

Automobile | Q2FY24 Result Update

Focused on premiumization, Poised for re rating

- Hero MotoCorp (HMCL) printed an improved margin performance in Q2 led by softening commodity prices and benefit of operating leverage. Gross profit per vehicle increased 5.5% QoQ on product mix, EBITDA margin expanded by 30 bps QoQ to 14.1%.
- Management indicated strong festive season sales till date (+15% YoY) and anticipate momentum continue to be strong. Rural demand is picking up with revival in demand of the entry level segment, HF Deluxe and Passion is showing strong growth. Booking are strong for recently launched models Harley Davidson (HD) - X440 and Karizma XMR. We expect a sharp ramp-up in volume of 10-12k per month from CY24.
- Considering pickup in rural demand and Harley volume, healthy dividend yield (~3.7%) and compelling valuation 14x FY25E, we continue to remain positive on the stock. We forecast 22% EPS CAGR over FY23-26E. Maintain Buy with TP of Rs.3901 (16x Sept 25E EPS).

Strengthening its premium portfolio

HMCL is revamping its entire product portfolio over to address key white spaces. Glamour 125cc is gaining market share. Launch of first co-developed product with Harley X440, and received overwhelming response with 25k bookings in 1st round and 2k booking in 2nd round (expected to ramp up during festive season). In Scooter segment, Hero Xoom and Destini Prime will aid volume growth. The current channel inventory is high and confident to back at 4-6 weeks post festive season. Expect demand continue to be strong post festive season supported by marriage season demand.

Multiple levers for margin expansion

We expect softening metal prices, premiumization and recovery in volume would help in margin expansion in the coming quarter. With a shift in market trends, HMCL has sharply improved its product mix. Demand for premium products (Passion, Glamour) and recently launched XTEC variants is strong (22-25% of overall volume). This makes us believe that HMCL will gain market share and product mix and ASPs would continue to improve and aid margin.

Q2FY24 Result (Rs Mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Revenue	94,454	90,754	4.1	87,673	7.7
Total Expense	81,171	80,370	1.0	75,610	7.4
EBITDA	13,283	10,383	27.9	12,063	10.1
Depreciation	1,749	1,634	7.0	1,690	3.5
EBIT	11,534	8,749	31.8	10,373	11.2
Other Income	2,483	921	169.7	2,222	11.8
Interest	48	33	43.8	47	2.1
EBT	13,970	9,637	45.0	10,948	27.6
Tax	3,431	2,476	38.6	2,701	27.1
RPAT	10,538	7,161	47.2	8,247	27.8
APAT	10,547	7,166	47.2	8,255	27.8
			(bps)		(bps)
Gross Margin (%)	31.4	28.0	337	30.6	78
EBITDA Margin (%)	14.1	11.4	262	13.8	30
NPM (%)	11.2	7.9	327	9.4	175
Tax Rate (%)	24.6	25.7	(113)	24.7	(11)
EBIT Margin (%)	12.2	9.6	257	11.8	38

CMP	Rs 3,092
Target / Upside	Rs 3,901 / 26%
NIFTY	18,989

Scrip Details

Equity / FV	Rs 400mn / Rs 2
Market Cap	Rs 618bn
	USD 7.5bn
52-week High/Low	Rs 3,275/ 2,246
Avg. Volume (no)	564,876
Bloom Code	HMCL IN

Price Performance	1M	3M	12M
Absolute (%)	1	3	17
Rel to NIFTY (%)	0	3	8

Shareholding Pattern

	Mar'23	Jun'23	Sep'23
Promoters	34.8	34.7	34.7
MF/Banks/FIs	28.1	27.3	27.3
FIs	27.9	28.1	28.1
Public / Others	9.3	9.9	9.9

Valuation (x)

	FY24E	FY25E	FY26E
P/E	16.0	13.6	11.9
EV/EBITDA	9.9	8.2	6.8
ROE (%)	22.2	23.8	23.9
RoACE (%)	22.2	23.8	23.9

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	372.5	418.0	466.5
EBITDA	52.1	60.7	68.8
PAT	38.6	45.5	51.9
EPS (Rs.)	193.3	228.0	259.8

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Exhibit 1: Actual vs DART

Particulars (Rs. Mn)	Actual	DART Est.	Variance
Revenue	94,454	92,740	2
EBIDTA	13,283	13,076	2
EBIDTA Margin	14.1	14.1	(4) bps
PAT	10,538	10,495	0

Source: Company, DART

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY24E			FY25E		
	New	Previous	Chg. (%)	New	Previous	Chg. (%)
Net sales	372,484	370,704	0.5	418,029	414,712	0.8
EBITDA	52,071	50,776	2.6	60,697	58,843	3.2
EBITDA margin (%)	14.0	13.7	28 bps	14.5	14.2	33 bps
APAT	38,609	37,002	4.3	45,547	43,455	4.8
EPS	193.2	185.1	4.3	227.9	217.6	4.7

