

# Bajaj Auto

Estimate changes	↔
TP change	↓
Rating change	↔

Bloomberg	BJAUT IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	740.2 / 9.6
52-Week Range (INR)	3315 / 1793
1, 6, 12 Rel. Per (%)	10/5/7
12M Avg Val (INR M)	1605

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	299	252	283
EBITDA	51.0	43.3	49.7
EBITDA Margin (%)	17.0	17.2	17.6
Adj. PAT	54.2	46.6	51.0
EPS (INR)	187	161	176
EPS Gr. (%)	13.3	-14.0	9.4
BV/Sh. (INR)	689	750	813

## Ratios

RoE (%)	26.0	22.4	22.6
RoCE (%)	23.8	20.5	20.6
Payout (%)	77.0	56.0	58.0

## Valuations

P/E (x)	13.7	15.9	14.5
P/BV (x)	3.7	3.4	3.1
Div. Yield (%)	4.7	2.9	3.3
FCF Yield (%)	5.2	6.6	6.6

## Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	53.7	53.5	51.2
DII	8.8	10.1	7.4
FII	13.9	13.9	15.6
Others	23.6	22.5	25.8

FII Includes depository receipts

**CMP: INR 2,558**      **TP: INR2,643 (+3%)**      **Neutral**

**Above est.; Retail trending at 25-30%; Expect recovery in 2H**

**Margin resilience commendable; Volume outlook bleak**

- Bajaj Auto's (BJAUT) strong operating performance was driven by mix and Fx, which supports our view that the company has several levers to protect margins. Volume recovery for both India and exports is expected in 2HFY21, with risk of financing for India and oil prices/Fx devaluation for exports.
- We downgrade our EPS for FY21/FY22E by 4% as we cut volumes but factor in the favorable Fx. Maintain our **Neutral** rating.

**Margins driven by mix and Fx despite operating deleverage**

- 4QFY20 revenue/EBITDA/PAT grew -8%/2%/23% YoY to INR68.2/INR12.5b/INR13.1b. FY20 revenue/EBITDA/PAT grew -1%/-2%/15%.
- Realizations grew 10.5% YoY (8% QoQ) to INR68.7k (v/s est. INR64.7k), driven by better mix (higher 3W, exports and premium motorcycles) and Fx.
- Gross margins improved ~150bp QoQ (+340bp YoY), driven largely by mix, higher share of premium motorcycles and favorable Fx. This led to EBITDA margin expansion of 180bp YoY (+50bp QoQ) to 18.4% (v/s est. 17.1%).
- Higher other income and lower tax boosted PAT by 23% YoY to ~INR13.1b (v/s est. ~INR10.7b).

**Highlights from management commentary**

- Domestic 2W retails are trending at ~25% of normal retail sales as only 50-60% dealers are currently operational and are operating at 50% of normal sales. In exports, retails are trending at 30-35% of normal retails. 1HFY21 would be weak but management is hopeful of recovery in 2HFY21.
- **Domestic 2Ws:** Rural and semi-urban areas should see benefit of farm positives. Some down-trading is expected within categories rather than across segments. However, the entry-level segment is more vulnerable due to the adverse impact on cash-in-hand and finance availability.
- **Domestic 3Ws:** The company expects to benefit at the expense of larger 3Ws (a weak area for BJAUT), which ferries 10-12 people. Smaller 3Ws have limited sharing and BJAUT has 85%+ market share in this segment. Also, post BS6, price increase in larger 3Ws is much higher than smaller 3Ws.
- **Financing:** Management does not see major issues in 2W financing. However, 3Ws should face challenges due to the current uncertainties.
- **Exports:** Oil related impact in Africa is yet to be seen. Its key market of Nigeria is witnessing double headwinds of Coronavirus and lower oil prices. If oil prices sustain between USD30-40/bbl, it would not have any material negative impact on demand from Africa. However, Fx devaluation could cause unavailability of USD there. The company might plough back some Fx benefits in select markets.

**Valuation and view**

- We downgrade our EPS for FY21/FY22E by 4% as we cut volumes but factor in the favorable Fx. Valuations at 15.9x/14.5x FY21/22E consol. EPS is a fair reflection of the tepid earnings growth. Maintain **Neutral** with TP of INR2,643.

