9 May 2024

4QFY24 Results Update | Sector: Automobile

TVS Motor Company

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TVSL IN
Equity Shares (m)	475
M.Cap.(INRb)/(USDb)	948.6 / 11.4
52-Week Range (INR)	2314 / 1215
1, 6, 12 Rel. Per (%)	-5/7/40
12M Avg Val (INR M)	1749

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	317.8	364.3	412.5
EBITDA	35.1	42.8	49.3
Adj. PAT	20.8	26.3	30.9
EPS (INR)	43.8	55.3	65.1
EPS Gr. (%)	44.4	26.1	17.8
BV/Sh (INR)	162.7	210.0	265.6
Ratios			
RoE (%)	30.2	29.7	27.4
RoCE (%)	33.8	35.5	34.5
Payout (%)	18.2	14.5	14.6
Valuations			
P/E (x)	45.8	36.3	30.8
P/BV (x)	12.3	9.6	7.6
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	2.7	1.7	3.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	50.3	50.3	50.3
DII	20.3	21.8	24.4
FII	20.8	19.3	17.0
Others	8.7	8.7	8.3

FII Includes depository receipts

CMP: INR1,997 TP:INR1,930 (-3%) Neutral

Operationally in line; MTM loss drives PAT miss

FY25 likely to be an exciting launch year for TVSL

- TVS Motor (TVSL) posted an operationally in-line performance in 4QFY24. It was yet another quarter, where TVSL recorded the highest-ever EBITDA margin of 11.3% (est. 11.2%). We believe TVSL is well placed to outperform the 2W industry, led by new product launches.
- However, we believe strong earnings growth, driven by recovery in underlying segments and margin improvement, is fairly captured in the current valuations at ~36x/31x FY25E/FY26E EPS. We retain our FY25E/FY26E EPS. Reiterate **Neutral** with a TP of ~INR1,930 based on ~27x Mar'26E EPS and INR171/sh for NBFC.

EVs are contribution margin positive

- TVSL's revenue/EBITDA/adj. PAT grew 24%/36%/33% YoY in 4QFY24 to INR81.7b (in line)/INR9.3b/INR4.85b (est. INR5.2b). FY24 revenues/EBITDA/adj. PAT grew 20.5%/31%/44% YoY.
- Revenue growth was driven by ~22% YoY growth in volumes. ASP remained flat at INR76.9k per unit (in line).
- Gross margin expanded 260bp YoY to 27.2% (est. 26.4%), driven by stable RM costs. Further, despite high other expenses (+160bp YoY/+60bp QoQ as a % of sales) EBITDA margin expanded 100bp YoY to 11.3%. EBITDA grew ~36% YoY to INR9.3b (in line).
- Other income turned into a loss of INR287m as it included a fair valuation loss of INR470m in investments held by the company. As a result PAT stood at INR4.85b (est.INR5.2b).
- FCFF stood at INR25.6b (vs. INR10b in FY23) mainly due to better operating cash flow of INR36.2b (vs. INR19.9b in FY23). Capex for FY24 stood at INR10.5b (vs. INR10b in FY23).
- The board declared a final dividend of INR8/share for FY24 (vs. INR5/share in FY23).

Key takeaways from the management interaction

- The management has indicated that FY25 is likely to be an exciting year for new launches for TVSL. In EVs, it plan to launch multiple variants of iQube with various battery options to suit consumer needs. It also plans to launch other EV models, including its much awaited 3W EV.
- Key export market of **Africa** is expected to **recover in 2HFY25**.
- **Capex guidance for FY25 stands at INR10b** in ICE + EVs. Investment outflow in subsidiaries and associates from TVSL for FY25 is expected to be INR11-12b (TVS CS at INR4b, Norton INR4b and the balance in others).

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Valuation and view

- Volume growth is likely to be driven by a recovery in the domestic 2W market, healthy demand for its products (Raider, 125CC scooters and iQube) and new product launches. We expect TVSL to continue to work on improving its profitability and factor in 90bp expansion in EBITDA margin over FY24-26E.
- Valuations at 36x/31x FY25E/FY26E EPS largely reflect its strong earnings growth potential. Reiterate **Neutral** with a TP of ~INR1,930 (premised on ~27x Mar'26E EPS + INR171/share for NBFC).