Source: Company, DART

Exhibit 3: Summary of quarterly performance

Particulars	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	FY24E
Net sales (Rs mn)	54,871	84,534	78,833	74,217	83,925	90,754	80,310	83,068	87,673	94,454	372,484
% QoQ	(37)	54	(7)	(6)	(71)	8	(12)	3	(74)	8	
% yoy	85	(10)	(19)	(15)	(1)	15	8	(72)	(3)	4	10.2
Materials	39,796	61,104	55,943	51,424	61,074	65,301	55,743	56,463	60,809	64,780	256,642
% sales	72.5	72.3	71.0	69.3	72.8	72.0	69.4	68.0	69.4	68.6	68.9
Employee cost	4,357	5,054	5,180	4,763	5,382	5,490	5,456	5,571	5,802	5,768	23,869
% sales	7.9	6.0	6.6	6.4	6.4	6.0	6.8	6.7	6.6	6.1	6.4
Other op cost	5,570	7,712	8,109	9,754	8,062	9,579	9,869	10,204	9,000	10,624	39,902
% sales	10.2	9.1	10.3	13.1	9.6	10.6	12.3	12.3	10.3	11.2	10.7
EBITDA (Rs mn)	5,148	10,664	9,600	8,276	9,408	10,383	9,241	10,830	12,063	13,283	52,071
% QoQ	(57.5)	107.1	(10.0)	(13.8)	13.7	10.4	(11.0)	17.2	11.4	10.1	
% yoy	376.5	(17.1)	(32.1)	(31.7)	82.7	(2.6)	(3.7)	30.9	28.2	27.9	30.6
Margin (%)	9.4	12.6	12.2	11.2	11.2	11.4	11.5	13.0	13.8	14.1	14.0

Source: Company, DART

Exhibit 4: Assumption table

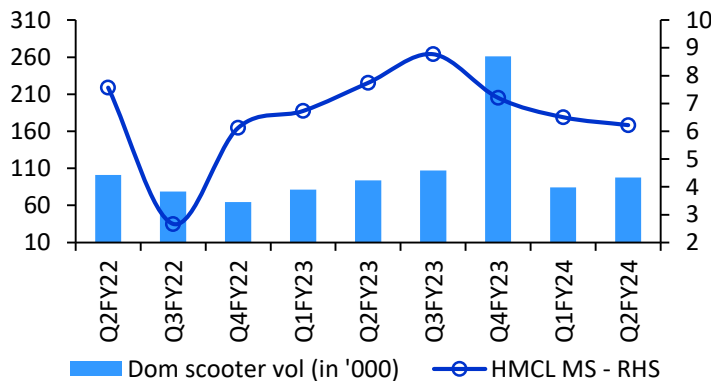
(in units)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Domestic motorcycles	5,156	4,338	4,797	4,878	5,171	5,462
% YoY	(11.5)	(15.9)	10.6	1.7	6.0	5.6
Domestic scooters	443	306	359	454	551	633
% YoY	10	(31)	17	27	21	15
Exports	187	301	172	175	205	241
% YoY	4.6	61.2	(42.8)	2.1	17.1	17.2
Total volumes	5,786	4,944	5,327	5,507	5,927	6,336
% YoY	(9.7)	(14.6)	7.8	3.4	7.6	6.9

Source: Company, DART

Rural recovery and premiumization to drive revenue

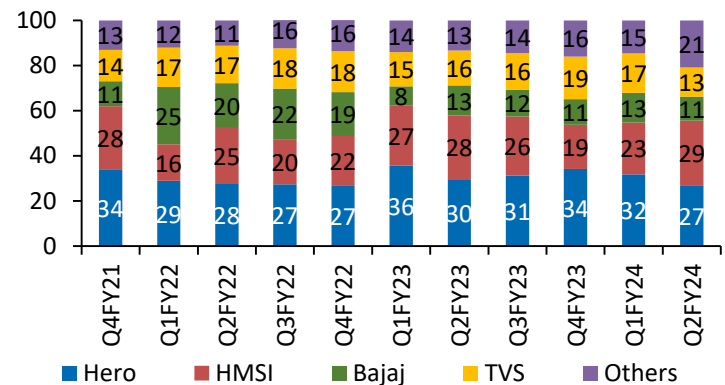
- The company is seeing green shoots for rural/semi-urban demand and expects 2W demand to be healthy and supported by festive and marriage season demand. In 125 CC, Super Splendor Xtec and revamp of Glamour 125cc expected to gain market share.
- Rural demand has picked up with revival in demand of the entry level segment, HF Deluxe is showing strong growth and Passion is widely accepted by first time/replacement buyers and is expanding in market (growth is over 2x). In 125cc with glamour, the classic company has strengthened its portfolio (mostly in the southern region).

Exhibit 5: Domestic Scooter market share



Source: Company, DART

Exhibit 6: Domestic Motorcycle market share



Source: Company, DART

Launch of X440, an inflection point in HMCL's premium play

Launch of first co-developed product with Harley Davidson (HD) - 'X440 at attractive price marks HMCL's entry into key 250- 500cc segment which is currently dominated by RE. HD X440 will be retailed through current 26 HD stores and over 100 Hero 2.0 (premium) stores.

Harley has received 27k bookings for X440, (majority of our bookings are coming from the top end model). Near term, focus of the company would be ramp up their capacity. The company commenced customer deliveries from October onwards.