## Quarterly Performance

(INR Million)

	FY19				FY20				FY19	FY20	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
<b>Net Sales</b>	<b>74,649</b>	<b>80,363</b>	<b>74,358</b>	<b>74,205</b>	<b>77,558</b>	<b>77,073</b>	<b>76,397</b>	<b>68,159</b>	<b>303,576</b>	<b>299,187</b>	<b>65,468</b>
Change (%)	37.2	22.1	16.4	9.3	3.9	(4.1)	2.7	(8.1)	20.6	(1.4)	(11.8)
<b>EBITDA</b>	<b>13,389</b>	<b>14,141</b>	<b>12,125</b>	<b>12,270</b>	<b>11,982</b>	<b>12,781</b>	<b>13,672</b>	<b>12,528</b>	<b>51,925</b>	<b>50,962</b>	<b>11,200</b>
EBITDA Margins (%)	17.9	17.6	16.3	16.5	15.4	16.6	17.9	18.4	17.1	17.0	17.1
Interest	3	3	36	3	5	12	5	9	45	32	3
Depreciation	700	715	634	608	601	613	617	633	2,657	2,464	687
Non-operating Income	3,469	3,104	4,135	3,680	4,413	3,934	3,662	5,327	14,389	17,336	3,809
<b>PBT after EO</b>	<b>16,156</b>	<b>16,527</b>	<b>15,591</b>	<b>18,759</b>	<b>15,788</b>	<b>16,089</b>	<b>16,713</b>	<b>17,212</b>	<b>67,032</b>	<b>65,802</b>	<b>14,320</b>
Effective Tax Rate (%)	31.0	30.3	29.3	30.4	28.7	12.8	24.5	23.9	30.3	22.5	25.3
<b>Adj. PAT</b>	<b>11,152</b>	<b>11,525</b>	<b>11,019</b>	<b>10,671</b>	<b>11,257</b>	<b>14,024</b>	<b>12,616</b>	<b>13,103</b>	<b>44,366</b>	<b>51,000</b>	<b>10,701</b>
Change (%)	17.8	3.7	15.7	(1.2)	0.9	21.7	14.5	22.8	9.9	15.0	0.3

## Key Performance Indicators

Y/E March	FY19				FY20				FY19	FY20	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Volumes ('000 units)	1,227	1,339	1,260	1,194	1,247	1,174	1,202	992	5,020	4,615	1,012
Growth YoY (%)	38.1	25.0	25.8	14.2	1.7	-12.4	-4.6	-16.9	25.3	-8.1	-15.2
Dom. M/Cycle Mkt Sh (%)	16.3	18.6	20.3	20.0	18.3	17.9	20.1	15.1	18.7	18	
Realization (INR/unit)	60,856	59,998	59,022	62,170	62,187	65,673	63,532	68,711	60,479	64,826	64,691
Growth YoY (%)	-0.7	-2.3	-7.5	-4.3	2.2	9.5	7.6	10.5	-3.7	7.2	4.1
<b>Cost Break-up</b>											
RM Cost (% of sales)	70.9	72.0	72.5	71.8	71.7	70.5	69.9	68.4	71.8	70.2	69.2
Staff Cost (% of sales)	4.2	3.9	4.3	4.2	4.6	4.4	4.6	5.0	4.1	4.6	5.1
Other Cost (% of sales)	7.0	6.6	7.1	7.6	8.2	8.6	7.8	8.2	7.1	8.2	8.7
<b>Gross Margins (%)</b>	<b>29.1</b>	<b>28.0</b>	<b>27.5</b>	<b>28.2</b>	<b>28.3</b>	<b>29.5</b>	<b>30.1</b>	<b>31.6</b>	<b>28.2</b>	<b>30</b>	<b>31</b>
EBITDA Margins (%)	17.9	17.6	16.3	16.5	15.4	16.6	17.9	18.4	17.1	17.0	17.1
EBIT Margins (%)	17.0	16.7	15.5	15.7	14.7	15.8	17.1	17.5	16.2	16.2	16.1