S/A Quarterly Performance

Y/E March (INR m)	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Vols ('000 units)	906.8	1,027.4	879.4	868.4	953.2	1,074.4	1,100.8	1,062.5	3,682	4,191	1,062.5
Growth (%)	37.9	12.1	0.1	1.4	5.1	4.6	25.2	22.4	11.3	13.8	22.4
Realn (INR '000/unit)	66.3	70.3	74.4	76.1	75.7	75.8	74.9	76.9	71.6	75.8	75.6
Growth (%)	10.8	15.1	14.6	17.8	14.3	7.9	0.6	1.1	14.2	5.8	(0.6)
Net Sales	60,087	72,192	65,454	66,048	72,179	81,446	82,450	81,688	2,63,781	3,17,764	80,313
Growth (%)	52.7	29.0	14.7	19.4	20.1	12.8	26.0	23.7	27.0	20.5	21.6
RM (% of sales)	76.1	76.2	75.5	75.4	74.6	74.0	73.7	72.8	75.8	73.7	73.6
Emp cost (% of sales)	5.3	4.8	5.2	5.1	5.2	4.8	4.9	5.1	5.1	5.0	4.9
Other exp (% of sales)	8.6	8.9	9.2	9.2	9.6	10.1	10.2	10.8	9.0	10.2	10.2
EBITDA	5,995	7,365	6,589	6,798	7,638	8,998	9,244	9,262	26,717	35,141	9,018
EBITDA Margin(%)	10.0	10.2	10.1	10.3	10.6	11.0	11.2	11.3	10.1	11.1	11.2
Interest	376	352	316	363	474	523	448	372	1,407	1,816	486
Depreciation	1,520	1,535	1,583	1,674	1,636	1,701	1,781	1,887	6,312	7,004	1,725
Other Income	222	14	65	88	576	462	734	-287	389	1,485	128
PBT before EO Exp	4,321	5,492	4,755	4,849	6,104	7,237	7,750	6,716	19,387	27,807	6,935
EO Exp	0	0	0	-617	0	0	0	0	-617		0
PBT after EO Exp	4,321	5,492	4,755	5,466	6,104	7,237	7,750	6,716	20,004	27,807	6,935
Tax	1,115	1,418	1,227	1,364	1,427	1,871	1,817	1,862	5,123	6,977	1,780
Deferred Tax									0	0	
Total Tax	1115	1418	1227	1364	1427	1871	1817	1862	5123	6977	1780
Tax rate (%)	25.8	25.8	25.8	24.9	23.4	25.9	23.4	27.7	25.6	25.1	25.7
Reported PAT	3,205	4,075	3,528	4,103	4,677	5,366	5,934	4,854	14,881	20,830	5,156
Adjusted PAT	3,205	4,075	3,527	3,640	4,677	5,366	5,934	4,854	14,422	20,830	5,156
Growth (%)	325.3	56.1	22.4	32.6	45.9	31.7	68.2	33.4	60.4	44.4	41.7

Key performance indicator

Y/E March (INR m)	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q
Volumes ('000 units)	906.8	1,027.4	879.4	868.4	953.2	1,074.4	1,100.8	1,062.5	3,682.1	4,191.0	1,062.5
Growth (%)	37.9	12.1	0.1	1.4	5.1	4.6	25.2	22.4	11.3	13.8	22.4
Dom. 2W Mkt Sh (%)	15.2	15.5	16.3	18.8	17.4	17.2	17.9	17.7	16.4	17.6	-3.6
Net Realization	66.3	70.3	74.4	76.1	75.7	75.8	74.9	76.9	71.6	75.8	75.6
Growth YoY (%)	10.8	15.1	14.6	17.8	14.3	7.9	0.6	1.1	14.2	5.8	-0.6
Cost Break-up											
RM Cost (% of sales)	76.1	76.2	75.5	75.4	74.6	74.0	73.7	72.8	75.8	73.7	73.6
Staff Cost (% of sales)	5.3	4.8	5.2	5.1	5.2	4.8	4.9	5.1	5.1	5.0	4.9
Other Cost (% of sales)	8.6	8.9	9.2	9.2	9.6	10.1	10.2	10.8	9.0	10.2	10.2
Gross Margins (%)	23.9	23.8	24.5	24.6	25.4	26.0	26.3	27.2	24.2	26.3	26.4
EBITDA Margins (%)	10.0	10.2	10.1	10.3	10.6	11.0	11.2	11.3	10.1	11.1	11.2
EBIT Margins (%)	7.4	8.1	7.6	7.8	8.3	9.0	9.1	9.0	7.7	8.9	9.1

E:MOFSL Estimates

Exhibit 1: Trends in volume and volume growth

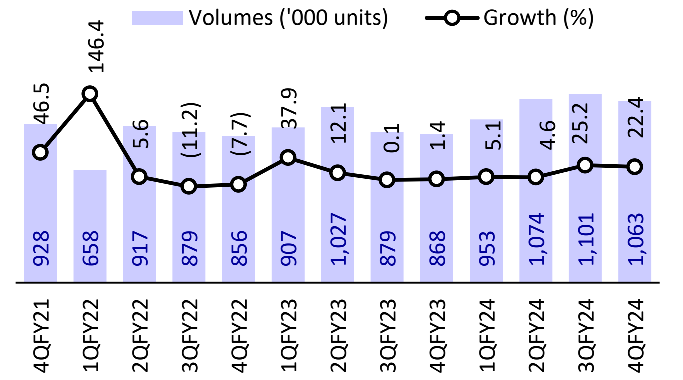


Exhibit 2: Trend in blended realizations

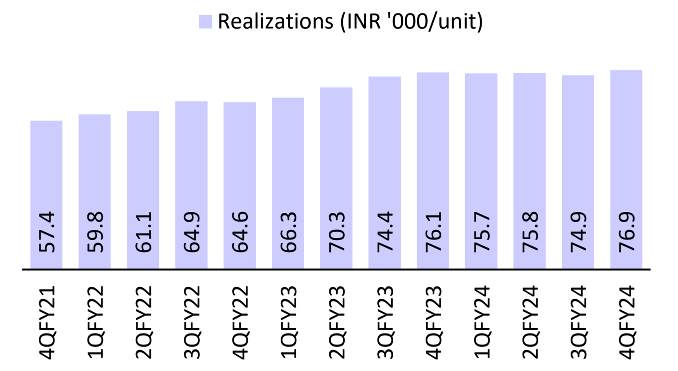


Exhibit 3: Domestic motorcycle, scooter, and overall market share trends for TVSL

