

# Ashok Leyland

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	AL IN
Equity Shares (m)	2937
M.Cap.(INRb)/(USDb)	703.6 / 8.3
52-Week Range (INR)	265 / 190
1, 6, 12 Rel. Per (%)	2/3/5
12M Avg Val (INR M)	2352

## Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
Sales	387.5	417.8	452.7
EBITDA	49.3	51.3	59.9
Adj. PAT	32.2	33.6	40.0
Adj. EPS (INR)	11.0	11.4	13.6
EPS Gr. (%)	20.2	4.2	19.1
BV/Sh. (INR)	39.2	44.2	50.3

## Ratios

RoE (%)	31.7	27.4	28.8
ROCE (%)	25.4	23.2	24.8
Payout (%)	56.9	56.8	55.1

## Valuations

P/E (x)	21.8	20.9	17.6
P/BV (x)	6.1	5.4	4.8
EV/EBITDA (x)	13.4	12.3	10.2
Div. Yield (%)	2.6	2.7	3.1

## Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	51.1	51.1	51.1
DII	14.0	13.0	12.2
FII	24.1	24.7	22.1
Others	10.8	11.2	14.6

FII includes depository receipts

**CMP: INR240 TP: INR275 (+15%) Buy**

## Margin beat aided by improved mix

### Net cash position to help invest in future growth avenues

- Ashok Leyland's 4Q PAT at INR12.5b came in ahead of our estimate of INR10.8b, aided by better-than-expected operational performance (EBITDA margin at 15% ahead of our estimate of 14.2%) and higher other income.
- Over the years, AL has done well to reduce its business cyclicity by focusing on non-MHCV segments. Further, a net cash position would help AL invest in growth avenues in the coming years. Its focus on improving margins should bode well for returns in the long run. **We reiterate our BUY rating with a TP of INR275 (based on 11x FY27E EV/EBITDA + ~INR19/sh for the NBFC).**

### Earnings beat driven by improved mix and higher other income

- 4Q PAT at INR12.5b came in ahead of our estimate of INR10.8b, aided by better-than-expected operational performance and higher other income.
- Revenue grew 6% YoY to INR119b and was in line with our estimate. Revenue growth was driven by 5% YoY growth in volumes and 0.6% growth in blended ASP.
- Non-CV business continues to do well. In 4Q, engine volumes grew 9% YoY and spare part revenue rose 15% YoY.
- EBITDA margin improved 90bp YoY to 15%, ahead of our estimate of 14.2%. Margin surprise was led by improved gross margin which was in turn a function of better mix.
- Other income was much higher at INR1.1b – ahead of our estimate of INR367m.
- Adjusted for one-offs, PAT grew 32% YoY to INR12.5b.
- For FY25, revenue grew 1% YoY to INR387b, largely led by ASP growth.
- For FY25, engine volumes rose 2% YoY over a high base of last year (which was led by pre-buy) and spare part revenue grew 14% YoY. Defense revenue remained flat YoY in FY25.
- EBITDA margin improved 70bp YoY to 12.7%.
- Adjusted for one-offs, PAT grew 20% YoY to INR32.2b.
- The board has declared a dividend of INR6.25 per share in FY25, up from INR5 per share in FY24. This translates into a dividend payout ratio of 57%.
- FY25 FCF stood at INR69b post capex of INR9.2b, led by improved operational performance and sharp reduction in working capital.

### Highlights from the management commentary

- Management expects each of the CV segments to post growth in FY26, led by favorable indicators. Among segments, management expects bus, tractor, trailer and tipper to drive industry growth in FY26E.
- Management has indicated that they have reduced dependence on MHCVs over the last few years. The non-MHCV business now contributes to about 50% of AL's revenues with much better profitability; hence, cyclicity in business revenue and on profitability has reduced over the years.

**Aniket Mhatre - Research analyst** (Aniket.Mhatre@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- It expects defense revenue (currently at around INR10b) to double over the next 2-3 years, based on the healthy order backlog.
- Management has indicated that it expects steel prices to inch up from 1Q onward (by INR3-5 per kg) and further in 2Q due to the safeguard duty imposed on steel. Steel cost pressure is likely to normalize from 2H onward. Further, truck prices are likely to increase by about 0.5-2% due to the AC cabin norms to be implemented from Jun'25 onward. AL would take a measured approach to pass on the impact of rising costs, based on a competitive environment.
- Management maintains its medium-term targets, which include achieving a 35% market share in MHCVs and mid-teens margins among others.
- Management indicated that it is in a substantially strong position relative to past CV cycles today. It now has a net cash of INR9.5b vs. net debt of INR2b in FY24. Hence, its ability to invest in growth opportunities is much higher. It targets to invest around INR10b in capex in FY6 and another INR5-7.5b in its subsidiaries.