## Key takeaways from Earnings call

- **Status of retails:** Domestic 2W retails are trending at ~25% of retails as 50-60% of dealers are currently operational and are operating at 50% of normal sales. In exports, retails are trending at 30-35% of normal retails.
- **Status of manufacturing operations:** Plants can operate at 50-75% capacity but demand is nowhere near those levels.
- **Margin improvement in 4Q was driven by** (a) mix in favor of 3Ws and exports, (b) the company selling more motorcycles in the Premium segment v/s other segments, and (c) favorable Fx. The company did not have any material commodity benefits.
- **Domestic market outlook:** 1HFY21 would be weak but the company is hopeful of a recovery in 2HFY21. Management expects 2HFY21 to surprise positively as against the current visibility for 2H. Rural and semi-urban areas should see benefit of farm positives. However, BJAUT does not expect big down-trading across segments, but toward lower trim levels within categories. Entry-level segment is more vulnerable due to availability of finance and cash-in-hand being impacted.
- **Domestic 3Ws:** The company expects to benefit at the expense of larger 3Ws (a weak area for BJAUT), which ferries 10-12 people. Smaller 3Ws have limited sharing and BJAUT has 85%+ market share in the segment. Also, post BS6, price increase in larger 3Ws is much higher than in smaller ones.
- **Financing:** The company does not see major issues for 2W financing. However, it expects financing to be a challenge for 3Ws.

- **Exports:** Oil related impact in Africa is yet to be seen. Its key market of Nigeria is witnessing double headwinds of Coronavirus and lower oil prices. If oil prices sustain between USD30-40/bbl, BJAUT does not expect material negative impact on demand from Africa. Rather a greater concern would be Fx devaluation in Nigeria and other markets, which could result in unavailability of USD there. ASEAN remains the company's focused market in exports, followed up with right time for entering Brazil. It might plough back some Fx benefits in select markets.

**Exhibit 1: Trend in segmental growth and contribution in sales mix**

	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)
<b>Motorcycles</b>					
Domestic	403,084	610,094	-33.9	542,978	-25.8
% of total volumes	40.6	51.1		45.2	
Exports	450,456	391,889	14.9	484,183	-7.0
% of total volumes	45.4	32.8		40.3	
<b>Total Motorcycles</b>	<b>853,540</b>	<b>1,001,983</b>	<b>-14.8</b>	<b>1,027,161</b>	<b>-16.9</b>
% of total volumes	86.0	83.9		85.4	
<b>Three Wheelers</b>					
Domestic	75,076	102,258	-26.6	96,736	-22.4
% of total volumes	7.6	8.6		8.0	
Exports	63,345	89,349	-29.1	78,589	-19.4
% of total volumes	6.4	7.5		6.5	
<b>Total 3Ws</b>	<b>138,421</b>	<b>191,607</b>	<b>-27.8</b>	<b>175,325</b>	<b>-21.0</b>
% of total volumes	14.0	16.1		14.6	
<b>Total Volumes</b>	<b>991,961</b>	<b>1,193,590</b>	<b>-16.9</b>	<b>1,202,486</b>	<b>-17.5</b>