Operating margin continues to recover

In Q2, margin was driven by softening of commodity costs and accelerated savings programs and product mix. EBITDA margin for the quarter stood at 14.1% while ICE margin stood at 15% (90 bps deployed for EV). Other expenses were higher due to launch cost and it keeps on fluctuating. Expect margin to improve in the coming quarter. The Company has not taken any price hike. Margin guidance for ICE segment 14-16% intact.

Ready to cater EVs opportunity

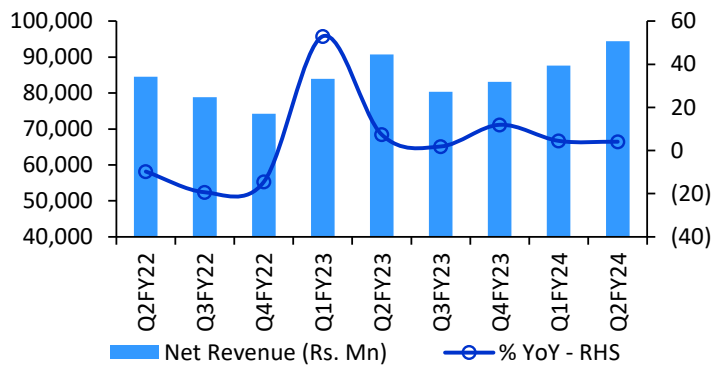
- Hero has low vulnerability to EVs, as scooters accounts for just 8-9% of volumes and its core 100cc Motorcycle business is less prone to the risks from EVs. Hero's strong distribution network can help gain share in the E-scooter segment. Without dealerships E2W companies cannot survive, there may be 100 companies in this segment but in 4 to 5 years only 10 companies will survive.
- The company is accelerating EV roll out, with plan to be in 100 cities within CY23. Apart from exclusive Vida outlets in certain cities, the company will be using existing distribution system across cities to ensure wider reach.
- Gross margin would be lower in EVs business (excluding PLI benefit). Key focus on EV is stretching product portfolio and network expansion.
- In EV segment, Hero's three prolonged strategies to accelerate the adoption of electric vehicles (EVs) in India encompasses 1) investment in Ather – the company has a premium scooter offering, 2) the launch of in-house Product VIDA and 3) swappable battery solution through the JV with Gogoro.
- We believe that Hero's 37% stake in Ather Energy could be a source of value creation in the future as valuation.