#### Valuation and view

- We expect CV demand to recover in FY26, driven by favorable factors highlighted above. Over the years, AL has done well to reduce its business cyclicity by focusing on non-MHCV segments. Further, a net cash position would help AL invest in growth avenues in the coming years. Its focus on improving margins should bode well for returns in the long run. **We reiterate our BUY rating with a TP of INR275 (based on 11x FY27E EV/EBITDA + ~INR19/sh for the NBFC).**

#### Qty Performance (S/A)

	FY24				FY25E				FY24	FY25	4QE	Var. (INR M)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				(%)
Total Volumes (nos)	41,329	49,846	47,071	56,437	43,893	45,624	46,404	59,176	1,94,553	1,95,097	59,176	0.0
Growth %	4.2	10.0	-1.0	-5.5	6.2	-8.5	-1.4	5.1	1.2	0.3	5.1	
Realizations (INR '000)	1,981	1,934	1,970	1,996	1,959	1,922	2,043	2,012	1,972	1,986	2,000	0.6
Change (%)	8.8	6.0	3.8	2.5	-1.1	-0.6	3.7	0.6	4.9	0.7	-0.1	
<b>Net operating revenues</b>	<b>81,893</b>	<b>96,380</b>	<b>92,730</b>	<b>1,12,667</b>	<b>85,985</b>	<b>87,688</b>	<b>94,787</b>	<b>1,19,067</b>	<b>3,83,670</b>	<b>3,87,527</b>	<b>1,18,323</b>	<b>0.6</b>
Change (%)	13.4	16.6	2.7	-3.1	5.0	-9.0	2.2	5.7	6.2	1.0	5.0	
RM/sales %	73.7	73.5	72.2	71.8	72.2	71.2	71.5	70.6	72.7	71.3	71.7	
Staff/sales %	6.6	5.9	6.1	4.9	6.4	6.8	6.4	5.5	5.8	6.2	5.2	
Other exp/sales %	9.7	9.3	9.6	9.1	10.9	10.4	9.4	8.9	9.4	9.8	8.9	
<b>EBITDA</b>	<b>8,208</b>	<b>10,798</b>	<b>11,139</b>	<b>15,921</b>	<b>9,109</b>	<b>10,173</b>	<b>12,114</b>	<b>17,910</b>	<b>46,066</b>	<b>49,306</b>	<b>16,759</b>	<b>6.9</b>
EBITDA Margins(%)	10.0	11.2	12.0	14.1	10.6	11.6	12.8	15.0	12.0	12.7	14.2	90bp
Interest	699	587	616	592	591	607	501	471	2,494	2,169	563	
Other Income	512	475	300	1,179	223	973	247	1,059	2,466	2,503	367	188.8
Depreciation	1,794	1,803	1,785	1,797	1,727	1,754	1,923	1,789	7,178	7,193	1,960	
<b>PBT before EO Item</b>	<b>6,227</b>	<b>8,883</b>	<b>9,039</b>	<b>14,711</b>	<b>7,014</b>	<b>8,785</b>	<b>9,938</b>	<b>16,709</b>	<b>38,859</b>	<b>42,446</b>	<b>14,603</b>	<b>14.4</b>
EO Exp/(Inc)	6	229	6	697	0	-1,174	0	137	937	-1,037	0	
<b>PBT after EO</b>	<b>6,221</b>	<b>8,654</b>	<b>9,033</b>	<b>14,014</b>	<b>7,014</b>	<b>9,958</b>	<b>9,938</b>	<b>16,573</b>	<b>37,922</b>	<b>43,483</b>	<b>14,603</b>	
Effective Tax Rate (%)	7.3	35.2	35.8	35.8	25.1	22.7	23.3	24.8	31.0	24.0	25.7	
<b>Adj PAT</b>	<b>5,768</b>	<b>5,768</b>	<b>5,804</b>	<b>9,485</b>	<b>5,256</b>	<b>6,933</b>	<b>7,617</b>	<b>12,562</b>	<b>26,826</b>	<b>32,355</b>	<b>10,854</b>	<b>15.7</b>
Change (%)	868.8	197.4	62.7	32.7	-8.9	20.2	31.2	32.4	102.5	20.6	14.4	

E: MOFSL Estimates

## Key Performance Indicators

Y/E March	FY24				FY25				FY24	FY25	4QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
M&HCV	26,165	32,086	29,315	37,317	27,885	28,180	30,790	40,491	1,24,753	1,26,031	40491
Dom. M&HCV Mkt sh (%)	31.2	31.9	29.8	31.5	30.7	31.1	30.0	30.2	31.1		37
LCV	15,164	17,760	17,756	19,120	16,008	17,444	16,772	19,206	69,800	69,066	19206
Dom. LCV Mkt sh (%)	10.7	11.0	11.7	11.3	11.1	12.0	11.4	11.4	11.2		12
<b>Total Volumes (nos)</b>	<b>41,329</b>	<b>49,846</b>	<b>47,071</b>	<b>56,437</b>	<b>43,893</b>	<b>45,624</b>	<b>47,562</b>	<b>59,697</b>	<b>1,94,553</b>	<b>1,95,097</b>	<b>59697</b>
AL's CV Market Sh (%)	17.9	18.8	18.5	19.9	18.3	18.9	18.4	20.4			
Realizations (INR '000)	1,981	1,934	1,970	1,996	1,959	1,922	2,043	2,012	1,972	1,986	2000
Growth %	8.8	6.0	3.8	2.5	-1.1	-0.6	3.7	0.6	34.0	42.4	0
<b>Cost Break-up</b>											
RM Cost (% of sales)	73.7	73.5	72.2	71.8	72.2	71.2	71.5	70.6	72.7	71.3	71.7
Staff Cost (% of sales)	6.6	5.9	6.1	4.9	6.4	6.8	6.4	5.5	5.8	6.2	5.2
Other Cost (% of sales)	9.7	9.3	9.6	9.1	10.9	10.4	9.4	8.9	9.4	9.8	8.9
Gross Margin (%)	26.3	26.5	27.8	28.2	27.8	28.8	28.5	29.4	27.3	28.7	28.3
EBITDA Margins (%)	10.0	11.2	12.0	14.1	10.6	11.6	12.8	15.0	12.0	12.7	14.2
EBIT Margins (%)	7.8	9.3	10.1	12.5	8.6	9.6	10.8	13.5	10.1	10.9	12.5