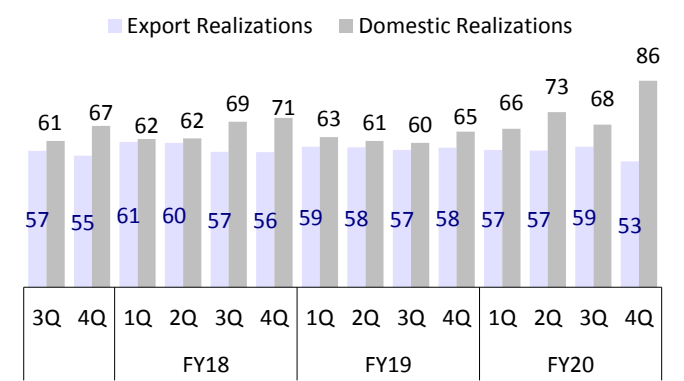
Source: Company, MOFSL

**Exhibit 2: 2W and 3W market share trajectory (%)**

(%)	4QFY20	4QFY19	YoY (bp)	3QFY20	QoQ (bp)
<b>Segment Wise</b>					
Economy	25.7	33.8	-810	36.1	-1,040
Executive	4.9	1.1	380	5.4	-60
Executive 100	0.0	1.1	-100	0.3	-30
Executive 125	14.7	1.3	1,350	17.2	-240
Premium	33.4	38.7	-530	30.6	280
Premium excl RE	47.8	51.3	-350	44.0	380
<b>Dom. Motorcycles</b>	<b>15.1</b>	<b>20.0</b>	<b>-490</b>	<b>20.1</b>	<b>-500</b>
Total Motorcycles	25.0	26.9	-190	29.3	-430
<b>Total Dom. 2W</b>	<b>9.7</b>	<b>12.9</b>	<b>-320</b>	<b>12.6</b>	<b>-300</b>
Total 2W (incl exports)	17.4	18.6	-120	20.1	-280
<b>Dom. 3W</b>	<b>44.6</b>	<b>57.5</b>	<b>-1,290</b>	<b>55.0</b>	<b>-1,040</b>
3W (incl exports)	45.8	60.4	-1,470	56.5	-1,080

