

# Hero MotoCorp

Estimate change



TP change



Rating change



Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USDb)	610 / 7.3
52-Week Range (INR)	3275 / 2246
1, 6, 12 Rel. Per (%)	2/17/10
12M Avg Val (INR M)	1621

## Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	338.1	374.2	407.4
EBITDA	39.9	52.4	57.2
Adj. PAT	29.1	40.2	42.7
Adj. EPS (INR)	145.6	201.0	213.2
EPS Gr. (%)	17.7	38.0	6.1
BV/Sh. (INR)	836	930	1,034

## Ratios

RoE (%)	17.9	22.8	21.7
RoCE (%)	17.6	22.3	21.3
Payout (%)	68.7	52.2	51.6

## Valuations

P/E (x)	20.9	15.2	14.3
P/BV (x)	3.6	3.3	3.0
Div. Yield (%)	3.3	3.4	3.6
FCF Yield (%)	3.3	6.0	7.0

## Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	34.8	34.8	34.8
DII	29.2	27.3	26.9
FII	26.8	28.1	27.8
Others	9.3	9.9	10.5

FII Includes depository receipts

**CMP: INR3,052**

**TP: INR3,850 (+26%)**

**Buy**

## Inline operating performance

### Looking to ramp up total production of HD and Karizma to 10k/month soon

- Hero MotoCorp's 2Q operating performance was in line, while higher 'other income' drove PAT beat. During the initial 17 days of the festive season, HMCL experienced a volume growth of ~15% YoY, driven by the resurgence in rural demand. The order back log for HD X440 stands at ~25k units, which are set to be fulfilled over the next four months. It aims to ramp up production capacity to 10k units/month together for HD and Karizma.
- We raise our FY24/25E EPS estimate by ~7%/5% to factor in for better product mix and higher other income. We reiterate our BUY rating on the stock with a TP of INR3,850 (16x Sep'25E EPS + INR226/INR116 for Hero FinCorp/Ather after a 20% holding company discount).

### 2QFY24 EBITDA margin for ICE at ~15%, deployed 90bp behind EVs

- 2QFY24 revenue/EBITDA/PAT grew 4%/28%/47% YoY to INR94.5b/INR13.3b/INR10.5b (vs. est. INR92.5b/12.7b/9.4b). 1HFY24 revenue/EBITDA/Adj PAT grew 4%/28%/49% YoY.
- Net realizations grew 5% YoY to INR66.7k (vs. est. INR65.3k). Volumes declined 1% YoY.
- Gross margins expanded 340bp YoY (up 80bp QoQ) to 31.4% (vs. est. 30.9%), owing to lower commodity costs and a favorable product mix.
- However, despite higher-than-estimated 'other expenses' (up 70bp YoY/up 100bp QoQ; as a % of sales) offsetting gross margins gains, EBITDA margins expanded 260bp YoY (up 30bp QoQ) to 14.1% (vs. est. 13.7%). EBITDA grew 28% YoY to INR13.3b (vs. est. INR12.7b).
- Further, higher-than-estimated 'other income' boosted adj. PAT, which grew 47% YoY to INR10.5b (vs. est. INR9.4b).
- CFO for 1HFY24 stood at INR10.8b (vs. INR4.5b in 1HFY23), led by strong operating performance. Capex for 1HFY24 was INR3.1b (vs. INR2.3b in 1HFY23). FCF was at INR7.8b (vs. INR2.2b in 1HFY23).

### Highlights from the management commentary

- Festival demand-** Within the first 17 days, HMCL has grown 15% compared to the previous festive season. Furthermore, the industry as a whole is thriving. The company has devised a comprehensive strategy encompassing its entire product portfolio. Rural demand has picked up as well. In the last two to three years, the mix had slightly tilted toward the urban segment. Now, it has evenly balanced out, indicating the recovery in rural segment. After the festivals, increased demand owing to the marriage season is expected to fuel growth for HMCL.
- Premium: HD/Karizma has order backlog of ~25k/14k units.** Planning to ramp up production capacity between HD and Karizma to 10k units/month in phase-1. Hero 2.0- currently has 200 stores and plans to get to 500 stores in the next six months.

Jinesh Gandhi - Research analyst (Jinesh@MotilalOswal.com)

Research analyst: Amber Shukla (Amber.Shukla@MotilalOswal.com) | Aniket Desai (Aniket.Desai@motilalosal.com)

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

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- **Electric 2W- EVs are holding a 5% volume share** even in the festive season, which indicates increasing adoption of EVs in the rural areas. Vida has breached the milestone of 2k units in monthly sales. This figure is anticipated to rise even further in the coming months. The company's objective is to extend its presence to more than 100 cities by December'23 and diversify its product offerings by introducing new models at various price points in FY25. Currently, the production run rate stands at ~1k units/week.
- **Believe industry is in the Margin recovery phase- In 2Q**, the ICE margin was 15%, with 90bp allocated towards EV initiatives. However, as of now, the EV segment has not achieved a positive outcome, even at the gross profit level.

#### Valuation and view

- We expect a noticeable recovery in the domestic 2W demand to persist. This resurgence is primarily attributed to steady demand in urban markets, improved uptake in rural areas, healthy festive growth, and a lower base from the previous year. In addition to these factors, the stability in RM prices and operational cost savings are expected to contribute to an earnings CAGR of ~21% over FY23-25E.
- HMCL is a pure play in the domestic 2W industry, with its stronghold in the 100cc motorcycle segment. The company has low vulnerability to EVs due to its limited reliance on the scooter segment, which accounts for only 8% of its total volumes. Additionally, its core product, the 100CC Motorcycle is less susceptible to the impact of EVs.
- The stock currently trades at ~15.2x/14.3x FY24E/FY25E EPS. We reiterate our BUY rating with a TP of INR3,850 (16x Sep'25E EPS + INR226/INR116 for Hero FinCorp/Ather after 20% holding company discount).