E:MOFSL Estimates



## Key takeaways from the management commentary

### Outlook

- Management expects each of the CV segments to post growth in FY26, aided by favorable indicators, including stable freight rates, fleet operator profitability, and aging of the fleet.
- However, management expects growth to pick up from 2Q over a low base as last year 1Q was a high base.
- Management expects the bus segment to continue to do better than other segments. Within trucks, tractor-trailers are expected to outperform other segments. Also, tipper segment, which has not done well in FY25, is likely to surprise positively this year given that mining and construction activity is back on track.
- Management has indicated that it has reduced dependence on MHCVs over the last few years. The non-MHCV business now contributes to about 50% of AL's revenue with much better profitability; hence, the cyclicity in business revenues. As a result, profitability has reduced over the years. Contribution for non-MHCV business is high and can take care of most of the fixed cost of the company; hence, AL can now break-even despite low MHCV volumes, unlike in the past. This is also illustrated by the fact that while MHCV sales remain static at 114-116k units p.a. over last three years, their margins have improved from 8% to 12.7% in FY25 – aided by higher growth in non-MHCV business and supportive input costs.
- While AL expects spare-parts business to continue to post healthy growth, it expects defense revenue (currently at around INR10b) to double over the next 2-3 years, based on the healthy order backlog.
- Management has indicated that it expects steel prices to inch up from 1Q onward (by INR3-5 per kg) and further in 2Q due to the safeguard duty imposed on steel. Management expects the steel cost pressure to be elevated for 1H and this is likely to normalize from 2H onward. Further, truck prices are likely to increase by about 0.5-2% due to the AC cabin norms to be implemented from Jun'25 onward. AL would take a measured approach to pass on the impact of rising costs based on a competitive environment.

- Management indicated that it is in a substantially strong position from a balance sheet perspective relative to past CV cycles today. It now has a net cash of INR9.5b vs. net debt of INR2b in FY24. Hence, its ability to invest in growth opportunities is much higher.
- FY25 capex stood at INR9.54b and it invested INR2b in subsidiaries in the year. AL targets to invest around INR10b in capex for FY6. It would look to invest about INR1-2b in Switch India, INR3-4b in Ohm Mobility, and it may need to invest a bit in HLFL as well.
- Management continues to maintain its medium-term targets, which include achieving a 35% market share in MHCVs and mid-teens margins, among others.

#### **Update on exports**

- Exports grew 29% in FY25 with improving margins.
- AL would look to set up an assembly line in each of its key target markets.
- It wants to set up an assembly line in Africa.
- AL is also scouting for dealer partners in Indonesia and Thailand to ramp up export base.

#### **Update on Clean fuel trucks**

- The penetration in EV trucks is under 1% currently. However, within this, AL has the highest volume of EV trucks running in India today.
- It also has the widest range in EV trucks after the launch of Boss truck (14-19 T GVW) last year and 55T tractor trailer recently.
- LCV EV adoption is also expected to pick up rapidly to reach 20% by FY30-32. AL has already launched its e-LCV from Switch India. However, the market has not picked up on expected lines as the Govt withdrew the PM e-drive incentives on LCVs.
- AL continues to work on Hydrogen ICE technology and is also expected to launch LNG products soon.

#### **Update on Switch**

- In 4Q, Switch India sold 287 buses and 200 e-LCVs with 12% EBITDA margin. For FY25, this entity achieved 6% EBITDA margin.
- Switch India currently has an order backlog of 1,800 buses.
- The next target for Switch India is to be PAT positive in the coming years; hence, it moves to become self-sufficient from the funding perspective.
- It is currently looking to restructure Switch UK by shifting manufacturing operations elsewhere. This will help to reduce Switch UK losses of GBP2-3m on a monthly basis.

#### **Update on Ohm Mobility**

- It has about 650 buses in operation with 98% uptime.
- It is expected to add about 1,700 buses in operation in FY26, partly from the order backlog in Switch India and the rest from new orders.
- Ohm continues to operate at healthy double-digit IRR, as per management.

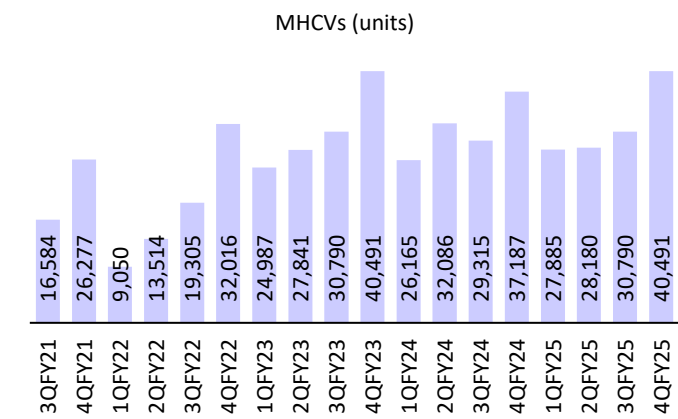
#### **Update on Hinduja Leyland Finance**

- AUM has increased 25% YoY to INR 617b. While the standalone AUM has grown by 24% YoY to INR480b, the same for Hinduja Housing Finance has grown 31% YoY to INR140b.
- Revenue has grown 35% YoY to INR62.8b and PAT has grown 21% YoY.
- Asset quality is good with GNPA at 3.5% and NNPA at 2.1%, improved YoY.
- HLFL listing has got delayed as it awaits a few critical regulatory approvals.