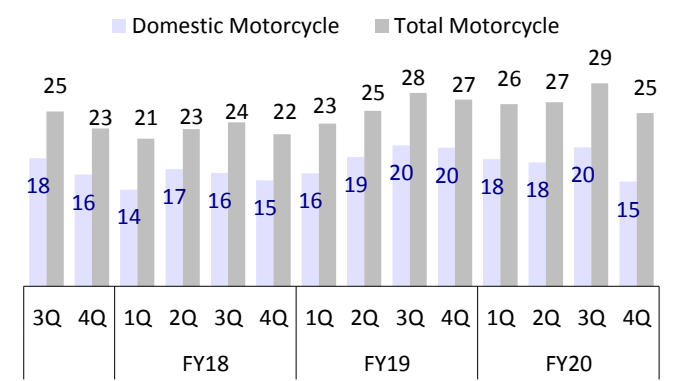
Source: SIAM, MOFSL

**Exhibit 3: Trend in domestic/export realizations**



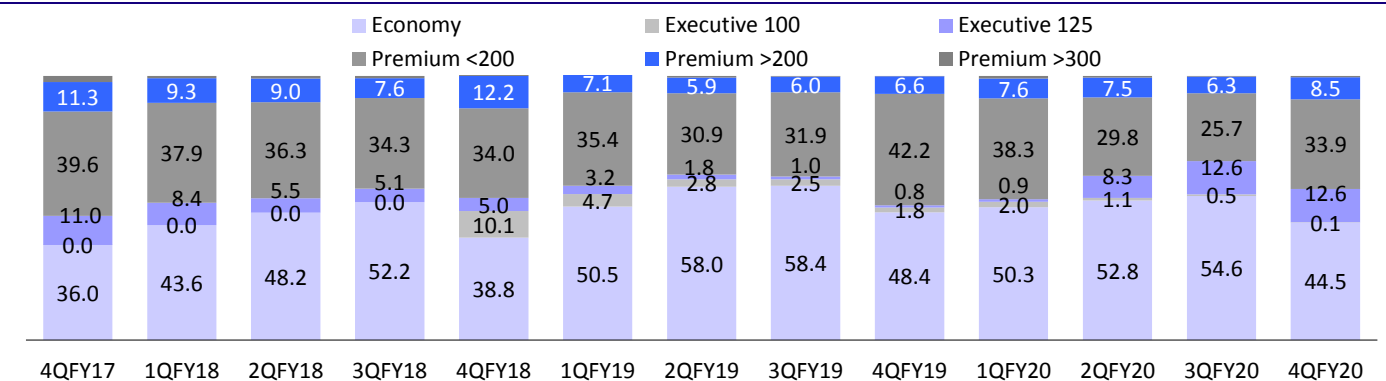
Source: Company, MOFSL

**Exhibit 4: Trend in domestic and total 2W market share**



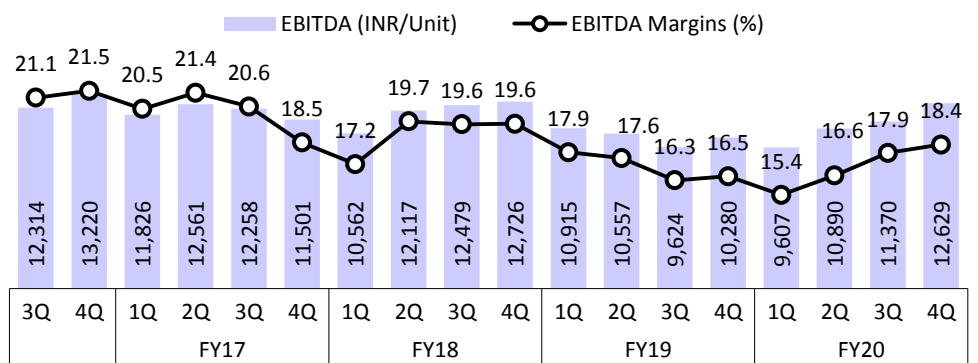
Source: Company, MOFSL

**Exhibit 5: Trend – segment wise contribution (domestic 2W)**



Source: Company, MOFSL

**Exhibit 6: EBITDA and EBITDA margin trend**



Source: Company, MOFSL

**Valuation view**

- Volumes to be impacted across businesses in FY21:** We expect FY21 to be another year of challenges for the domestic 2W industry and for BJAUT due to impact of the Coronavirus pandemic. As a result, BJAUT should see pressure in its export volumes as well as impact of the lower oil prices in some of its key African markets. It is relatively better positioned than its mainstream 2W peers due to strength in the Entry-level and Premium motorcycle segments. We estimate volumes to decline by ~17.5% in FY21 and grow 10% in FY22E.

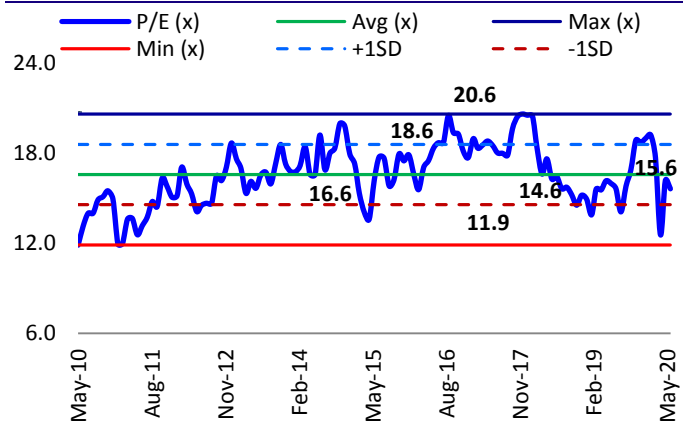
- **Well placed to ride the premiumization trend:** Leveraging its strong alliance with KTM and latest partnerships with Husqvarna and Triumph, we believe BJAUT would have the widest range of premium motorcycles to offer. Husqvarna and KTM present an opportunity to drive contract manufacturing volumes by 3x over the next few years. Meanwhile, Triumph would facilitate BJAUT's entry in the fast-growing mid-capacity cruiser segment (~1.5m motorcycles annually) in CY20.