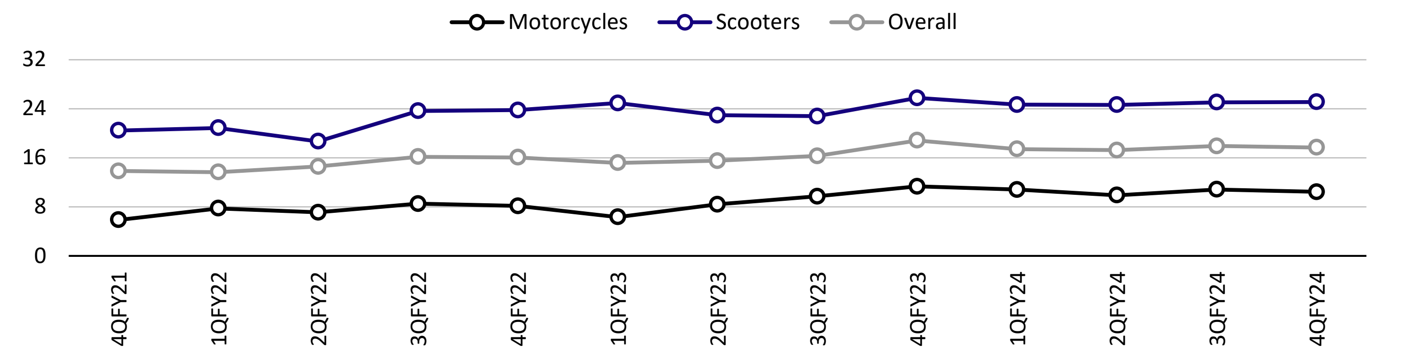


Exhibit 4: Net sales and growth trends

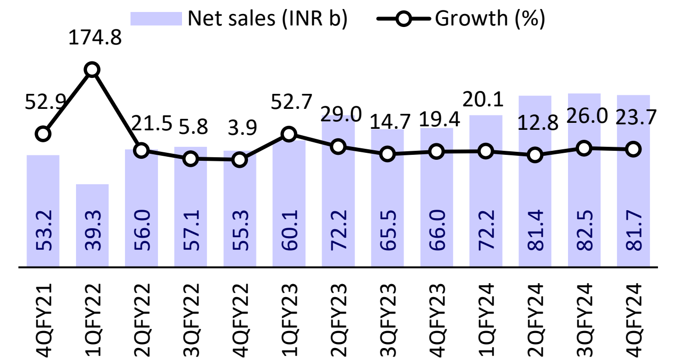


Exhibit 5: Contribution of different segments in volume mix

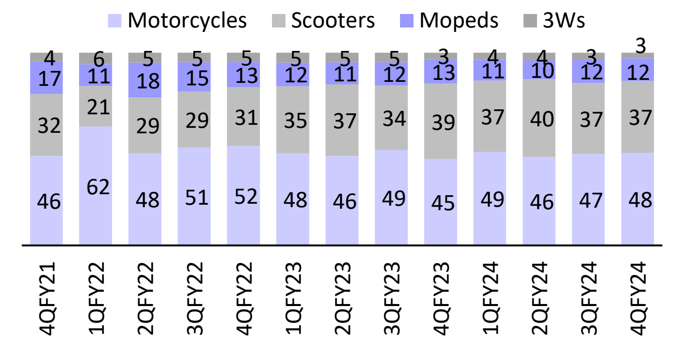
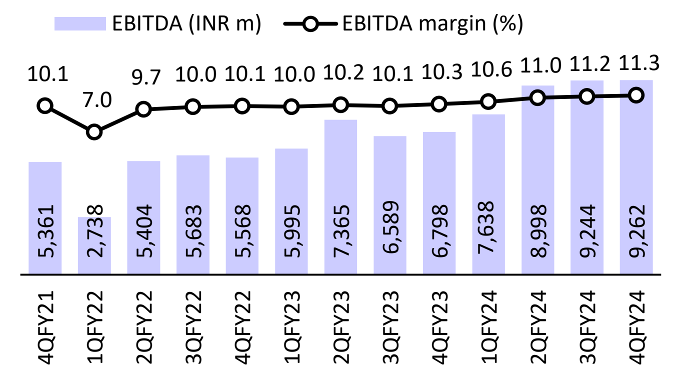
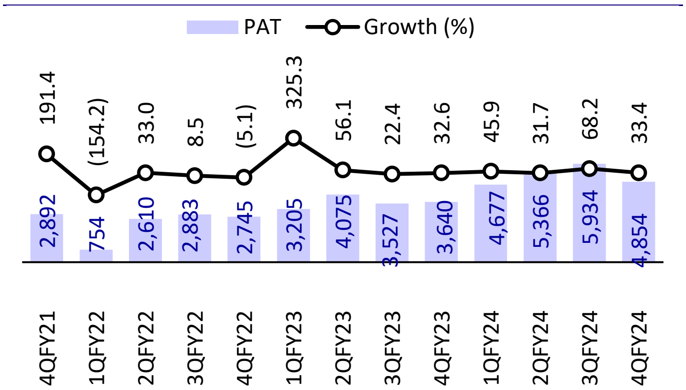


Exhibit 6: EBITDA and EBITDA margin trends



Source: Company, MOFSL

Exhibit 7: PAT and its growth trajectory



Source: Company, MOFSL

Key takeaways from the management interaction

EV update

- The management has indicated that FY25 is likely to be an exciting year for new launches for TVSL. In EVs, it plans to launch multiple variants of iQube with various battery options to suit consumer needs. It also plans to launch other EV models, including its much awaited 3W EV.
- The launch of the 3W EV in the domestic market is likely to give TVSL another opportunity to ramp up its share in 3Ws in the domestic market, where it has a limited presence currently.
- The management also targets to start exports of its 2W EVs to some of its key export markets, including ASEAN and Asia.
- In EVs, TVSL has positive contribution margin, as per the management.
- The EMPS scheme has now replaced the FAME subsidy for a period of four months until Jul'24 and the subsidy now stands reduced to INR5k per kw (cap of INR10k per unit) from INR22k on iQube earlier. While TVSL has absorbed part of this impact, it has offset the balance by a combination of price hike, input cost reduction and operational efficiencies.
- For i-Qube, TVSL has now scaled up to 720 touch points across dealers.
- TVSL has received the PLI certificate for its 2W EV.