Exhibit 7: Hero Performance Analysis In Motorcycle segment

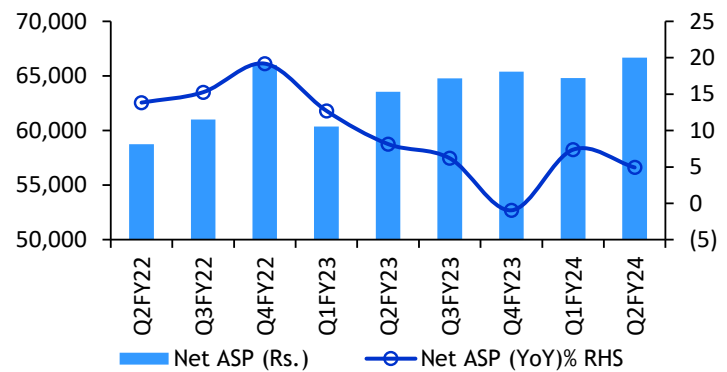
Engine capacity	Domestic		Mkt Share		Export		Mkt Share	
	H1FY23	H1FY24	H1FY23	H1FY24	H1FY23	H1FY24	H1FY23	H1FY24
Motorcycles/Step-Through: Big wheel size – more than 12".								
B2: Engine Capacity >75 CC but less than equal to 110 CC			-	-			-	-
Bajaj Auto Ltd (Boxer,CT,Discover,Platina)	350,261	279,659	12.6	10.1	423,626	337,613	61.3	65.6
Hero MotoCorp Ltd (HF Deluxe,Passion,Splendor)	2,140,783	2,147,948	77.2	77.9	47,166	32,196	6.8	6.3
Honda Motorcycle & Scooter India Pvt Ltd (Dream,Livo,Shine)	112,208	156,762	4.0	5.7	29,988	15,076	4.3	2.9
India Yamaha Motor Pvt Ltd (Crux,Saluto RX)	-	-	-	-	19,044	16,197	2.8	3.1
TVS Motor Company Ltd (Radeon,Sport,Star City)	170,298	172,573	6.1	6.3	171,269	113,532	24.8	22.1
Total B2	2,773,550	2,756,942			691,093	514,614		
B3: Engine Capacity >110 CC but less than equal to 125 CC								
Bajaj Auto Ltd (Boxer,CT,Discover,Husqvarna,KTM,Platina,Pulsar)	344,789	417,629	22.9	26.6	208,648	129,169	39.3	34.7
Hero MotoCorp Ltd (Glamour,Splendor)	354,159	317,131	23.6	20.2	17,252	8,668	3.3	2.3
Honda Motorcycle & Scooter India Pvt Ltd (CB Shine,Shine)	731,120	605,472	48.6	38.6	19,491	11,412	3.7	3.1
India Yamaha Motor Pvt Ltd (Saluto,YD125)	-	-	-	-	25,148	15,768	4.7	4.2
Suzuki Motorcycle India Pvt Ltd (Hayate)	-	-	-	-	1,644	1,280	0.3	0.3
TVS Motor Company Ltd (Raider,Star City 125,Victor)	73,594	228,268	4.9	14.6	258,340	205,785	48.7	55.3
Total B3	1,503,662	1,568,501			530,523	372,082		
B4: Engine Capacity >125 CC but less than equal to 150 CC								
Bajaj Auto Ltd (Boxer,CT 150,Pulsar)	109,978	113,268	50.0	53.4	137,590	78,013	58.7	55.7
Hero MotoCorp Ltd (Hunk)	-	-	-	-	20,622	20,242	8.8	14.4
Honda Motorcycle & Scooter India Pvt Ltd (CB Unicorn 150)	-	-	-	-	240	56	0.1	0.0
India Yamaha Motor Pvt Ltd (FZ,SZ)	109,791	98,930			76,123	41,814	32.5	29.8
Total B4	219,769	212,198			234,575	140,125		
B5: Engine Capacity >150 CC but less than equal to 200 CC								
Bajaj Auto Ltd (Avenger,Husqvarna,KTM,Pulsar)	90,314	133,199	17.6	22.1	97,768	111,244	36.6	46.3
Hero MotoCorp Ltd (Xpulse 200,Xtreme.)	47,167	33,972	9.2	5.6	11,281	9,399	4.2	3.9
Honda Motorcycle & Scooter India Pvt Ltd (CB 200X,CB Hornet 160R,CB Unicorn 160,Hornet 2.0,SP 160,X Blade)	103,950	138,264	20.3	23.0	39,665	20,192	14.9	8.4
India Yamaha Motor Pvt Ltd (MT 15,R15)	102,657	107,548	20.1	17.9	9,155	7,151	3.4	3.0
Suzuki Motorcycle India Pvt Ltd (Gixxer,Intruder)	8,942	12,660	1.7	2.1	43,234	50,489	16.2	21.0
TVS Motor Company Ltd (Apache)	158,819	176,302	31.0	29.3	65,758	41,587	24.6	17.3
Total B5	511,849	602,295			266,861	240,062		
B6: Engine Capacity >200 CC but less than equal to 250 CC								
Bajaj Auto Ltd (Avenger,Dominar,Husqvarna,KTM,Pulsar)	16,667	40,044	68.4	80.4	24,291	37,725	56.0	62.5
Hero MotoCorp Ltd (Karizma)	-	26	-	0.1	-	-	-	-
India Yamaha Motor Pvt Ltd (FZ25)	3,500	-	14.4	-	10,130	2,888	23.4	4.8
Suzuki Motorcycle India Pvt Ltd (Gixxer 250,V-Strom SX)	4,185	3,974	17.2	8.0	8,953	19,071	20.6	31.6
TVS Motor Company Ltd (Ronin)	-	5,777	-	11.6	-	644	-	1.1
Total B6	24,357	49,824			43,374	60,328		
B7: Engine Capacity >250 CC but less than equal to 350 CC								
Honda Motorcycle & Scooter India Pvt Ltd (CB 300N,CB300R,H'Ness,MC 300N)	20,241	21,365	6.1	5.3	6,122	14,177	13.7	28.9
Royal-Enfield (Unit of Eicher Motors) (Bullet 350,Bullet Electra,Classic 350,Hunter 350,Meteor 350)	310,270	381,293	93.0	94.1	28,313	24,903	63.5	50.8
TVS Motor Company Ltd (BMW,RR 310)	2,216	1,864	0.7	0.5	10,148	9,916	22.8	20.2
Total B7	333,613	405,287			44,583	48,996		
B8: Engine Capacity >350 CC but less than equal to 500 CC								
Bajaj Auto Ltd (Dominar,Husqvarna,KTM,Triumph)	7,485	18,776	26.1	46.9	38,717	28,824	77.1	88.6
Hero MotoCorp Ltd (HD X440)	-	18	-	0.0	-	-	-	-
Royal-Enfield (Unit of Eicher Motors) (Himalayan)	21,006	21,085	73.4	52.7	11,495	3,681	22.9	11.3
Total B8	28,637	40,032			50,212	32,516		
B9: Engine Capacity >500 CC but less than equal to 800 CC								
Honda Motorcycle & Scooter India Pvt Ltd (CBR 650F)	136	-	1.3	-	-	-	-	-
India Kawasaki Motors Pvt Ltd (Ninja650,Versys 650,Vulcan S,W800,Z650,Z650RS)	333	226	3.3	1.5	-	-	-	-
Royal-Enfield (Unit of Eicher Motors) (650 Twin,Super Meteor)	9,433	14,509	92.5	96.4	14,452	11,515		
Suzuki Motorcycle India Pvt Ltd (DL650XA)	36	-	0.4	-	-	-	-	-
Triumph Motorcycles India Pvt Ltd (Street Triple,Tiger 660,Tiger 800 XRx,Trident)	263	315	2.6	2.1	-	-	-	-
Total B9	10,203	15,051			14,452	11,515		
Total Motorcycle/Step-Throughs	5,406,717	5,651,125			1,875,673	1,420,238		
Hero MotoCorp Ltd	2,542,296	2,499,182	47.0	44.2	96,321	70,505	5.1	5.0