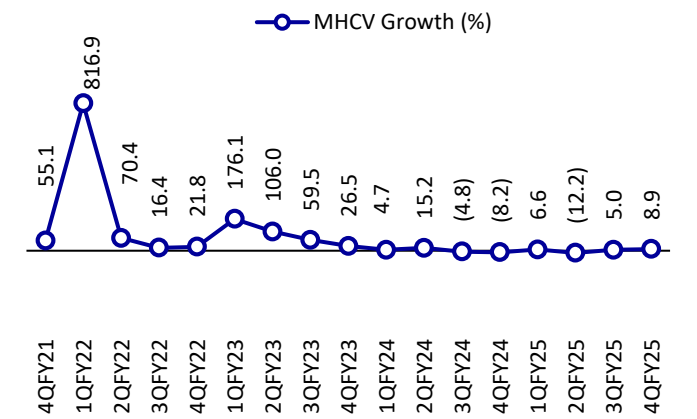
#### **Other highlights**

- AL has added 108 MHCV touchpoints and 106 in LCVs, taking the total to 1,889 as of FY25 end. Most of these have been added in North and East markets to gain share.
- AL ranks No 1 in dealer satisfaction survey in domestic MHCVs and No 2 in customer and sales satisfaction index.
- AL has seen a sharp reduction in working capital, led by: 1) reduction in finished goods inventory to around 7k units from an avg of around 9k units in prior years, 2) started moving to cash-and-carry model by reducing credit available to dealers. It is now shifting to a pull-based inventory replenishment model, which is expected to further help reduce working capital needs going forward.
- With a net cash position and reduced debt, both interest and other income are expected to move favorably in the coming years.

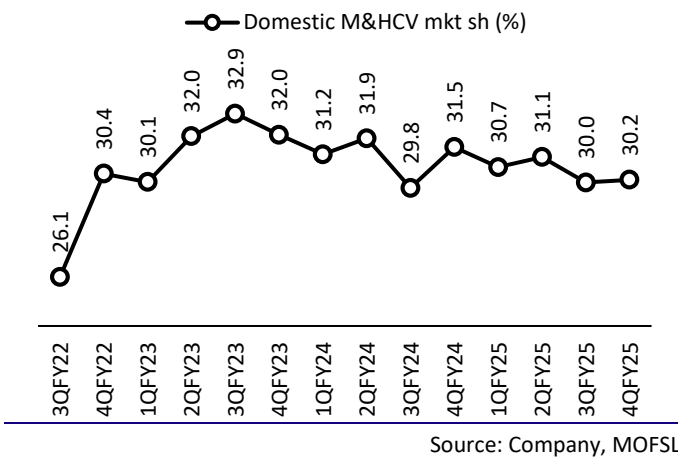
**Exhibit 1: M&HCV sales trend**



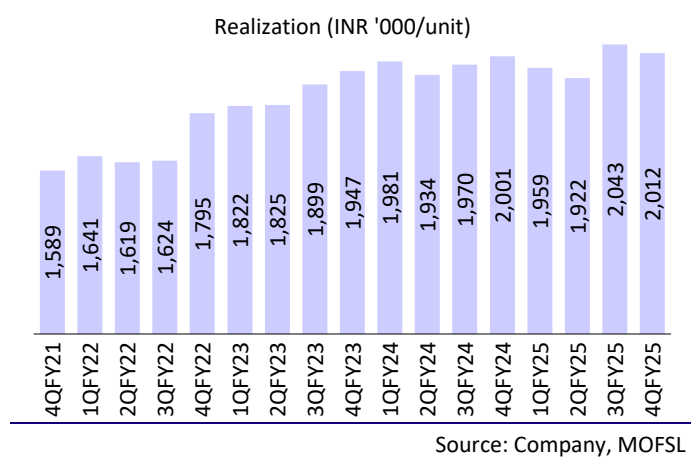
**Exhibit 2: Growth trend in M&HCV**



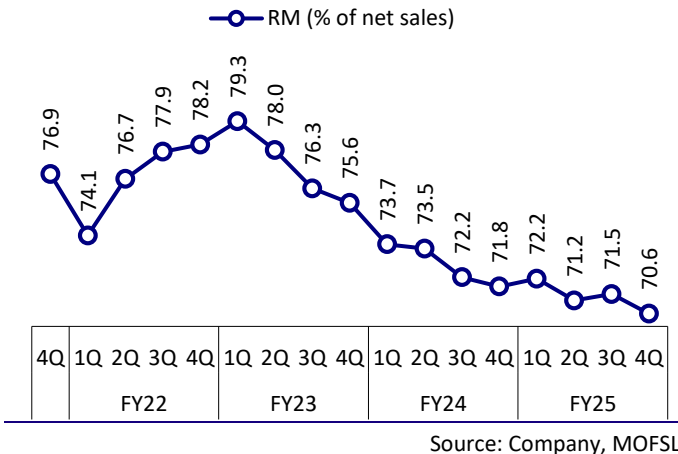
**Exhibit 3: Domestic M&HCV market share trend**