- **Chetak e-scooter to drive re-entry into large scooter segment:** BJAUT has recently launched e-scooter Chetak at ~INR105k (on-road), marking its re-entry into the lucrative scooter segment. This would expand its addressable market as Scooters constitute ~32% of the domestic 2W industry. BJAUT, which will focus only on e-scooters, is one of the early movers in the e-scooter segment. We believe it would be at the forefront of driving electrification and has an opportunity to gain sizeable share of e-scooters.
- **Better positioned to protect margins than peers:** Unlike its 2W peers, BJAUT has several levers to support margins and dilute impact of operating deleverage. It has support to margins in the form of (a) mix (lesser impact in 3Ws and exports), (b) favorable Fx, and (c) lower fixed cost vis-à-vis peers. Hence, we expect EBITDA margins for BJAUT to remain stable at 17-17.5% despite erosion in volumes.
- **Maintain Neutral with TP of INR2,643:** We lower our EPS estimates for FY21/22E by ~4% each, to factor in the lower volumes for FY21/22E and favorable Fx. Valuations at 15.9x/14.5x FY21/22E consol. EPS is a fair reflection of the tepid earnings growth expectation as well as near-term volume weakness. With 6-9 months outlook being challenging due to the impact of Coronavirus as well as BS6 related cost inflation, we estimate BJAUT's EPS to decline at ~3% CAGR over FY20-22E. We have increased our target multiple from 13x to 15x to reflect the near bottom of the cycle earnings. Maintain **Neutral** with TP of INR2,643 (15x Mar'22E consol. EPS v/s 10-year average P/E of 17.3x).