Earnings call KTAs

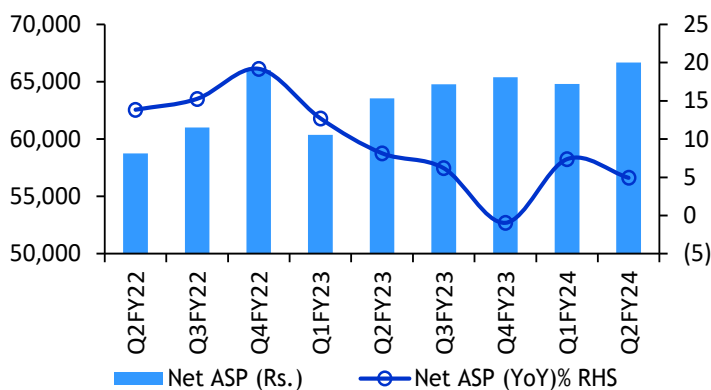
- **Business Outlook-** Festive demand commenced on a robust note, as Hero witnessed a 15% growth in retail sales within a span of 17 days. During the previous festive season, the company had achieved retail sales of 1.2 million units. The demand continues to surge, with a further increase anticipated. The rural demand has experienced a revival, particularly in the entry-level segment. HF Deluxe, known for its strong growth, and Passion, widely embraced by first-time and replacement buyers, are expanding their presence in the market, with growth exceeding twice the previous levels. In the 125cc segment, the esteemed company has bolstered its portfolio, primarily focusing on the southern region. Rajasthan has emerged as the frontrunner in terms of growth, while the northern and southern regions are also performing admirably. In line with its emphasis on the premium segment, the company has commenced customer deliveries of Karizma XMR and Harley-Davidson X440 during the quarter. The new order book for Harley stands at 2,000 bookings, while Karizma XMR has received 14,000 bookings in the second window. XTech's market share currently stands at 22%.
- **Overall channel inventory-** The current channel inventory for Hero is sufficient to meet the high demand during the festive season and is expected to return to normal levels within 4-6 weeks after the festive season. Anticipate a continued strong demand post festive season, driven by the robust demand during the marriage season.
- **Margin Outlook-** In the second quarter, the margin was influenced by the decrease in commodity costs, the implementation of savings programs, and the adjustment in product mix. The EBITDA margin for the quarter was recorded at 14.1%, while the ICE margin reached 15% (with 90 basis points allocated for EV). Other expenses were elevated due to the launch cost and continue to fluctuate. It is anticipated that the margin will enhance in the upcoming quarter. The Company has refrained from implementing any price increases. The margin guidance for the ICE segment remains unchanged at 14-16%.
- **Harley Davidson and Karizama-** Harley has garnered over 25,000 bookings for X440, with the majority of these bookings originating from the top-end model. These bookings have been made across 100 premium showrooms. The company has recently recommenced Harley bookings, with 2,000 bookings already secured. Additionally, Karizma bookings currently stand at 14,000. During the quarter, the company initiated customer deliveries of both Karizma XMR and Harley-Davidson X440. To meet the growing demand, the company is enhancing its supply capacity to 10,000 units per month in the first phase, which is expected to be achieved in the fourth quarter. Furthermore, the supply capacity will be further increased in subsequent phases.
- **E2W-** The company is currently prioritizing network expansion, with plans to reach 100 cities. Infrastructure development is progressing rapidly, and the company is already present in 3 cities. While gross profit margins for EVs are currently unprofitable, the company anticipates improvement with increased scale. Additionally, the company holds a 37.5% stake in Ather and is leveraging their partnership with Ather Charger for Vida. The company expects the industry to shift towards this adaptation.
- **Customer reach program-** The company has launched a comprehensive campaign for VIDA V1 named Make Way, encompassing television, print, and diverse on-ground activations.
- **Spare parts-** The revenue generated from spare parts in the second quarter of FY24 amounted to Rs. 13.54 billion, compared to Rs. 12.10 billion in the first quarter of FY24. This revenue includes sales from parts, oil, tyres, and other related components. Moving forward, the spare parts revenue is expected to maintain a robust growth trajectory, driven by the expansion of the product range, enhancement of the distribution system, and further product expansion efforts.
- **Receivable** has gone up due to extended dealer credit provided during festive.
- **Export** –2Q volume was strong, Key markets Bangladesh, Colombia and Nepal are doing well.
- **In scooter segment** company is gaining market share with increasing volume of XOOM and Hero Destini Prime