#### Quarterly Performance-SA

(INR Billion)

Y/E March	FY23				FY24E				FY23	FY24E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Total Volumes ('000 nos)	1,390	1,428	1,240	1,270	1,353	1,417	1,470	1,414	5,329	5,653	1,417
Growth YoY (%)	35.7	-0.7	-4.1	6.9	-2.7	-0.8	18.6	11.3	7.8	6.1	-0.8
Net Realization	60,370	63,545	64,782	65,382	64,819	66,680	66,847	66,304	63,443	66,184	65,305
Growth YoY (%)	12.7	8.1	6.2	4.7	7.4	4.9	3.2	1.4	7.3	4.3	2.8
<b>Net Op Revenues</b>	83.9	90.8	80.3	83.1	87.7	94.5	98.3	93.8	338.1	374.2	<b>92.5</b>
Growth YoY (%)	53.0	7.4	1.9	11.9	4.5	4.1	22.3	12.9	15.6	10.7	1.9
RM Cost (% sales)	72.8	72.0	69.4	68.0	69.4	68.6	68.8	68.9	70.6	68.9	69.1
Staff Cost (% sales)	6.4	6.0	6.8	6.7	6.6	6.1	6.1	6.2	6.5	6.2	6.4
Other Exp (% sales)	9.6	10.6	12.3	12.3	10.3	11.2	11.0	10.9	11.2	10.9	10.8
<b>EBITDA</b>	9.4	10.4	9.2	10.8	12.1	13.3	13.9	13.1	39.9	52.4	<b>12.7</b>
Growth YoY (%)	82.7	-2.6	-3.7	30.9	28.2	27.9	50.4	21.1	0.0	0.0	<b>22.3</b>
EBITDA Margins (%)	11.2	11.4	11.5	13.0	13.8	14.1	14.1	14.0	11.8	14.0	13.7
Other Income	0.5	0.9	1.8	2.4	2.2	2.5	1.9	1.7	5.7	8.3	2
Interest	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0
Depreciation	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.8	6.6	7.0	2
<b>PBT before EO Exp/(Inc)</b>	8.2	9.6	9.4	11.5	12.5	14.0	14.0	12.9	38.7	53.4	<b>12.4</b>
Effective Tax Rate (%)	24.2	25.7	24.4	25.1	24.7	24.6	24.7	24.8	24.9	24.7	24.8
<b>Adj. PAT</b>	6.2	7.2	7.1	8.6	9.5	10.5	10.5	9.7	29.1	40.2	<b>9.4</b>
Growth (%)	70.9	-9.9	3.6	37.0	51.3	47.2	48.0	13.2	17.7	38.2	30.7

**Key Performance Indicators**

Y/E March	FY23				FY24E				FY23	FY24E	2QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Volumes ('000 units)	1,390.2	1,428.2	1,239.7	1,270.5	1,352.6	1,416.5	1,469.8	1,414.4	5,328.5	5,653.3	1,417
Growth (%)	35.7	-0.7	-4.1	6.9	-2.7	-0.8	18.6	11.3	1.2	1.2	-0.8
Dom. 2W Mkt Sh (%)	35.7	29.7	31.3	34.3	31.8	29.7	NA	NA	32.5		
<b>Net Realization (INR/unit)</b>	60,370	63,545	64,782	65,382	64,819	66,680	66,847	66,304	63,443	66,184	65,305
Growth YoY (%)	12.7	8.1	6.2	4.7	7.4	4.9	3.2	1.4	7.3	4.3	2.8
RM Cost (% of sales)	72.8	72.0	69.4	68.0	69.4	68.6	68.8	68.9	70.6	68.9	69.1
Staff Cost (% of sales)	6.4	6.0	6.8	6.7	6.6	6.1	6.1	6.2	6.5	6.2	6.4
Other Cost (% of sales)	9.6	10.6	12.3	12.3	10.3	11.2	11.0	10.9	11.2	10.9	10.8
Gross Margins (%)	27.2	28.0	30.6	32.0	30.6	31.4	31.2	31.1	29.4	31.1	30.9
EBITDA Margins (%)	11.2	11.4	11.5	13.0	13.8	14.1	14.1	14.0	11.8	14.0	13.7
EBIT Margins (%)	9.3	9.6	9.5	11.0	11.8	12.2	12.3	12.0	9.8	12.1	11.9