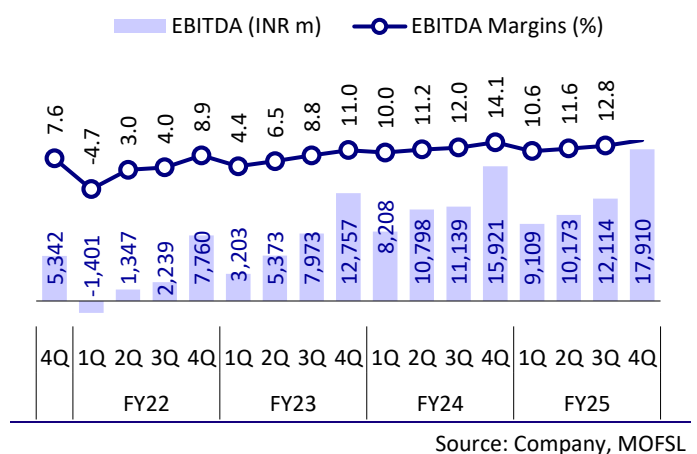
**Exhibit 4: Realization trend**



**Exhibit 5: Trend in RM costs**



**Exhibit 6: Trends in EBITDA and EBITDA margin**



## Valuation and view

- **Focus on reducing business cyclicalities:** Over the years, AL has done well to reduce its business cyclicalities by focusing on non-MHCV segments, such as LCV (11% of sales), Spares (9%), Exports (5%), and Defense (2%). Some of its critical targets in these segments include: 1) a medium-term goal to achieve a 25% share in the LCV sub-segment (2-3.5T), up from 20% currently; 2) having already doubled its revenue in spares over the last five years, the next objective is to further double its revenue over the medium term; 3) increasing its presence in exports through new launches and expanding its footprint in key regions; and 4) the potential to significantly scale up its defense business, aided by the government's 'Make in India' initiative.
- **CV demand likely to revive after near-term hiccups:** The underlying long-term demand drivers remain intact, as: 1) the average fleet age has increased to a record high of over 10 years, which is likely to fuel healthy replacement demand; 2) fleet operators' profitability remains strong with healthy utilization levels; 3) the fleet sentiment index remains positive; and 4) political stability means continued infrastructure push in the coming years. Taking these factors into consideration, there is a strong indication that the CV industry is poised for a recovery in demand, especially from FY26. We expect AL's MHCV goods volume to report ~5% CAGR over FY25-27E.
- **Strategy in place to gain market share in key segments:** On the back of the first-of-its-kind modular platform, AL has made significant strides in the MHCV Goods category, achieving ~30% market share in FY25 vs. ~28% in FY21. AL has earmarked an ambitious target to achieve a 35% share in the medium term. Even in the LCV Goods segment, AL has set a target to ramp up its market share to 25% (from 20% currently) in the 2-3.5T segment. This growth is likely to be driven by the launch of new products and the resultant expansion of its addressable market, which currently stands at just under 50%, with the goal of increasing it to 85% in future.
- **Aiming for profitable growth:** One of the key factors in the CV industry has been the healthy pricing discipline that the sector has maintained, which is visible over the last couple of years. Beyond this, AL aims to improve its medium-term margins to mid-teen levels, fueled by: 1) growth in the non-MHCV business (including LCVs, defense, spares, etc.), which will also help to reduce its business cyclicalities; and 2) value engineering backed by Industry 4.0 and optimizing automation wherever feasible. However, we also remain cognizant of the fact that input costs are likely to rise in 1HFY25. Hence, while we factor in some margin pressure for AL for FY26, we expect FY27 margins to improve by 50bp vs. FY25, led by its various initiatives highlighted above.
- **Valuation and view:** We expect CV demand to recover in FY26E, driven by favorable factors highlighted above. Over the years, AL has done well to reduce its business cyclicalities by focusing on non-MHCV segments. Further, a net cash position would help AL invest in growth avenues in the coming years. Its focus on improving margins should bode well for returns in the long run. **We reiterate our BUY rating with a TP of INR275 (based on 11x FY27E EV/EBITDA + ~INR19/sh for the NBFC).**



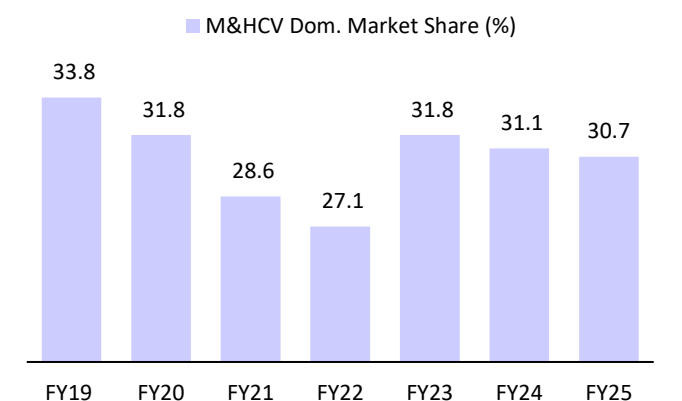
## Exhibit 7: Our revised estimates

INR m	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	207	207	0.0	220	220	0.0
Net Sales	4,17,843	4,18,881	-0.2	4,52,709	4,53,837	-0.2
EBITDA	51,331	51,899	-1.1	59,919	57,375	4.4
EBITDA margins (%)	12.3	12.4	-10bp	13.2	12.6	60bp
Net Profit	33,597	33,730	-0.4	40,001	38,128	4.9
EPS (INR)	11.4	11.5	-0.4	13.6	13.0	4.9