Other concall Highlights

- TVSL did not hike prices in 4Q. It has taken a marginal price hike of 0.3% in Apr'24.
- The management has indicated that its key export market Africa is likely to see weak demand in 1HFY25 and is likely to recover in 2H.
- TVSL has reduced its debt by INR10b in FY24. Its net debt stands at INR10.3b as of FY24-end.
- It targets to launch Norton motorcycles in FY26.
- The European e-bike companies that TVSL acquired over the last few years are currently seeing some challenges due to the adverse macro environment in Europe. However, the management expects the performance of these companies to improve in FY25.
- Capex guidance for FY25 stands at INR10b in ICE + EVs. About 70% of this would be invested in new product development and digital capabilities, while the balance would be invested in capacity augmentation. Investment outflow in subsidiaries and associates from TVS for FY25 is expected to be INR11-12b (TVS CS at INR4b, Norton INR4b and the balance in others).
- Finance penetration stands at 56% with contribution from TVS CS at 40%
- TVS Credit book size has now crossed INR260b. FY24 PBT increased to INR7.6b from INR5b YoY.
- In 4QFY24 TVSL invested INR2.8b in its overseas subsidiary TVS Singapore.
- **Others**: While spare revenue stood at INR8.15b in 4Q, export revenue stood at INR20.4b.

Valuation and view

- **Key beneficiary of the premiumization trend:** TVSL has emerged as a major beneficiary of the industry's transition toward the 125cc+ segment, where it has established a strong presence. The contribution of its 125cc+ segment to domestic motorcycle volumes has notably increased from 55% in FY19 to 72% currently. We anticipate that TVSL will sustain its pace of volume growth and outpace the broader domestic 2W industry, with an expected 11% volume CAGR over the next two years vs. industry CAGR of 8-9%. This growth trajectory is anticipated to be propelled by the continued demand for its existing products in the 125cc and new product launches.
- **Emerged as the leading incumbent in EVs**: TVSL has acquired a substantial market share in the scooters segment in recent years, driven by popular products like Jupiter and Ntorq. While this has contributed to an increased revenue share from scooters, it also means that approximately 40% of its total EBITDA comes from the domestic scooter business, rendering it susceptible to potential disruptions from the emergence of EVs in the 2W market. However, the company has effectively managed this risk with the successful introduction of iQube, and has now emerged as the second-largest player in the electric 2W segment in India. Its robust performance in EVs demonstrates its adaptability and resilience to changing market dynamics, reassuring investors that TVSL is evolving into a tech-agnostic play.
- **Expect 90bp margin expansion over FY24-26E:** Over the years, TVSL has worked on improving its profitability. From around 8% margins three years back, its margins have improved to 11.1% in FY24. In fact, core ICE margins are likely to be higher given the current margin impact from EV ramp-up in its financials. This improvement in performance has been driven by: 1) stringent cost cutting measures, 2) establishing strong brand in the market, 3) alternate sourcing strategies, etc. We expect TVSL to continue to work on improving its profitability and factor in 90bp expansion in EBITDA margin over FY24-26E. This improvement is projected to drive an earnings CAGR of 22% in standalone EPS over the same period.
- **Investments in subsidiaries and associates has been a cause for concern:** While its operational performance has been among the best in listed players for the last few years, one major Investor concern has been its continued investments in associates and subsidiaries that dilute standalone performance and hurt returns. Even in FY25, it has earmarked investments to the tune of INR12b in associates and subsidiaries, including TVS CS (INR4b), Norton (INR4b) and others. The fact that TVSL has now been investing in both Norton and e-bikes business in Europe for over three years now without any returns in sight, has been a major cause of investor concern.
- **Valuation and view:** We have retained our FY25E/FY26E EPS estimates. Volume growth is likely to be driven by a recovery in the domestic 2W market, healthy demand for its products (Raider, 125CC scooters and iQube) and new product launches. It is commendable that TVSL saw 100bp margin expansion even in FY24 at a time when it is ramping up its EV sales, which are inherently margin dilutive. However, valuations at 36x/31x FY25E/FY26E EPS largely reflect its strong earnings growth potential. Reiterate **Neutral** with a TP of ~INR1,930 (premised on ~27x Mar’26E EPS + INR171/share for NBFC).

Exhibit 8: Revised forecast (Standalone)

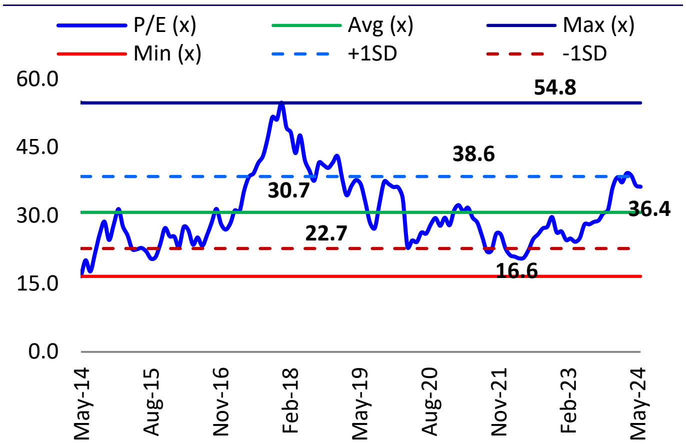
(INR M)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes (m units)	4.68	4.76	-1.6	5.16	5.22	-1.0
Net Sales	3,64,346	3,70,260	-1.6	4,12,538	4,16,727	-1.0
EBITDA	42,811	43,506	-1.6	49,298	49,799	-1.0
EBITDA (%)	11.8	11.8	0bp	12.0	12.0	0bp
Net Profit	26,267	26,333	-0.3	30,946	31,017	-0.2
EPS (INR)	55.3	55.4	-0.3	65.1	65.3	-0.2

