	(5,832)	10,504	1,870	(3,992)	1,103
Operating cash flow	**25,791**	**49,065**	**53,975**	**55,206**	**59,051**
Capital expenditure	(5,675)	(8,007)	(12,000)	(12,000)	(1,200)
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)**	**(10,200)**
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)	(233)
Dividend paid (incl tax)	(19,983)	(26,987)	(27,657)	(32,236)	(36,127)
Others	495	(1,345)	0	0	0
Financing cash flow	**(19,399)**	**(28,412)**	**(27,857)**	**(32,452)**	**(36,360)**
Net chg in Cash	1,704	(1,827)	5,118	1,754	12,491
OCF	25,791	49,065	53,975	55,206	59,051
Adj. OCF (w/o NWC chg.)	31,622	38,561	52,105	59,198	57,948
FCFF	20,115	41,058	41,975	43,206	57,851
FCFE	22,481	40,873	41,775	42,990	57,618
OCF/EBITDA (%)	64.7	86.4	86.9	79.0	75.3
FCFE/PAT (%)	77.2	93.1	86.8	79.7	95.4
FCFF/NOPLAT (%)	**80.4**	**106.1**	**102.5**	**93.2**	**110.3**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	34.8	22.3	21.1	18.8	16.8
P/CE(x)	28.4	19.3	18.1	16.3	14.6
P/B (x)	6.1	5.6	5.2	4.7	4.5
EV/Sales (x)	2.8	2.7	2.5	2.2	2.0
EV/EBITDA (x)	23.2	17.8	16.3	14.5	12.9
EV/EBIT(x)	27.7	18.1	16.6	14.7	12.8
EV/IC (x)	17.5	21.2	21.4	18.2	18.7
FCFF yield (%)	2.2	4.6	4.7	4.8	6.5
FCFE yield (%)	2.2	4.0	4.1	4.2	5.7
Dividend yield (%)	2.0	2.7	3.2	3.6	4.8
DuPont-RoE split					
Net profit margin (%)	8.6	12.0	11.4	11.5	11.8
Total asset turnover (x)	2.0	2.1	2.2	2.2	2.3
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**17.9**	**26.2**	**25.6**	**26.3**	**27.5**
DuPont-RoIC					
NOPLAT margin (%)	7.4	10.2	9.7	9.9	10.3
IC turnover (x)	6.2	8.7	9.8	9.2	10.5
RoIC (%)	**49.2**	**81.2**	**96.9**	**101.3**	**108.2**
Operating metrics					
Core NWC days	(5.1)	(15.3)	(15.6)	(11.2)	(11.2)
Total NWC days	**(5.1)**	**(15.3)**	**(15.6)**	**(11.2)**	**(11.2)**
Fixed asset turnover	2.3	2.4	2.6	2.7	2.7
Opex-to-revenue (%)	17.6	17.9	18.1	17.9	17.4

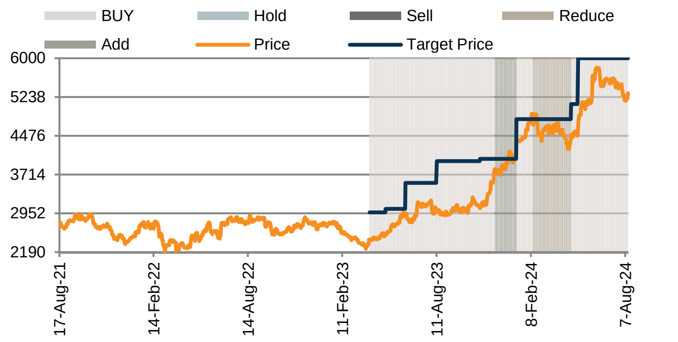
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
04-Jun-24	5,311	6,000	Buy	Chirag Jain
08-May-24	4,614	6,000	Buy	Chirag Jain
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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