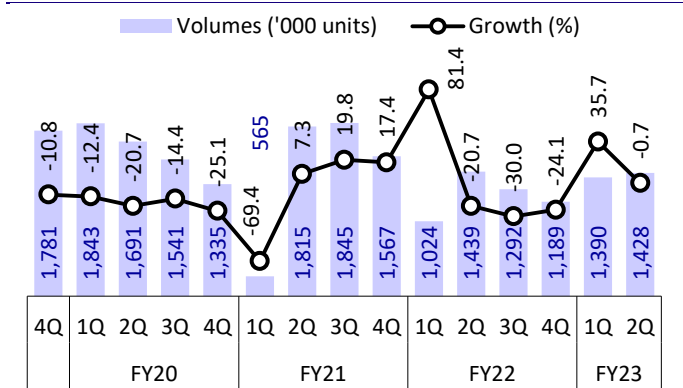
E:MOFSL Estimates

**Key takeaways from the management commentary**

- **Festival demand-** Within the first 17 days, HMCL has grown 15% compared to the previous festive season. Furthermore, the industry as a whole is thriving. The company has devised a comprehensive strategy encompassing its entire product portfolio. Rural demand has picked up as well.
- **Demand outlook-** Momentum is building up. Following the festive season, the demand from the marriage is anticipated to fuel growth for HMCL. Over the last 2-3 years, there has been a slight shift in the market mix toward urban areas. However, the current balance suggests a recovery in rural markets. In terms of exports, the company's primary markets include Bangladesh and Colombia. Additionally, there are promising prospects in emerging markets such as Nigeria, Mexico, and Turkey. While 2Q showed sequential improvement, geopolitical challenges need to be watched out for.
- **Premium: HD/Karizma has order backlog of 25l/14k units respectively.**
  - **Started delivery of HD across 100 stores** and has delivered 2k units so far. The current order book is over 25k units. This is expected to be served over the next four months.
  - **Hero 2.0-** Currently, it has 200 stores (from 20 stores in march) in seven months and plans to get to 500 stores in the next 6 months. Expects more product launches over the next 4-6 quarters.
  - Planning to ramp up production capacity between Harley and Karizma to 10k units per month by phase-1. Profitability in the segment is better as the segment is expected to add higher merchandizing revenue in the future.
- **Electric 2W- EVs are holding 5% volume share even in the festive season,** which indicates increasing adoption of EVs in rural areas.
  - **Vida has breached the milestone of 2k units in monthly sales.** This figure is anticipated to rise even further in the coming months. The company's objective is to extend its presence to more than 100 cities by December'23 and diversify its product offerings by introducing new models at various price points in FY25.
  - **Current production run rate is ~1k units/week.** Infrastructure development is happening at a rapid pace. The company is also bringing its exclusive Vida dealership starting from Pune.

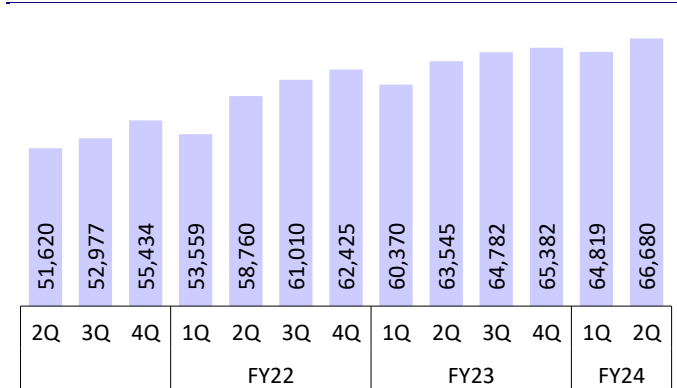
- **Believe industry is in the Margin recovery phase-**
  - The company has not taken price hikes higher than the industry. Margin expansion will be aided by operating leverage and it will be deployed toward new launches.
  - 2Q ICE margin was 15% and 90bp was deployed toward EV. As of now, EV is not positive even at the gross profit level.
- **Ather- HMCL currently holds 37.5% stake.** It is working on different synergies. The company has collaborated in the development of a two-wheeler fast charging connector, which has now become a widely accepted industry standard. Also, it is working on improving the supply chain area.
- **Others operating items**
  - XTec mix is a 20% of overall volumes and ~33% in Xtec variants.
  - Spare parts, accessories, and merchandise business reported a revenue of INR13.54b. This growth is coming from parts business, oil, and some new addition in tyres. The company is also working on expanding the distribution. Also, reported sales of INR5b in October.
  - Channel stock is expected to come down to 4-6 weeks after the festive season.
- Adhering to annual capex guidance of INR10b.