Exhibit 8: Revenue grew QoQ/YoY


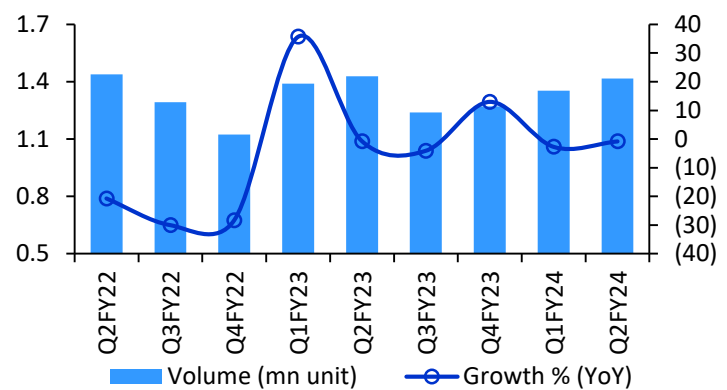
Source: Company, DART

Exhibit 9: Net ASP grew QoQ/YoY


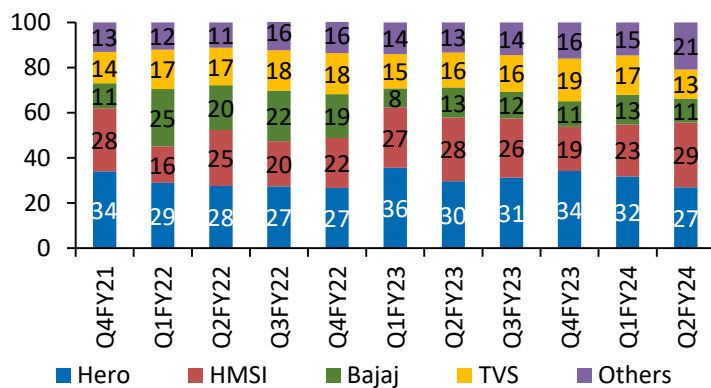
Source: Company, DART

Exhibit 10: EBITDA Margin expanded QoQ/YoY


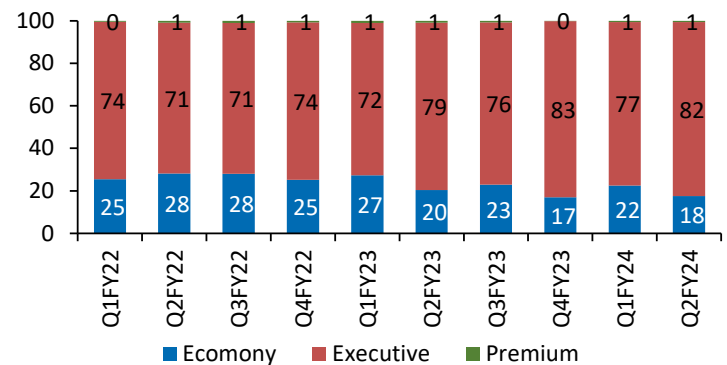
Source: Company, DART

Exhibit 11: Volume grew QoQ


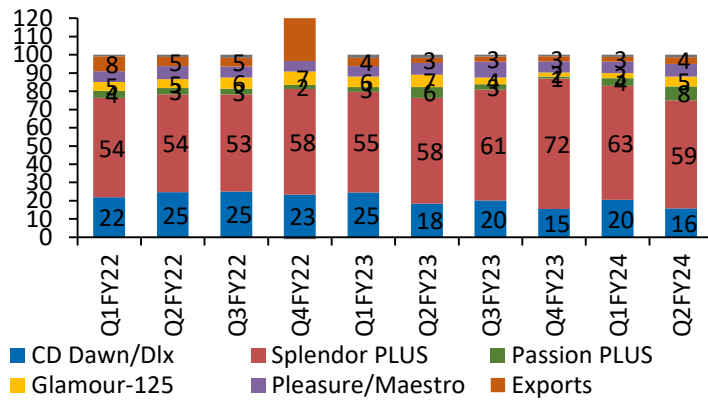
Source: Company, DART

Exhibit 12: Domestic 2w market share trend


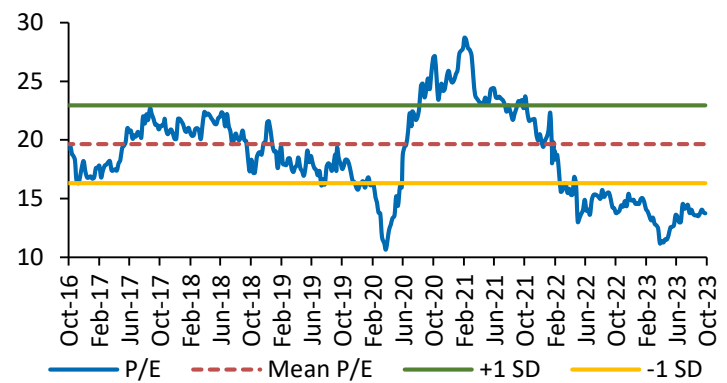
Source: Company, DART

Exhibit 13: Segment wise performance


Source: Company, DART

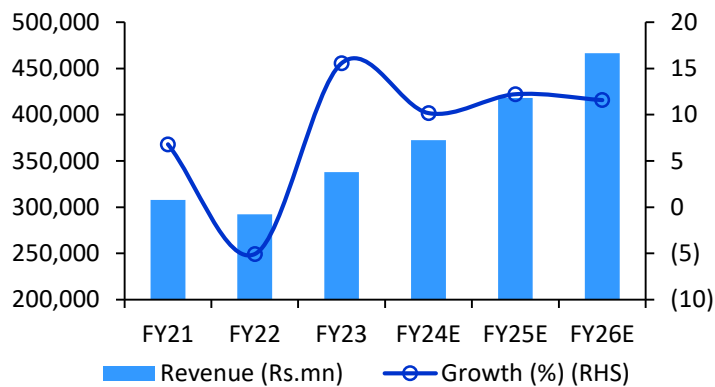
Exhibit 14: Model wise performance


Source: Company, DART

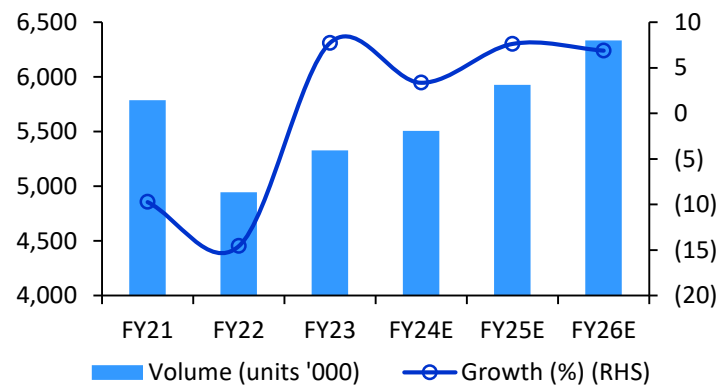
Exhibit 15: 1 year forward PE


Source: Company, DART

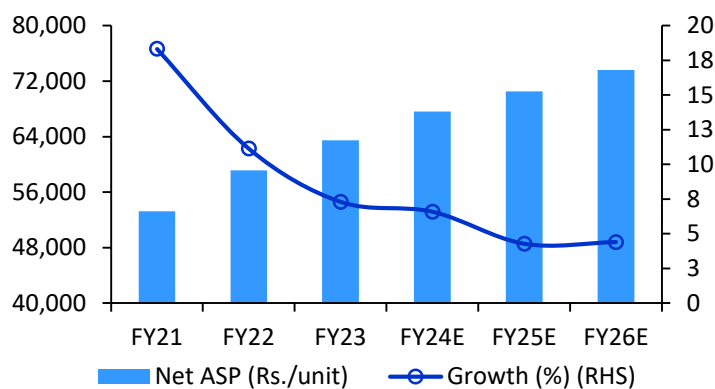
Yearly charts

Exhibit 16: Revenue to grow 11 % CAGR over FY23-FY25E


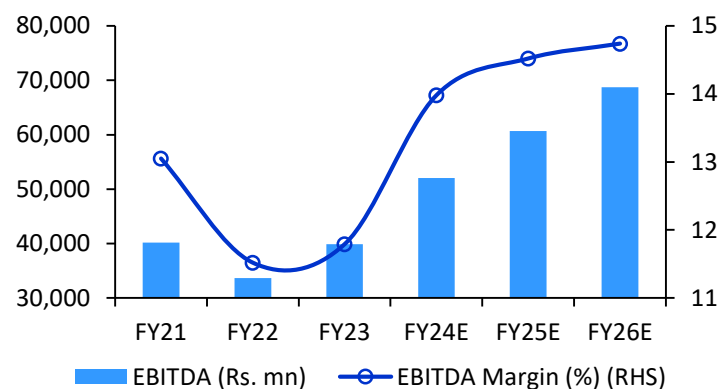
Source: Company, DART

Exhibit 17: Volume on 6% CAGR over FY23-25E


Source: Company, DART

Exhibit 18: Net ASP to remain strong


Source: Company, DART

Exhibit 19: EBITDA to inch up ahead


Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	338,057	372,484	418,029	466,481
Total Expense	298,194	320,413	357,332	397,729
COGS	238,581	256,642	288,858	324,204
Employees Cost	21,898	23,869	25,779	27,841
Other expenses	37,715	39,902	42,695	45,684