#### Exhibit 7: Revised forecast (INR m)

	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Vols ('000 units)	3,805	4,252	-10.5	4,201	4,696	-10.5
Net Sales	251,661	280,571	-10.3	283,080	313,874	-9.8
EBITDA	43,251	47,320	-8.6	49,686	53,638	-7.4
EBITDA Margins (%)	17.2	16.9	30bp	17.6	17.1	50bp
Net Profit	46,623	48,377	-3.6	50,989	53,226	-4.2
EPS (INR)	<b>161.1</b>	<b>167.2</b>	<b>-3.6</b>	<b>176.2</b>	<b>183.9</b>	<b>-4.2</b>

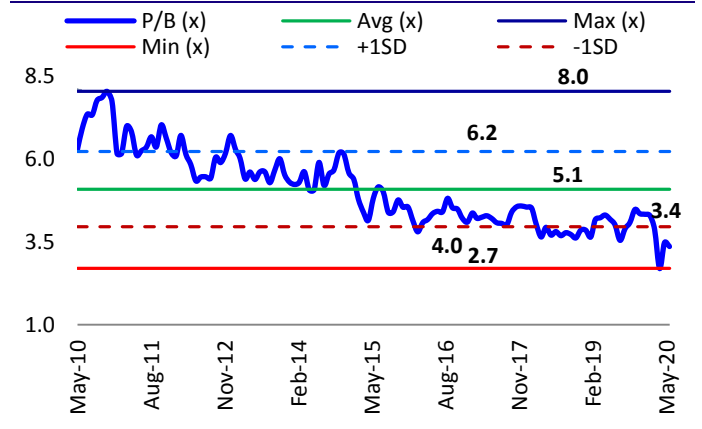
Source: MOFSL

Exhibit 8: BJAUT P/E band



Source: MOFSL

Exhibit 9: BJAUT's P/BV band



Source: MOFSL

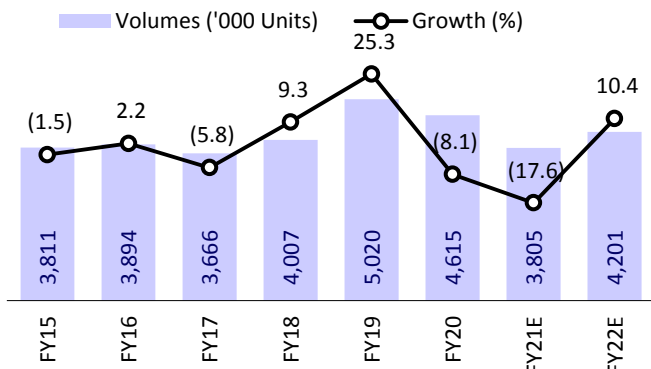
Exhibit 10: Key operating metrics

000 units	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Motorcycles (units)</b>								
Domestic	1,771	1,899	2,001	1,975	2,541	2,078	1,683	1,885
Growth (%)	-15.6	7.2	5.4	-1.3	28.7	-18.2	-19.0	12.0
% of total volumes	46.5	48.8	54.6	49.3	50.6	45.0	44.2	44.9
Exports	1,521	1,459	1,219	1,395	1,696	1,869	1,551	1,707
Growth (%)	15.0	-4.1	-16.5	14.5	21.6	10.2	-17.0	10.0
% of total volumes	39.9	37.5	33.2	34.8	33.8	40.5	40.8	40.6
<b>Total M/Cycles</b>	<b>3,292</b>	<b>3,358</b>	<b>3,220</b>	<b>3,369</b>	<b>4,237</b>	<b>3,948</b>	<b>3,235</b>	<b>3,592</b>
Growth (%)	-3.8	2.0	-4.1	4.6	25.7	-6.8	-18.1	11.0
% of total volumes	86.4	86.3	87.8	84.1	84.4	85.5	85.0	85.5
<b>3Ws</b>								
Domestic	234	255	253	370	399	366	307	326
Growth (%)	25.4	8.8	-0.7	46.0	8.1	-8.4	-16.0	6.0
% of total volumes	6.1	6.5	6.9	9.2	8.0	7.9	8.1	7.8
Exports	285	280	193	268	383	302	263	284
Growth (%)	9.2	-1.6	-31.2	38.9	43.1	-21.2	-13.0	8.0
% of total volumes	7.5	7.2	5.3	6.7	7.6	6.5	6.9	6.8
<b>3Ws</b>	<b>519</b>	<b>535</b>	<b>446</b>	<b>637</b>	<b>783</b>	<b>668</b>	<b>570</b>	<b>609</b>
Growth (%)	16.0	3.1	-16.7	42.9	22.8	-14.7	-14.6	6.9
% of total volumes	13.6	13.7	12.2	15.9	15.6	14.5	15.0	14.5
<b>Total Volumes</b>	<b>3,811</b>	<b>3,894</b>	<b>3,666</b>	<b>4,007</b>	<b>5,020</b>	<b>4,615</b>	<b>3,805</b>	<b>4,201</b>
Growth (%)	-1.5	2.2	-5.8	9.3	25.3	-8.1	-17.6	10.4
<b>Avg. Net Realn (INR/unit)</b>	<b>51,853</b>	<b>53,697</b>	<b>54,482</b>	<b>55,745</b>	<b>52,928</b>	<b>55,602</b>	<b>54,349</b>	<b>55,451</b>
Growth (%)	7.0	3.6	1.5	2.3	-5.1	5.1	-2.3	2.0
<b>Net Revenues (INR B)</b>	<b>211</b>	<b>222</b>	<b>214</b>	<b>247</b>	<b>296</b>	<b>291</b>	<b>244</b>	<b>275</b>
Growth (%)	7.0	5.0	-3.5	15.6	19.7	-1.5	-16.2	12.6
<b>EBITDA (INR B)</b>	<b>41</b>	<b>48</b>	<b>44</b>	<b>48</b>	<b>52</b>	<b>51</b>	<b>43</b>	<b>50</b>
EBITDA margins (%)	19.0	21.2	20.3	19.2	17.1	17.0	17.2	17.6
<b>EBITDA (INR/Unit)</b>	<b>10,801</b>	<b>12,282</b>	<b>12,063</b>	<b>12,073</b>	<b>10,345</b>	<b>11,042</b>	<b>11,368</b>	<b>11,826</b>
Growth (%)	0.3	16.2	-7.5	9.4	7.3	-1.9	-15.1	14.9
<b>Consol. PAT (INR B)</b>	<b>33</b>	<b>42</b>	<b>41</b>	<b>44</b>	<b>48</b>	<b>54</b>	<b>47</b>	<b>51</b>
Consol. EPS	113	143	141	151	165	187	161	176