**Exhibit 1: Trend in volumes**



Source: SIAM

**Exhibit 2: Trend in blended realizations**



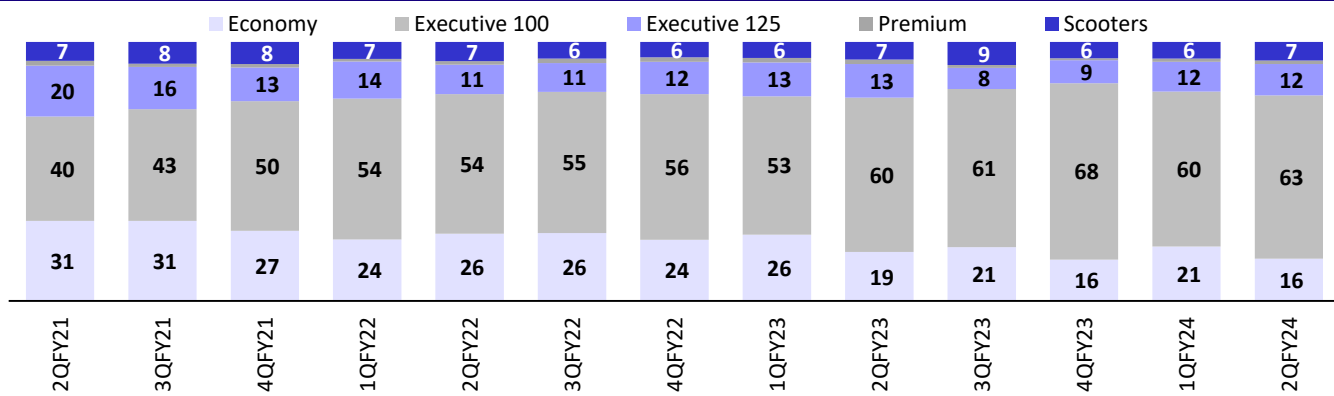
Source: Company, MOFSL

**Exhibit 3: Trend in segmental mix ('000 units)**

	2QFY24	2QFY23	YoY %	1QFY24	QoQ %	FY24E	FY23	YoY %
<b>Total Motorcycles</b>	<b>1,303</b>	<b>1,332</b>	<b>-2.2</b>	<b>1,263</b>	<b>3.2</b>	<b>5,247</b>	<b>4,959</b>	<b>5.8</b>
% of total	92.2	93.3		93.4		92.8	93.0	
<b>Scooters</b>	<b>109</b>	<b>96</b>	<b>14.2</b>	<b>90</b>	<b>21.7</b>	<b>406</b>	<b>372</b>	<b>9.1</b>
% of total	7.8	6.7		6.6		7.2	7.0	
<b>Total 2Ws</b>	<b>1,412</b>	<b>1,428</b>	<b>-1.1</b>	<b>1,353</b>	<b>4.4</b>	<b>5,653</b>	<b>5,331</b>	<b>6.0</b>
Of which exports	49	39	24.3	35	37.4	181	173	4.9
% of total	3.4	2.7		2.6		3.2	3.2	

Source: Company, MOFSL

Exhibit 4: Segment-wise contribution in product mix



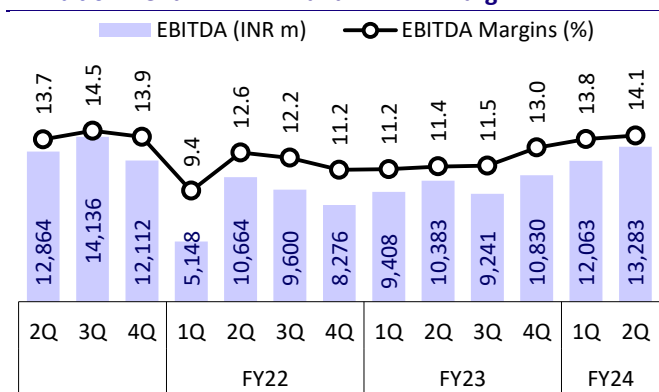
Source: SIAM

Exhibit 5: Trend in Market Share

Segment	2QFY24	2QFY23	Chg YoY (BP)	1QFY24	Chg QoQ (BP)
Economy	42.1	43.5	-140	49.9	-780
Executive - 100	97.3	92.8	440	100.0	-270
Executive - 125	20.5	22.2	-170	20.0	60
Premium	2.6	5.0	-240	2.5	20
<b>Dom. Motorcycles</b>	<b>43.4</b>	<b>43.2</b>	<b>20</b>	<b>45</b>	<b>-160</b>
Dom. Scooters	4.7	6.0	-130	3.9	90
<b>Total 2W (Domestic M.S.)</b>	<b>29.7</b>	<b>29.7</b>	<b>-10</b>	<b>31.8</b>	<b>-210</b>

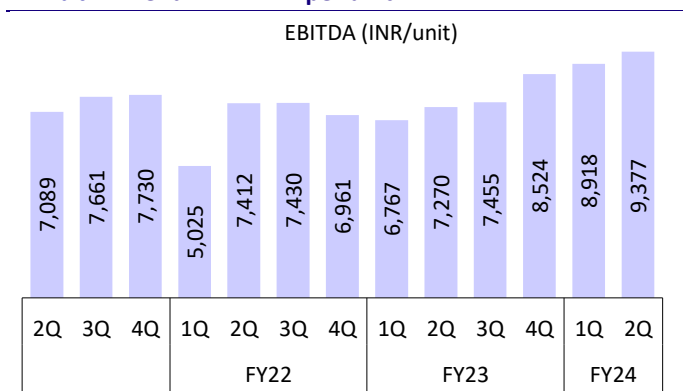
Source: SIAM, MOFSL

Exhibit 6: Trend in EBITDA and EBITDA margin



Source: Company, MOFSL

Exhibit 7: Trend in EBITDA per unit



Source: Company, MOFSL

**Valuation and view**

- **We estimate an 8-10% CAGR in 2W industry volumes** over FY23-25, driven by higher penetration in rural markets and replacement demand in urban markets. We expect HMCL to deliver a volume CAGR of 7% over FY23-25, driven by 1) its increased competitiveness in the Economy and the Executive segment after the recent launches, 2) growth in the Premium segment, 3) faster growth in Scooters, and 4) a ramp-up in exports. The company will benefit from a rural recovery, with strong brand equity in the Economy and Executive segments. It is expanding its presence in the fast-growing Scooters and Premium Motorcycle segments, which will further drive volume growth.
- **HMCL to benefit from a strong Economy, Executive portfolio, and newer launches in the premium segment:** It is poised for a faster recovery vs. other 2W peers due to its rural-focused portfolio and market leadership in the Entry

and Executive segments. Its newest co-developed product with Harley Davidson, HD X440 has received a strong response with over 25k bookings. We are seeing more traction in its core Executive segment (Splendor and Passion) due to a decrease in the percentage-wise price differential between the Entry and Executive models. Any improvement in its competitive positioning within the Scooters, Premium Motorcycles, or EV segments will serve as catalysts for re-rating.