Exhibit 9: TVS Credit Services – A valuable investment

INR M	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Loan book	39,540	50,000	61,540	83,350	92,150	1,12,020	1,39,110	2,06,020	2,60,000	3,71,053	4,50,854
Loan book Gr (%)	50	26	23	35	10.6	22	24	48	26	43	22
Leverage (x)	7.3	7.2	7	7.2	6.7	7.2	7.5	7.5	7.9	9.3	9.3
RoA (%)	1.3	1.7	2.2	1.8	1.6	0.9	0.9	1.2	1.5	1.5	1.5
PAT	**507**	**870**	**1,384**	**1,483**	**1,505**	**970**	**1,207**	**2,472**	**3,900**	**5,566**	**6,763**
Net Worth	**5,410**	**6,980**	**8,834**	**11,511**	**13,720**	**15,637**	**18,636**	**27,581**	**32,981**	**40,047**	**48,310**
RoE (%)	9.4	12.5	15.7	12.9	11	6.2	6.5	9	11.8	13.9	14
P/B (x)								2.5	2.5	2.5	2.5
Equity Value								68,953	82,453	1,00,117	1,20,774
TVSLs Stake (%)								84.27	84.27	84.27	84.27
Value for TVSL @ Post 20% Hold Co Discount								**46485**	**55586**	**67495**	**81421**
Value for TVSL (INR/sh) @ 20% HoldCo								**98**	**117**	**142**	**171**