EBIDTA	39,862	52,071	60,697	68,752
Depreciation	6,570	6,626	6,716	7,122
EBIT	33,293	45,445	53,981	61,630
Interest	199	85	85	85
Other Income	5,652	6,464	7,241	8,118
Exc. / E.O. items	0	0	0	0
EBT	38,746	51,824	61,136	69,663
Tax	9,640	13,215	15,590	17,764
RPAT	29,106	38,609	45,547	51,899
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	29,106	38,609	45,547	51,899

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	400	400	400	400
Minority Interest	0	0	0	0
Reserves & Surplus	166,651	179,861	202,085	230,662
Net Worth	167,051	180,261	202,485	231,061
Total Debt	0	0	0	0
Net Deferred Tax Liability	424	424	424	424
Total Capital Employed	167,475	180,684	202,909	231,485

Applications of Funds

Net Block	57,614	61,126	64,548	67,564
CWIP	4,638	4,638	4,638	4,638
Investments	20,983	20,983	20,983	20,983
Current Assets, Loans & Advances	149,820	154,333	180,393	211,155
Inventories	14,341	14,287	17,179	19,170
Receivables	27,982	26,533	29,777	33,229
Cash and Bank Balances	92,575	103,863	122,877	147,227
Loans and Advances	6,948	7,449	8,359	9,328
Other Current Assets	7,974	2,201	2,201	2,201
Less: Current Liabilities & Provisions	65,581	60,395	67,654	72,856
Payables	47,045	40,381	46,013	51,214
Other Current Liabilities	18,536	20,015	21,641	21,641
<i>sub total</i>				
Net Current Assets	84,239	93,937	112,739	138,299
Total Assets	167,475	180,684	202,909	231,485