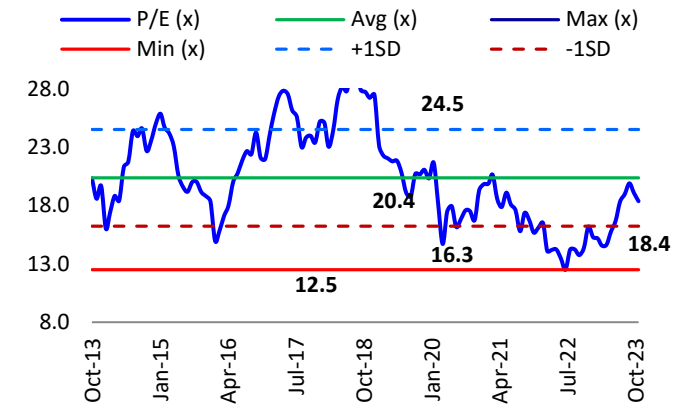
- **EVs pose a challenge and an opportunity:** EVs pose a threat to incumbents in the Scooter segment (HMSI and TVSL) and an opportunity for OEMs that are ready with a compelling e-scooter package. With its alliance with Gogoro, HMCL now has a three-pronged strategy for EVs: 1) stake in Ather, 2) own development (led by a German R&D center) on a fixed battery system, and 3) JV with Gogoro for a battery-swapping system. Its first EV product under V1 Vida brand has now seen a price cut and is planned to be launched in 100 cities in CY23.
- **Export market to offer huge headroom for growth, but scale-up will be a challenge and back-ended:** HMCL has doubled its target export market to 40 countries over the past few years. While Motorcycle exports to emerging markets present a huge opportunity (~2x that of the Indian market), HMCL, being one of the last entrants, may find it difficult to compete with incumbents (especially BJAUT) due to the limited scope to differently position its products. It has been working on its distribution for the last few years and is concentrating on market-specific products. Recovery in some of these markets, after the recent currency turmoil, works in HMCL's favor. The company aims to achieve 10-15% revenue from exports.
- **Valuations fair; reiterate Buy:** We raise our FY24/25E EPS estimate by ~7%/5% to factor in for better product mix and high other income. HMCL is a good proxy on a rural market recovery, with its stronghold in the 100cc Motorcycle segment. It has low vulnerability to EVs, as it garners 8% volumes from Scooters and its core 100cc Motorcycle is less susceptible to the impact of EVs. We expect a revenue/EBITDA/PAT CAGR of ~10%/30%/21% over FY23-25. The stock currently trades at ~15.2x/14.3x FY24E/FY25E EPS. We reiterate our BUY rating with a TP of INR3,850 (16x Sep'25E EPS + INR226/INR116 for Hero FinCorp/Ather after a 20% holding company discount).

#### Exhibit 8: Revisions to our estimates

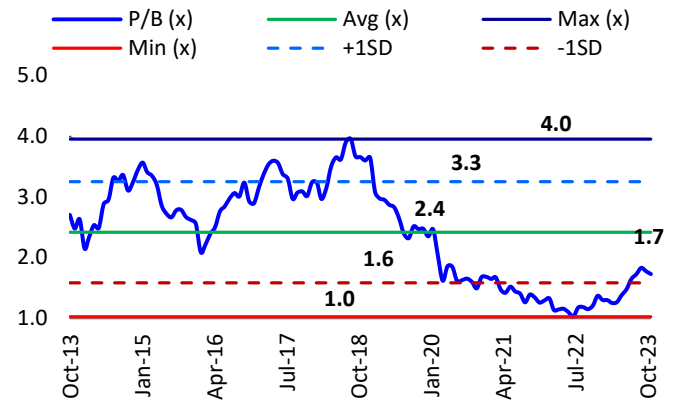
(INR B)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	5,653	5,653	0.0	6,133	6,133	0.0
Net Sales	374.2	370	1.2	407.4	403	1.1
EBITDA	52.4	50	3.9	57.2	55	3.5
EBITDA Margins (%)	14.0	13.6	40	14.0	13.7	30
Net Profit	40.2	38	6.9	42.7	41	4.8
EPS (INR)	201.0	188.0	6.9	213.2	203.3	4.8