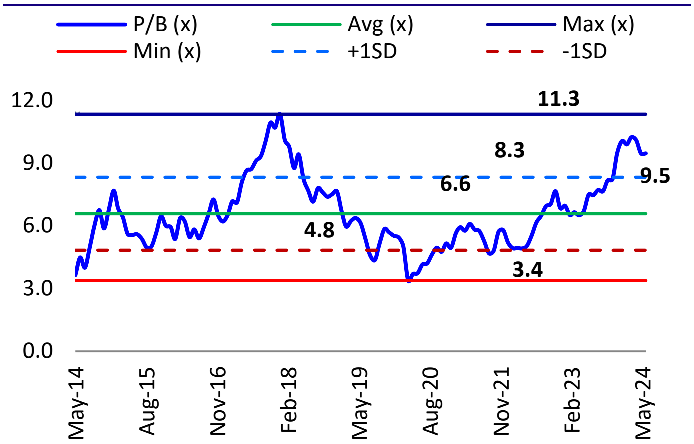
Units in INR M; Source: Company, MOFSL

Exhibit 10: P/E band



Source: MOFSL

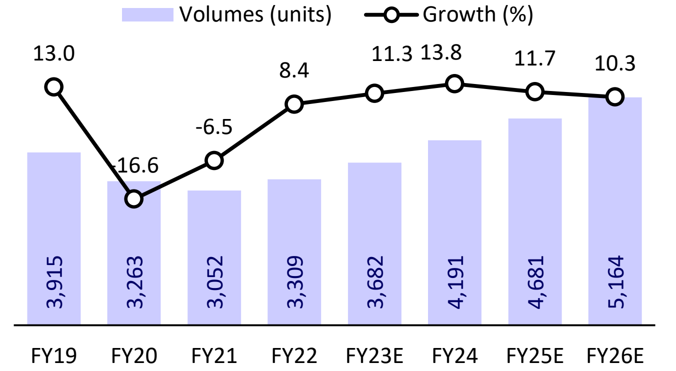
Exhibit 11: P/BV band



Source: MOFSL

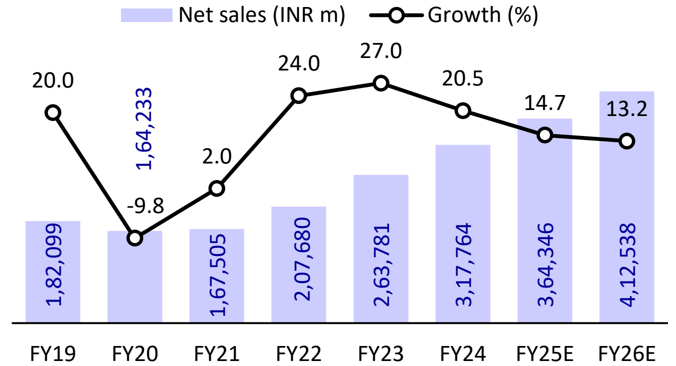
Story in charts

Exhibit 12: Volume growth trajectory



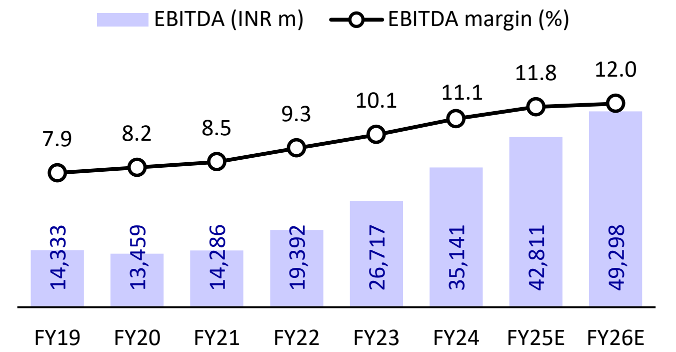
Source: Company, MOFSL

Exhibit 13: Revenue growth trend



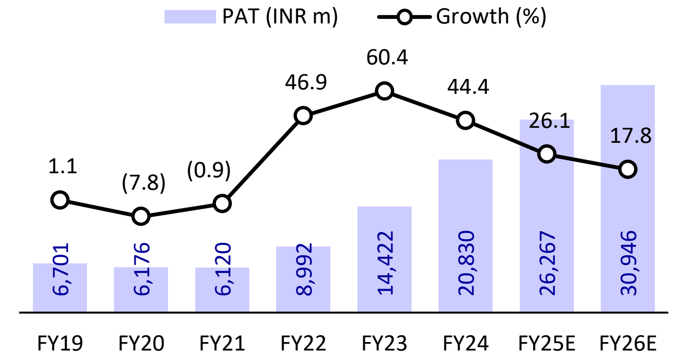
Source: Company, MOFSL

Exhibit 14: EBITDA margin trends upward



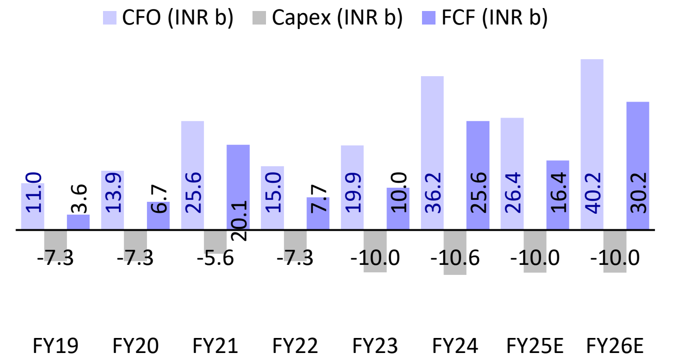
Source: Company, MOFSL

Exhibit 15: Trends in PAT and PAT growth



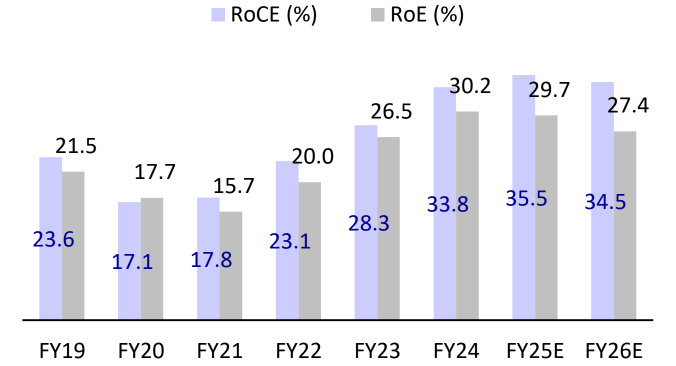
Source: Company, MOFSL

Exhibit 16: FCF to remain strong despite high capex plans



Source: Company, MOFSL

Exhibit 17: Sharp improvement in return ratios



Source: Company, MOFSL

Key operating metrics

Snapshot of Revenue model

units	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Motorcycle	**13,29,105**	**15,39,226**	**13,48,662**	**13,29,213**	**17,13,464**	**17,13,975**	**19,74,891**	**21,89,240**	**24,39,390**
Growth (%)	24.5	15.8	-12.4	-1.4	28.9	0.0	15.2	10.9	11.4
% of total vols	38.3	39.3	41.3	43.6	51.8	46.5	47.1	46.8	47.2
Scooter	**11,34,918**	**13,01,115**	**10,75,203**	**9,60,946**	**9,22,578**	**13,33,925**	**15,67,240**	**17,87,555**	**19,67,036**
Growth (%)	30.3	14.6	-17.4	-10.6	-4.0	44.6	17.5	14.1	10.0
% of total vols	32.7	33.2	32.9	31.5	27.9	36.2	37.4	38.2	38.1
Moped	**8,76,932**	**8,96,917**	**6,50,799**	**6,25,560**	**4,83,396**	**4,45,773**	**4,84,531**	**5,10,122**	**5,35,628**
Growth (%)	-3.7	2.3	-27.4	-3.9	-22.7	-7.8	8.7	5.3	5.0
% of total vols	25.3	22.9	19.9	20.5	14.6	12.1	11.6	10.9	10.4
Total 2Ws	**33,67,426**	**37,58,551**	**30,89,581**	**29,28,265**	**31,37,298**	**35,12,954**	**40,44,824**	**45,08,402**	**49,64,829**
Growth (%)	18.0	11.6	-17.8	-5.2	7.1	12.0	15.1	11.5	10.1
% of total vols	97.2	96.0	94.7	96.0	94.8	95.4	96.5	96.3	96.1
3Ws	**98,684**	**1,56,434**	**1,73,911**	**1,23,596**	**1,71,875**	**1,69,114**	**1,46,170**	**1,72,397**	**1,99,668**
Growth (%)	42.5	58.5	11.2	-28.9	39.1	-1.6	-13.6	17.9	15.8
% of total vols	2.8	4.0	5.3	4.0	5.2	4.6	3.5	3.7	3.9
Domestic	**28,91,895**	**31,53,247**	**24,22,674**	**21,72,492**	**20,55,982**	**26,14,011**	**31,77,841**	**35,13,983**	**38,29,010**
Growth (%)	15.6	9.0	-23.2	-10.3	-5.4	27.1	21.6	10.6	9.0
% of total vols	83.4	80.5	74.2	71.2	62.1	71.0	75.8	75.1	74.1
Exports	**5,74,215**	**7,61,738**	**8,40,818**	**8,79,369**	**12,53,191**	**10,68,057**	**10,13,153**	**11,66,816**	**13,35,486**
Growth (%)	36.4	32.7	10.4	4.6	42.5	-14.8	-5.1	15.2	14.5
% of total vols	16.6	19.5	25.8	28.8	37.9	29.0	24.2	24.9	25.9
Total volumes	**34,66,110**	**39,14,985**	**32,63,492**	**30,51,861**	**33,09,173**	**36,82,068**	**41,90,994**	**46,80,799**	**51,64,496**
Growth (%)	18.6	13.0	-16.6	-6.5	8.4	11.3	13.8	11.7	10.3
ASP (INR/unit)	**43,782**	**46,513**	**50,324**	**54,886**	**62,759**	**71,639**	**75,821**	**77,838**	**79,880**
Growth (%)	5.5	6.2	8.2	9.1	14.3	14.2	5.8	2.7	2.6
Net Sales (INR m)	**1,51,754**	**1,82,099**	**1,64,233**	**1,67,505**	**2,07,680**	**2,63,781**	**3,17,764**	**3,64,346**	**4,12,538**
Growth (%)	25.1	20.0	-9.8	2.0	24.0	27.0	20.5	14.7	13.2