Source: MOFSL

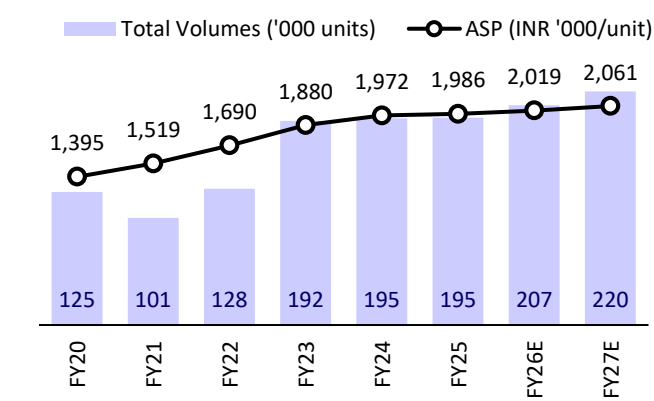
## Story in charts

### Exhibit 8: AL's market share trend



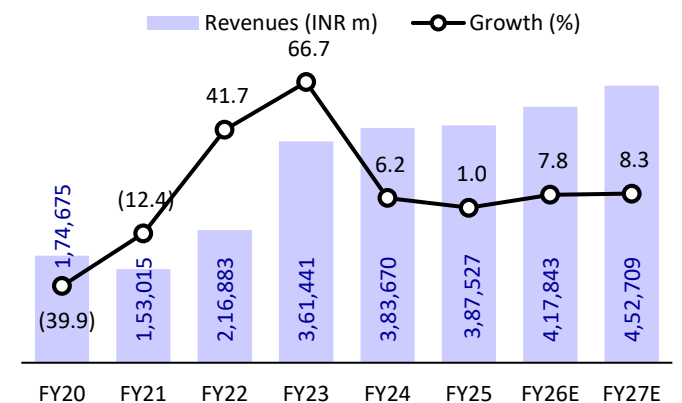
Source: Company, MOFSL

### Exhibit 9: Volume and realization growth trends



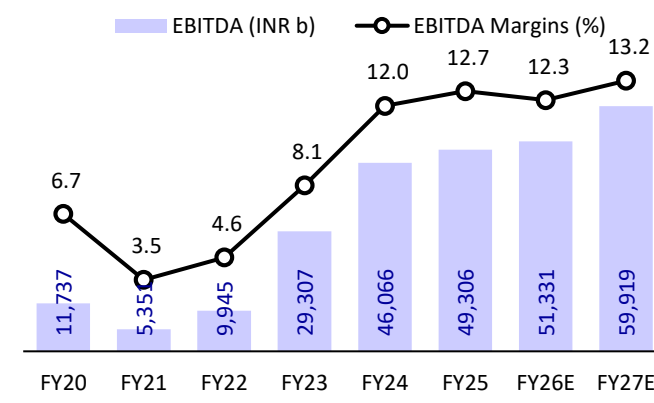
Source: Company, MOFSL

### Exhibit 10: Revenue growth trend



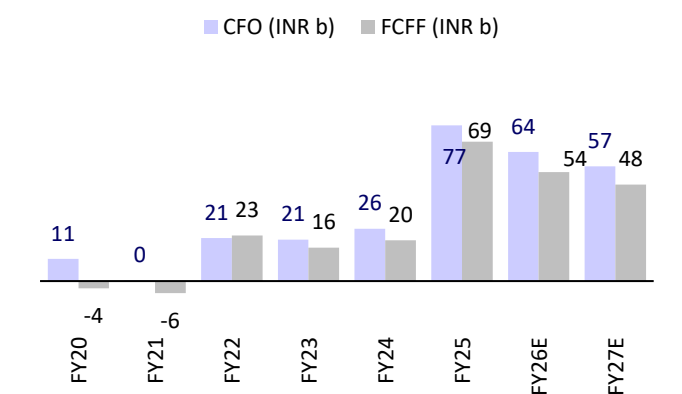
Source: Company, MOFSL

### Exhibit 11: EBITDA and EBITDA margin trends



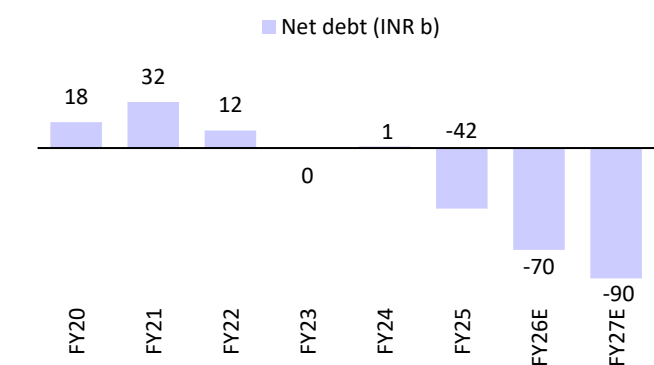
Source: Company, MOFSL

### Exhibit 12: CFO and FCFF trends



Source: Company, MOFSL

### Exhibit 13: AL became net cash from FY24



Source: Company, MOFSL



## Financials and valuations

Income Statement							(INR M)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Volumes ('000 units)	125	101	128	192	195	195	207	220
Growth (%)	-36.5	-19.6	27.4	49.8	1.3	0.3	6.1	6.1
<b>Net Operating Income</b>	<b>1,74,675</b>	<b>1,53,015</b>	<b>2,16,883</b>	<b>3,61,441</b>	<b>3,83,670</b>	<b>3,87,527</b>	<b>4,17,843</b>	<b>4,52,709</b>
Change (%)	-39.9	-12.4	41.7	66.7	6.2	1.0	7.8	8.3
<b>EBITDA</b>	<b>11,737</b>	<b>5,351</b>	<b>9,945</b>	<b>29,307</b>	<b>46,066</b>	<b>49,306</b>	<b>51,331</b>	<b>59,919</b>
EBITDA Margins (%)	6.7	3.5	4.6	8.1	12.0	12.7	12.3	13.2
Depreciation	6,698	7,477	7,528	7,320	7,178	7,193	7,748	8,160
<b>EBIT</b>	<b>5,039</b>	<b>-2,126</b>	<b>2,418</b>	<b>21,987</b>	<b>38,888</b>	<b>42,112</b>	<b>43,583</b>	<b>51,758</b>
Interest & Fin. Charges	1,095	3,068	3,011	2,891	2,494	2,169	1,327	1,014
Other Income	1,233	1,195	761	1,161	2,466	2,503	2,540	2,590
<b>PBT</b>	<b>3,619</b>	<b>-4,119</b>	<b>5,276</b>	<b>21,104</b>	<b>37,922</b>	<b>43,483</b>	<b>44,795</b>	<b>53,334</b>
Tax	1,224	(982)	(142)	7,303	11,743	10,450	11,199	13,334
Effective Rate (%)	33.8	23.8	-2.7	34.6	31.0	24.0	25.0	25.0
<b>Rep. PAT</b>	<b>2,395</b>	<b>-3,137</b>	<b>5,418</b>	<b>13,801</b>	<b>26,179</b>	<b>33,033</b>	<b>33,597</b>	<b>40,001</b>
Change (%)	-87.9	-231.0	-272.7	154.7	89.7	26.2	1.7	19.1
<b>Adjusted PAT</b>	<b>3,426</b>	<b>-3,045</b>	<b>172</b>	<b>13,248</b>	<b>26,826</b>	<b>32,245</b>	<b>33,597</b>	<b>40,001</b>
Change (%)	-83.1	-188.9	-105.7	7,587.8	102.5	20.2	4.2	19.1

Balance Sheet							(INR M)	
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Sources of Funds</b>								
Share Capital	2,936	2,936	2,936	2,936	2,936	2,937	2,937	2,937
Reserves	69,704	66,837	70,434	81,322	85,167	1,12,251	1,26,761	1,44,738
<b>Net Worth</b>	<b>72,640</b>	<b>69,772</b>	<b>73,369</b>	<b>84,258</b>	<b>88,104</b>	<b>1,15,188</b>	<b>1,29,697</b>	<b>1,47,674</b>
Loans	30,648	37,163	35,071	32,248	22,994	14,817	9,317	8,317
Deferred Tax Liability	2,648	1,708	1,444	5,035	5,563	5,479	7,719	10,385