Source: MOFSL

Exhibit 9: P/E and P/B band



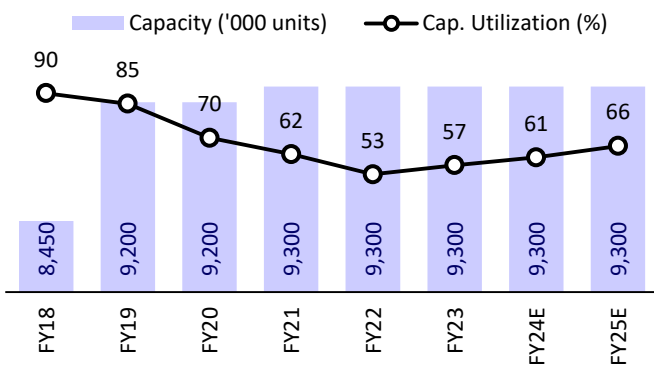
Source: MOFSL



Source: MOFSL

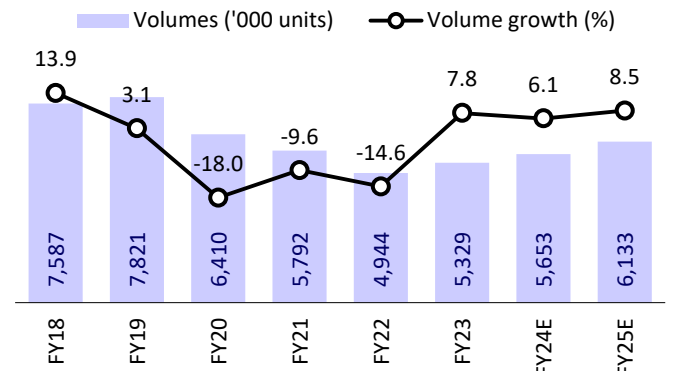
Story in charts

Exhibit 10: Adding capacity ahead of growth



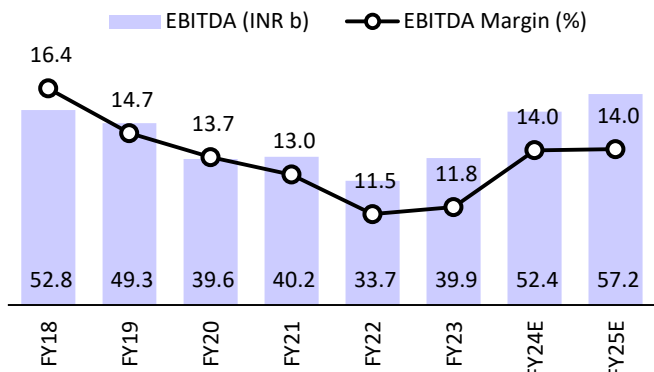
Source: Company, MOFSL

Exhibit 11: Volume sustainability led by rural recovery



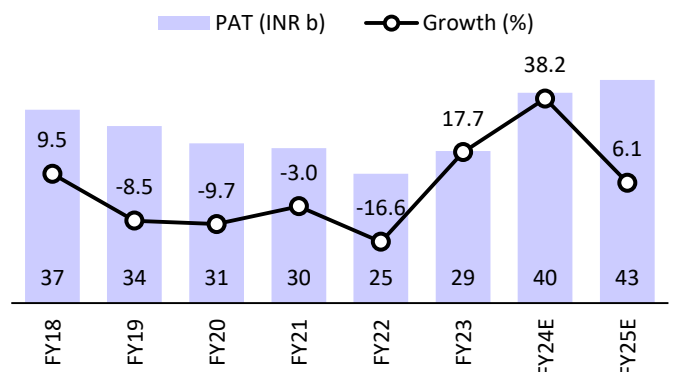
Source: Company, MOFSL

Exhibit 12: EBITDA margin trajectory



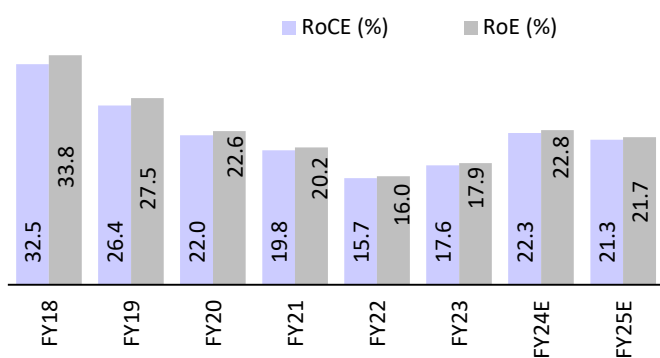
Source: Company, MOFSL

Exhibit 13: PAT growth to be muted



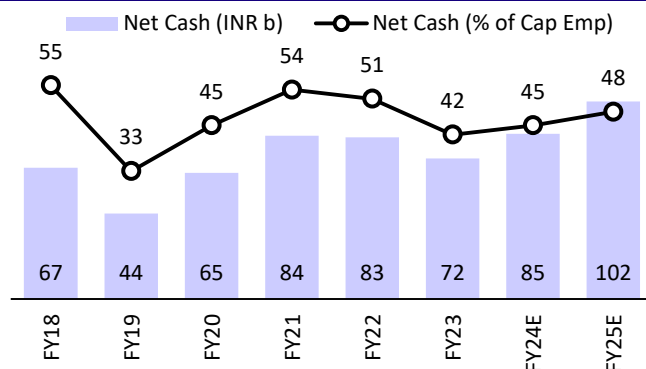
Source: Company, MOFSL

Exhibit 14: Trend in return ratios



Source: Company, MOFSL

Exhibit 15: Trend in cash levels



Source: Company, MOFSL

Exhibit 16: Snapshot of the revenue model

000 units	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total M/Cycles	6,677	7,081	5,990	5,333	4,628	4,959	5,247	5,694
Growth (%)	14.4	6.0	-15.4	-11.0	-13.2	7.2	5.8	8.5
% of total volumes	88.0	90.5	93.5	92.1	93.6	93.1	92.8	92.8
Total Scooters	910	740	419	458	316	369	406	439
Growth (%)	9.7	-18.7	-43.3	9.2	-30.9	16.8	10.0	8.0
% of total volumes	12.0	9.5	6.5	7.9	6.4	6.9	7.2	7.2
<b>Total volumes</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>4,944</b>	<b>5,329</b>	<b>5,653</b>	<b>6,133</b>
Growth (%)	13.9	3.1	-18.0	-9.6	-14.6	7.8	6.1	8.5
- of which Exports	178	187	162	172	290	162	162	202
% of total volumes	2.6	2.6	2.8	3.3	6.5	3.3	3.2	3.6
Net Realizations (INR/unit)	42,480	43,027	44,988	53,182	59,152	63,443	66,184	66,430
Growth (%)	-1.6	0.6	4.3	18.8	10.7	8.4	4.2	0.5
<b>Net Revenues (INR b)</b>	<b>322</b>	<b>337</b>	<b>288</b>	<b>308</b>	<b>292</b>	<b>338</b>	<b>374</b>	<b>407</b>
Growth (%)	13.1	4.4	-14.3	6.8	-5.0	15.6	10.7	8.9