Financials and valuations

Standalone - Income Statement								(INR Million)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Volumes (units)	**39,14,985**	**32,63,492**	**30,51,861**	**33,09,173**	**36,82,068**	**41,90,994**	**46,80,799**	**51,64,496**
Growth (%)	*13.0*	*(16.6)*	*(6.5)*	*8.4*	*11.3*	*13.8*	*11.7*	*10.3*
Net Sales	**1,82,099**	**1,64,233**	**1,67,505**	**2,07,680**	**2,63,781**	**3,17,764**	**3,64,346**	**4,12,538**
Change (%)	20.0	-9.8	2.0	24.0	27.0	20.5	14.7	13.2
EBITDA	**14,333**	**13,459**	**14,286**	**19,392**	**26,717**	**35,141**	**42,811**	**49,298**
Margin (%)	7.9	8.2	8.5	9.3	10.1	11.1	11.8	12.0
Depreciation	3,993	4,890	4,937	6,114	6,312	7,004	7,222	7,953
EBIT	**10,340**	**8,568**	**9,349**	**13,278**	**20,405**	**28,138**	**35,589**	**41,345**
Int. and Finance Charges	806	1,022	1,416	1,259	1,407	1,816	1,116	734
Other Income - Rec.	75	321	330	190	389	1,485	550	650
PBT bef. EO Exp.	**9,610**	**7,867**	**8,262**	**12,209**	**19,387**	**27,807**	**35,022**	**41,262**
EO Expense/(Income)	0	323	0	77	-617	0	0	0
PBT after EO Exp.	**9,610**	**7,544**	**8,262**	**12,132**	**20,004**	**27,807**	**35,022**	**41,262**
Current Tax	2,768	2,339	2,034	3,000	5,037	7,021	8,756	10,315
Deferred Tax	141	-717	108	196	87	-44	0	0
Tax Rate (%)	30.3	21.5	25.9	26.3	25.6	25.1	25.0	25.0
Reported PAT	**6,701**	**5,923**	**6,120**	**8,936**	**14,881**	**20,830**	**26,267**	**30,946**
PAT Adj for EO items	**6,701**	**6,176**	**6,120**	**8,992**	**14,422**	**20,830**	**26,267**	**30,946**
Change (%)	1.1	-7.8	-0.9	46.9	60.4	44.4	26.1	17.8