<b>Capital Employed</b>	<b>1,05,936</b>	<b>1,08,642</b>	<b>1,09,884</b>	<b>1,21,541</b>	<b>1,16,661</b>	<b>1,35,484</b>	<b>1,46,733</b>	<b>1,66,377</b>
<b>Application of Funds</b>								
Gross Fixed Assets	91,913	1,01,269	1,03,773	1,07,732	1,09,936	1,16,066	1,26,066	1,35,066
Less: Depreciation	28,376	35,264	41,626	48,470	54,917	62,110	69,859	78,019
<b>Net Fixed Assets</b>	<b>63,537</b>	<b>66,005</b>	<b>62,146</b>	<b>59,262</b>	<b>55,019</b>	<b>53,956</b>	<b>56,208</b>	<b>57,047</b>
Capital WIP	5,941	3,719	1,943	1,325	2,015	4,248	4,248	4,248
Goodwill	4,499	4,499	4,499	4,499	4,499	4,499	4,499	4,499
Investments	27,196	30,687	48,196	66,636	55,598	86,730	1,01,730	1,31,730
<b>Curr.Assets, L &amp; Adv.</b>	<b>62,723</b>	<b>79,590</b>	<b>86,554</b>	<b>94,194</b>	<b>1,18,987</b>	<b>1,05,826</b>	<b>1,20,857</b>	<b>1,21,410</b>
Inventory	12,380	21,423	20,752	27,745	31,907	29,573	32,054	34,728
Sundry Debtors	11,804	28,163	31,111	40,627	35,699	28,873	32,054	34,728
Cash & Bank Balances	12,790	5,301	9,943	4,541	19,419	26,598	39,578	33,349
Loans & Advances	25,748	24,702	24,749	21,281	31,962	20,782	17,172	18,604
<b>Current Liab. &amp; Prov.</b>	<b>57,960</b>	<b>75,857</b>	<b>93,454</b>	<b>1,04,375</b>	<b>1,19,457</b>	<b>1,19,774</b>	<b>1,40,808</b>	<b>1,52,557</b>
Sundry Creditors	26,239	51,647	68,752	71,751	63,052	73,047	78,990	85,581
Other Liabilities	23,666	17,665	17,997	22,238	42,657	31,386	46,936	50,852
Provisions	8,055	6,545	6,705	10,385	13,748	15,341	14,882	16,124
<b>Application of Funds</b>	<b>1,05,936</b>	<b>1,08,642</b>	<b>1,09,884</b>	<b>1,21,541</b>	<b>1,16,661</b>	<b>1,35,484</b>	<b>1,46,733</b>	<b>1,66,377</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>1.2</b>	<b>-1.0</b>	<b>0.1</b>	<b>4.5</b>	<b>9.1</b>	<b>11.0</b>	<b>11.4</b>	<b>13.6</b>
EPS Growth (%)	-83.1	-188.9	-105.7	7,586.2	102.5	20.2	4.2	19.1
Cash EPS	3.4	1.5	2.6	7.0	11.6	13.4	14.1	16.4
Book Value per Share	24.7	23.8	25.0	28.7	30.0	39.2	44.2	50.3
DPS	0.5	0.6	1.0	2.6	5.0	6.3	6.5	7.5
Div. Payout (%)	51.5	-57.8	1,703.5	57.6	54.2	56.9	56.8	55.1
<b>Valuation (x)</b>								
P/E	205.3	-231.0	4,081.6	53.1	26.2	21.8	20.9	17.6
Cash P/E	69.5	158.7	91.3	34.2	20.7	17.8	17.0	14.6
EV/EBITDA	61.4	137.4	71.9	24.0	15.3	13.4	12.3	10.2
EV/Sales	4.1	4.8	3.3	1.9	1.8	1.7	1.5	1.4
Price to Book Value	9.7	10.1	9.6	8.3	8.0	6.1	5.4	4.8
Dividend Yield (%)	0.2	0.3	0.4	1.1	2.1	2.6	2.7	3.1
<b>Profitability Ratios (%)</b>								
ROE	4.4	-4.3	0.2	16.8	31.1	31.7	27.4	28.8
RoCE	3.4	-1.5	2.3	12.4	22.5	25.4	23.2	24.8
<b>Turnover Ratios</b>								
Debtors (Days)	25	67	52	41	34	27	28	28
Inventory (Days)	26	51	35	28	30	28	28	28
Creditors (Days)	55	123	116	72	60	69	69	69
Working Capital (Days)	-4	-5	-28	-3	4	-14	-13	-13
Fixed-Asset Turnover (x)	2.7	2.3	3.5	6.1	7.0	7.2	7.4	7.9
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	0.2	0.5	0.2	0.0	0.0	-0.4	-0.5	-0.6