SIAM, Company, MOFSL



## Financials and valuations

Income Statement							(INR Million)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>Volumes ('000)</b>	<b>7,587</b>	<b>7,821</b>	<b>6,410</b>	<b>5,792</b>	<b>4,944</b>	<b>5,329</b>	<b>5,653</b>	<b>6,133</b>
Volume Growth (%)	13.9	3.1	-18.0	-9.6	-14.6	7.8	6.1	8.5
<b>Net Revenues</b>	<b>3,22,305</b>	<b>3,36,505</b>	<b>2,88,360</b>	<b>3,08,006</b>	<b>2,92,455</b>	<b>3,38,057</b>	<b>3,74,161</b>	<b>4,07,421</b>
Change (%)	13.1	4.4	-14.3	6.8	-5.0	15.6	10.7	8.9
<b>EBITDA</b>	<b>52,802</b>	<b>49,301</b>	<b>39,579</b>	<b>40,192</b>	<b>33,688</b>	<b>39,862</b>	<b>52,353</b>	<b>57,174</b>
EBITDA Margin (%)	16.4	14.7	13.7	13.0	11.5	11.8	14.0	14.0
Depreciation	5,556	6,020	8,180	6,769	6,498	6,570	7,020	7,462
<b>EBIT</b>	<b>47,246</b>	<b>43,281</b>	<b>31,400</b>	<b>33,424</b>	<b>27,190</b>	<b>33,293</b>	<b>45,332</b>	<b>49,712</b>
Interest cost	63	86	220	218	258	199	200	200
Other Income	5,258	6,913	7,283	5,799	5,569	5,652	8,300	7,250
Non-recurring Expense	0	0	-7,274	0	0	0	1,600	0
<b>PBT</b>	<b>52,442</b>	<b>50,107</b>	<b>45,736</b>	<b>39,004</b>	<b>32,501</b>	<b>38,746</b>	<b>51,832</b>	<b>56,762</b>
Tax	15,468	16,259	9,404	9,362	7,771	9,640	12,799	14,088
Effective Tax Rate (%)	29.5	32.4	20.6	24.0	23.9	24.9	24.7	24.8
<b>Adj. PAT</b>	<b>36,974</b>	<b>33,849</b>	<b>30,554</b>	<b>29,642</b>	<b>24,730</b>	<b>29,106</b>	<b>40,238</b>	<b>42,674</b>
Change (%)	9.5	-8.5	-9.7	-3.0	-16.6	17.7	38.2	6.1

Balance Sheet							(INR Million)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>Sources of Funds</b>								
Share Capital	399	400	400	400	400	400	400	400
Reserves	1,17,289	1,28,172	1,40,965	1,51,585	1,57,430	1,66,651	1,85,868	2,06,520
<b>Net Worth</b>	<b>1,17,689</b>	<b>1,28,571</b>	<b>1,41,364</b>	<b>1,51,984</b>	<b>1,57,829</b>	<b>1,67,051</b>	<b>1,86,269</b>	<b>2,06,921</b>
Deferred Tax	5,117	5,365	3,928	4,041	3,833	4,054	4,054	4,054
Loans	0	0	0	0	0	0	0	0
<b>Capital Employed</b>	<b>1,22,805</b>	<b>1,33,936</b>	<b>1,45,292</b>	<b>1,56,025</b>	<b>1,61,662</b>	<b>1,71,105</b>	<b>1,90,322</b>	<b>2,10,974</b>
<b>Application of Funds</b>								
Gross Fixed Assets	1,11,344	1,16,282	1,38,161	1,42,362	1,46,657	1,51,942	1,60,080	1,71,580
Less: Depreciation	64,799	70,097	76,991	82,478	88,592	94,328	1,01,348	1,08,811
<b>Net Fixed Assets</b>	<b>46,545</b>	<b>46,186</b>	<b>61,171</b>	<b>59,884</b>	<b>58,065</b>	<b>57,614</b>	<b>58,732</b>	<b>62,769</b>
Capital WIP	3,184	5,419	3,413	4,366	4,582	4,638	6,500	5,000
Investments	75,252	59,686	82,227	1,04,997	1,06,523	1,10,104	1,10,104	1,10,104
<b>Curr.Assets, L &amp; Adv.</b>	<b>42,407</b>	<b>65,121</b>	<b>40,683</b>	<b>52,364</b>	<b>47,970</b>	<b>60,276</b>	<b>82,988</b>	<b>1,07,107</b>
Inventory	8,236	10,724	10,920	14,696	11,227	14,341	16,960	18,491
Sundry Debtors	15,202	28,216	16,031	24,268	23,043	27,982	29,930	30,456
Cash & Bank Balances	1,413	1,365	2,419	2,572	1,751	3,455	20,077	40,691
Loans & Advances	732	850	896	892	402	436	482	525
Others	16,823	23,968	10,417	9,938	11,547	14,062	15,540	16,943
<b>Current Liab. &amp; Prov.</b>	<b>44,583</b>	<b>42,476</b>	<b>42,201</b>	<b>65,585</b>	<b>55,478</b>	<b>61,527</b>	<b>68,001</b>	<b>74,005</b>
Sundry Creditors	33,188	33,553	30,305	52,046	42,603	47,045	54,871	59,825
Other Liabilities	9,647	7,161	9,207	10,211	9,490	10,744	9,977	10,877
Provisions	1,747	1,762	2,689	3,328	3,385	3,738	3,153	3,303
<b>Net Current Assets</b>	<b>-2,176</b>	<b>22,646</b>	<b>-1,518</b>	<b>-13,222</b>	<b>-7,508</b>	<b>-1,251</b>	<b>14,987</b>	<b>33,101</b>
<b>Application of Funds</b>	<b>1,22,805</b>	<b>1,33,936</b>	<b>1,45,292</b>	<b>1,56,025</b>	<b>1,61,662</b>	<b>1,71,105</b>	<b>1,90,322</b>	<b>2,10,974</b>