Standalone - Balance Sheet								(INR Million)
Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Equity Share Capital	475	475	475	475	475	475	475	475
Total Reserves	32,998	35,706	41,234	47,745	60,003	76,835	99,301	1,25,734
Net Worth	**33,473**	**36,181**	**41,710**	**48,220**	**60,479**	**77,310**	**99,776**	**1,26,209**
Deferred Liabilities	2,126	1,581	1,955	1,979	1,982	1,871	1,871	1,871
Total Loans	14,000	20,219	10,829	16,006	22,446	15,134	11,134	6,134
Capital Employed	**49,600**	**57,981**	**54,493**	**66,205**	**84,906**	**94,315**	**1,12,781**	**1,34,214**
Gross Block	50,536	58,077	63,490	72,064	79,879	88,642	1,03,944	1,13,944
Less: Accum. Deprn.	24,743	29,077	33,387	38,998	43,920	50,924	58,146	66,099
Net Fixed Assets	**25,793**	**28,999**	**30,104**	**33,066**	**35,959**	**37,719**	**45,798**	**47,845**
Capital WIP	2,572	2,854	2,787	4,245	6,277	9,301	4,000	4,000
Total Investments	**23,008**	**28,554**	**33,153**	**47,813**	**61,664**	**71,440**	**83,440**	**95,440**
Curr. Assets, Loans&Adv.	**32,320**	**33,204**	**35,931**	**33,354**	**36,024**	**42,163**	**54,622**	**69,929**
Inventory	11,759	10,389	11,518	11,227	12,364	13,708	21,961	24,865
Account Receivables	14,141	12,814	8,700	9,507	9,551	13,021	16,970	19,214
Cash and Bank Balance	439	4,193	9,298	4,013	2,420	5,310	1,324	9,898
Loans and Advances	5,981	5,808	6,415	8,607	11,690	10,124	14,368	15,952
Curr. Liability & Prov.	**34,094**	**35,631**	**47,482**	**52,273**	**44,050**	**54,616**	**63,387**	**71,309**
Account Payables	32,912	33,869	45,557	49,815	41,306	51,122	59,893	67,815
Provisions & other CL	1,183	1,763	1,925	2,458	2,744	3,495	3,495	3,495
Net Current Assets	**-1,774**	**-2,427**	**-11,551**	**-18,919**	**-8,026**	**-12,453**	**-8,766**	**-1,380**
Appl. of Funds	**49,600**	**57,981**	**54,493**	**66,205**	**84,906**	**94,315**	**1,12,781**	**1,34,214**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	**14.1**	**13.0**	**12.9**	**18.9**	**30.4**	**43.8**	**55.3**	**65.1**
Growth (%)	1.1	-7.8	-0.9	46.9	60.4	44.4	26.1	17.8
Cash EPS	22.5	23.3	23.3	31.8	43.6	58.6	70.5	81.9
BV/Share	70.5	76.2	87.8	101.5	127.3	162.7	210.0	265.6
DPS	3.5	3.5	3.5	4.5	5.0	8.0	8.0	9.5
Payout (%)	29.8	33.8	27.2	23.9	16.0	18.2	14.5	14.6
Valuation (x)								
P/E	142.2	154.3	155.7	106.0	66.1	45.8	36.3	30.8
Cash P/E	89.1	86.1	86.2	63.1	46.0	34.2	28.5	24.5
P/BV	28.5	26.3	22.9	19.8	15.8	12.3	9.6	7.6
EV/Sales	5.3	5.9	5.7	4.6	3.7	3.0	2.6	2.3
EV/EBITDA	67.4	72.0	66.8	49.8	36.4	27.4	22.5	19.3
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.5
Return Ratios (%)								
EBITDA Margins (%)	7.9	8.2	8.5	9.3	10.1	11.1	11.8	12.0
Net Profit Margins (%)	3.7	3.8	3.7	4.3	5.5	6.6	7.2	7.5
RoE	21.5	17.7	15.7	20.0	26.5	30.2	29.7	27.4
RoCE	23.6	17.1	17.8	23.1	28.3	33.8	35.5	34.5
RoIC	**30.1**	**26.2**	**37.2**	**74.0**	**86.2**	**109.8**	**117.1**	**109.0**
Operating Ratios								
Fixed Asset Turnover (x)	3.6	2.8	2.6	2.9	3.3	3.6	3.5	3.6
Inventory (Days)	23.6	23.1	25.1	19.7	17.1	15.7	22.0	22.0
Debtor (Days)	28	28	19	17	13	15	17	17
Creditor (Days)	66	75	99	88	57	59	60	60
Working Capital (Days)	-4	-15	-45	-40	-14	-20	-10	-10
Leverage Ratio (x)								
Current Ratio	0.9	0.9	0.8	0.6	0.8	0.8	0.9	1.0
Debt/Equity	0.4	0.6	0.3	0.3	0.4	0.2	0.1	0.0

Standalone - Cash Flow Statement **(INR Million)**

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
NP/ (Loss) bef Tax and EO	9,610	7,544	8,262	12,132	20,004	27,807	35,022	41,262
Depreciation	3,993	4,890	4,937	6,114	6,312	7,004	7,222	7,953
Interest & Finance Charges	857	1,022	1,416	1,259	1,407	1,816	1,116	734
Direct Taxes Paid	2,300	1,850	2,020	3,100	4,826	6,162	8,756	10,315
(Inc)/Dec in WC	-1,097	2,926	12,918	-962	-2,051	5,359	-7,674	1,188
CF from Operations	**11,063**	**14,532**	**25,513**	**15,444**	**20,846**	**35,824**	**26,932**	**40,821**
Others	-85	-596	96	-469	-918	349	-550	-650
CF from Operations	**10,978**	**13,936**	**25,609**	**14,976**	**19,929**	**36,173**	**26,382**	**40,171**
(inc)/dec in FA	-7,334	-7,267	-5,557	-7,279	-9,968	-10,555	-10,000	-10,000
Free Cash Flow	**3,643**	**6,669**	**20,052**	**7,697**	**9,960**	**25,618**	**16,382**	**30,171**
CF from Investments	**-10,023**	**-12,889**	**-9,206**	**-21,410**	**-23,118**	**-18,963**	**-21,450**	**-21,350**
(Inc)/Dec in Debt	939	4,013	-10,700	1,300	3,100	-4,400	-4,000	-5,000
Interest Paid	-857	-1,003	-1,129	-1,231	-1,371	-2,137	-1,116	-734
Dividend Paid	-2,000	-2,000	-998	-1,904	-2,918	-3,801	-3,801	-4,513
CF from Fin. Activity	**811**	**2,705**	**-11,956**	**1,132**	**2,245**	**-14,696**	**-8,917**	**-10,247**
Inc/Dec of Cash	**1,766**	**3,753**	**4,447**	**-5,302**	**-944**	**2,515**	**-3,986**	**8,574**
Add: Beginning Balance	-1,376	390	4,143	8,590	3,287	2,343	4,858	872
Closing Balance	**390**	**4,143**	**8,590**	**3,287**	**2,343**	**4,858**	**872**	**9,446**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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