### Cash flow Statement

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
<b>(INR M)</b>								
OP/(Loss) before Tax	3,619	-4,119	5,276	21,104	37,922	43,483	43,583	51,758
Int/Div Received	-756	-945	-220	-404	-1,362	-888	2,540	2,590
Depreciation	6,698	7,477	7,528	7,320	7,178	7,193	7,748	8,160
Direct Taxes Paid	-941	779	714	-4,002	-6,245	-9,407	-8,959	-10,667
(Inc)/Dec in Work Cap.	-1,756	-6,058	15,696	-4,265	-15,229	37,407	18,982	4,967
Other Items	4,105	3,198	-7,633	762	3,705	-631	0	0
<b>CF from Oper. Activity</b>	<b>10,969</b>	<b>332</b>	<b>21,361</b>	<b>20,514</b>	<b>25,968</b>	<b>77,157</b>	<b>63,894</b>	<b>56,809</b>
Extra-ordinary Items	-1,558	-120	5,108	846	-937	1,037	0	0
<b>CF after EO Items</b>	<b>9,411</b>	<b>211</b>	<b>26,469</b>	<b>21,360</b>	<b>25,031</b>	<b>78,194</b>	<b>63,894</b>	<b>56,809</b>
(Inc)/Dec in FA+CWIP	-12,923	-6,166	-3,933	-4,884	-4,815	-9,243	-10,000	-9,000
<b>Free Cash Flow</b>	<b>-3,512</b>	<b>-5,954</b>	<b>22,536</b>	<b>16,477</b>	<b>20,217</b>	<b>68,951</b>	<b>53,894</b>	<b>47,809</b>
<b>CF from Inv. Activity</b>	<b>-21,775</b>	<b>-9,752</b>	<b>-14,589</b>	<b>-17,345</b>	<b>9,021</b>	<b>-40,779</b>	<b>-25,000</b>	<b>-39,000</b>
Inc/(Dec) in Debt	25,655	4,780	-2,721	-3,918	-9,096	-8,353	-5,500	-1,000
Interest Rec./(Paid)	-1,463	-2,720	-2,755	-2,598	-2,461	-1,491	-1,327	-1,014
Dividends Paid	-12,702	0	-1,761	-2,936	-7,634	-20,408	-19,087	-22,024
<b>CF from Fin. Activity</b>	<b>11,490</b>	<b>2,060</b>	<b>-7,238</b>	<b>-9,402</b>	<b>-19,175</b>	<b>-30,235</b>	<b>-25,915</b>	<b>-24,038</b>
<b>Inc/(Dec) in Cash</b>	<b>-874</b>	<b>-7,481</b>	<b>4,643</b>	<b>-5,387</b>	<b>14,878</b>	<b>7,181</b>	<b>12,979</b>	<b>-6,229</b>
Add: Beginning Balance	13,665	12,782	5,300	9,928	4,541	19,417	26,598	39,577
<b>Closing Balance</b>	<b>12,790</b>	<b>5,301</b>	<b>9,943</b>	<b>4,541</b>	<b>19,418</b>	<b>26,598</b>	<b>39,577</b>	<b>33,349</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

#### Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies).  
MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.  
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.  
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.  
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.  
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).

6. MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
10. MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:

financial interest in the subject company

actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.

received compensation/other benefits from the subject company in the past 12 months

any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

acted as a manager or co-manager of public offering of securities of the subject company in past 12 months

be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)

received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj

Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.