## Financials and valuations

### Ratios

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>185.1</b>	<b>169.5</b>	<b>153.0</b>	<b>148.4</b>	<b>123.8</b>	<b>145.6</b>	<b>201.0</b>	<b>213.2</b>
EPS Growth (%)	9.5	-8.5	-9.7	-3.0	-16.6	17.7	38.0	6.1
Cash EPS	213.0	199.6	222.8	182.2	156.3	178.5	230.0	250.4
Book Value per Share	589.3	643.7	707.7	760.7	789.9	835.9	930.4	1,033.6
DPS	95.0	87.0	90.0	105.0	95.0	100.0	105.0	110.0
Payout (Incl. Div. Tax) %	61.8	62.9	71.8	70.8	76.8	68.7	52.2	51.6
<b>Valuation (x)</b>								
P/E	16.5	18.0	19.9	20.6	24.6	20.9	15.2	14.3
EV/EBITDA	10.1	11.1	13.3	12.5	14.9	12.4	9.2	8.0
EV/Sales	1.7	1.6	1.8	1.6	1.7	1.5	1.3	1.1
Price to Book Value	5.2	4.7	4.3	4.0	3.9	3.6	3.3	3.0
Dividend Yield (%)	3.1	2.9	3.0	3.4	3.1	3.3	3.4	3.6
<b>Profitability Ratios (%)</b>								
RoE	33.8	27.5	22.6	20.2	16.0	17.9	22.8	21.7
RoCE	32.5	26.4	22.0	19.8	15.7	17.6	22.3	21.3
RoIC	80.0	53.0	40.0	50.1	44.5	49.2	64.1	68.7
<b>Turnover Ratios</b>								
Debtors (Days)	18	32	21	30	30	32	31	29
Inventory (Days)	10	12	15	18	15	16	17	17
Creditors (Days)	38	36	38	62	53	51	54	54
Working Capital (Days)	-2	25	-2	-16	-9	-1	15	30
Asset Turnover (x)	2.6	2.5	2.0	2.0	1.8	2.0	2.0	1.9
Fixed Asset Turnover	3.0	3.0	2.3	2.2	2.0	2.3	2.4	2.5

### Cash Flow Statement

(INR Million)

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Profit before Tax	52,442	50,107	45,736	39,004	32,501	38,746	51,832	56,762
Depreciation & Amort.	5,556	6,020	8,180	6,769	6,498	6,570	7,020	7,462
Direct Taxes Paid	-14,943	-20,515	-5,443	-9,759	-7,688	-8,496	-12,799	-14,088
(Inc)/Dec in Working Capital	-2,682	-19,189	12,027	10,700	-6,825	-5,832	383	2,500
Other Items	1,723	-6,634	-6,399	-4,987	-4,283	-5,197	200	200
<b>CF from Oper. Activity</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>20,203</b>	<b>25,791</b>	<b>46,637</b>	<b>52,837</b>
Extra-ordinary Items	0	0	0	0	0	0	-1,600	0
<b>CF after EO Items</b>	<b>39,809</b>	<b>9,791</b>	<b>54,101</b>	<b>41,727</b>	<b>20,203</b>	<b>25,791</b>	<b>45,037</b>	<b>52,837</b>
(Inc)/Dec in FA+CWIP	-7,992	-9,179	-13,586	-5,101	-5,240	-5,675	-10,000	-10,000
<b>Free Cash Flow</b>	<b>31,816</b>	<b>611</b>	<b>40,515</b>	<b>36,626</b>	<b>14,963</b>	<b>20,115</b>	<b>36,637</b>	<b>42,837</b>
(Pur)/Sale of Invest.	-11,160	22,392	-15,245	-16,998	3,721	987	0	0
<b>CF from Inv. Activity</b>	<b>-19,152</b>	<b>13,212</b>	<b>-28,831</b>	<b>-22,099</b>	<b>-1,519</b>	<b>-4,688</b>	<b>-10,000</b>	<b>-10,000</b>
Interest Paid	-63	-86	-874	-515	-458	-455	-200	-200
Dividends Paid	-20,404	-22,854	-23,323	-18,900	-18,931	-19,951	-21,021	-22,022
<b>CF from Fin. Activity</b>	<b>-20,467</b>	<b>-22,940</b>	<b>-24,198</b>	<b>-19,415</b>	<b>-19,389</b>	<b>-20,406</b>	<b>-21,221</b>	<b>-22,222</b>
<b>Inc/(Dec) in Cash</b>	<b>190</b>	<b>63</b>	<b>1,072</b>	<b>213</b>	<b>-705</b>	<b>697</b>	<b>13,816</b>	<b>20,615</b>
Add: Beginning Balance	154	344	407	1,479	1,692	987	1,684	15,500
<b>Closing Balance</b>	<b>344</b>	<b>407</b>	<b>1,479</b>	<b>1,692</b>	<b>987</b>	<b>1,684</b>	<b>15,500</b>	<b>36,114</b>

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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

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