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	29.4	31.1	30.9	30.5
EBIDTA Margin	11.8	14.0	14.5	14.7
EBIT Margin	9.8	12.2	12.9	13.2
Tax rate	24.9	25.5	25.5	25.5
Net Profit Margin	8.6	10.4	10.9	11.1
(B) As Percentage of Net Sales (%)				
COGS	70.6	68.9	69.1	69.5
Employee	6.5	6.4	6.2	6.0
Other	11.2	10.7	10.2	9.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	167.6	534.6	635.1	725.1
Inventory days	15	14	15	15
Debtors days	30	26	26	26
Average Cost of Debt				
Payable days	51	40	40	40
Working Capital days	(5)	0	1	1
FA T/O	5.9	6.1	6.5	6.9
(D) Measures of Investment				
AEPS (Rs)	145.7	193.3	228.0	259.8
CEPS (Rs)	178.6	226.5	261.7	295.5
DPS (Rs)	100.1	100.1	100.1	100.1
Dividend Payout (%)	68.7	51.8	43.9	38.5
BVPS (Rs)	836.4	902.5	1013.8	1156.9
RoANW (%)	17.9	22.2	23.8	23.9
RoACE (%)	18.0	22.2	23.8	23.9
RoAIC (%)	45.6	59.9	68.8	75.0
(E) Valuation Ratios				
CMP (Rs)	3092	3092	3092	3092
P/E	21.2	16.0	13.6	11.9
Mcap (Rs Mn)	617,645	617,645	617,645	617,645
MCap/ Sales	1.8	1.7	1.5	1.3
EV	525,070	513,783	494,768	470,418
EV/Sales	1.6	1.4	1.2	1.0
EV/EBITDA	13.2	9.9	8.2	6.8
P/BV	3.7	3.4	3.1	2.7
Dividend Yield (%)	3.2	3.2	3.2	3.2
(F) Growth Rate (%)				
Revenue	15.6	10.2	12.2	11.6
EBITDA	18.3	30.6	16.6	13.3
EBIT	22.4	36.5	18.8	14.2
PBT	19.2	33.8	18.0	13.9
APAT	17.7	32.6	18.0	13.9
EPS	17.7	32.6	18.0	13.9

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	38,746	51,824	61,136	69,663
Depreciation & w.o.	6,570	6,626	6,716	7,122
Net Interest Exp	199	71	71	71
Direct taxes paid	(4,315)	1,589	213	3,020
Change in Working Capital	(9,640)	(13,215)	(15,590)	(13,230)
Non Cash	0	0	0	0
(A) CF from Operating Activities	31,560	46,895	52,547	66,645
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(6,090)	(10,138)	(10,138)	(14,000)
Free Cash Flow	25,469	36,757	42,409	52,645
(Inc.)/ Dec. in Investments	(25,578)	(1,000)	(1,000)	(1,500)
Other	3,438	(2,076)	0	0
(B) CF from Investing Activities	(28,230)	(13,214)	(11,138)	(15,500)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	0	0	0	0
Interest exp net	(199)	(71)	(71)	(71)
Dividend Paid (Incl. Tax)	(23,322)	(23,322)	(23,322)	(19,013)
Other	25,494	285	1,715	1,716
(C) CF from Financing	1,973	(22,392)	(21,678)	(17,368)
Net Change in Cash	5,302	11,288	19,014	24,350
Opening Cash balances	87,273	92,575	103,863	122,878
Closing Cash balances	92,575	103,863	122,878	147,228

E – Estimates

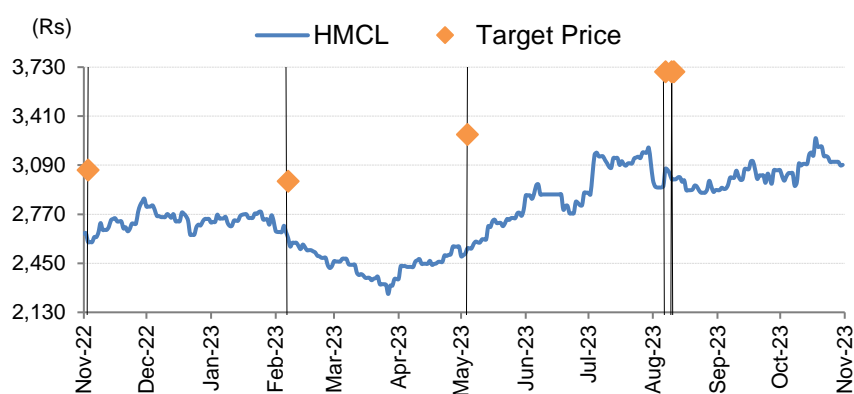
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-22	BUY	3,057	2,589
Feb-23	Accumulate	2,985	2,615
May-23	BUY	3,289	2,547
Aug-23	BUY	3,700	3,067
Aug-23	BUY	3,700	2,998
Aug-23	BUY	3,700	2,998

*Price as on recommendation date

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