Source: Company, MOFSL

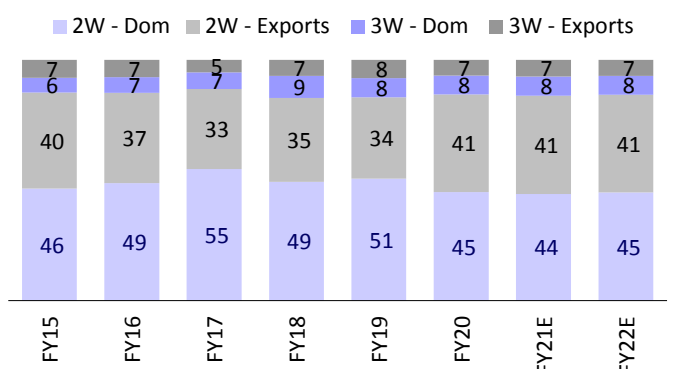
Stories in chart

Exhibit 11: Trend in volume and volume growth



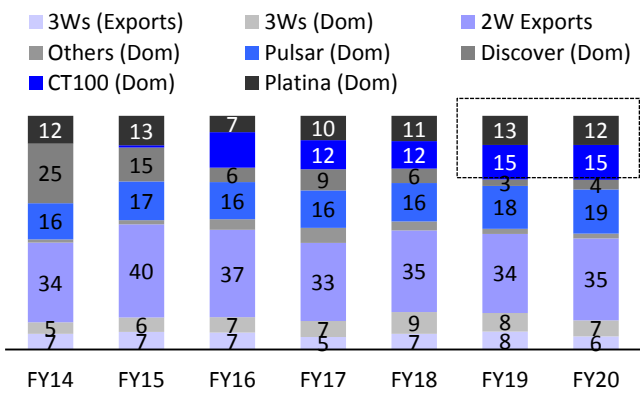
Source: Company, MOFSL

Exhibit 12: Product mix trend



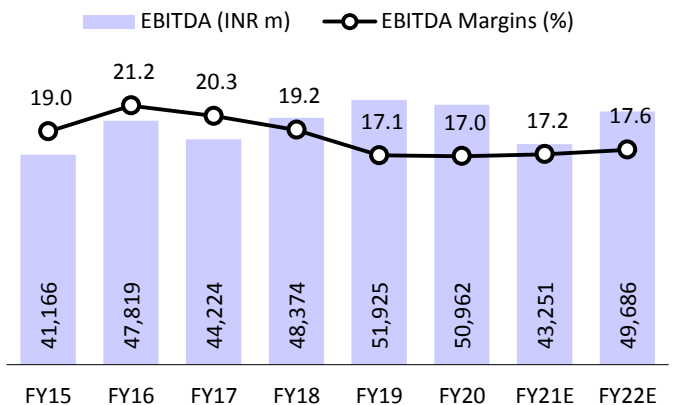
Source: Company, MOFSL

Exhibit 13: Trend in volume mix



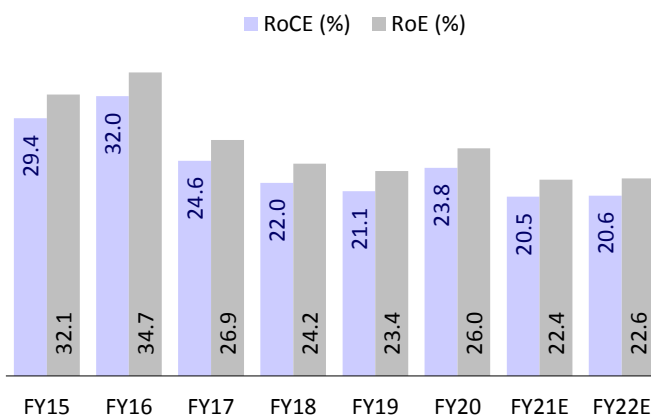
Source: Company, MOFSL

Exhibit 14: Trend in EBITDA and EBITDA margins



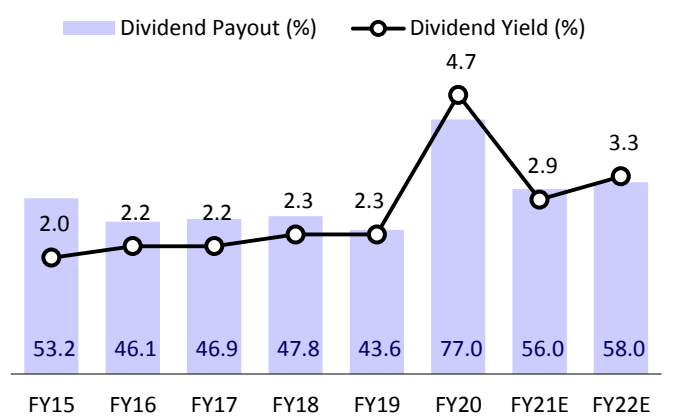
Source: Company, MOFSL

Exhibit 15: Trend in return ratios



Source: Company, MOFSL

Exhibit 16: Dividend payout to remain healthy



Source: Company, MOFSL

## Financials and Valuations

Income Statement								(INR M)
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>Volumes</b>	<b>3,811,201</b>	<b>3,893,581</b>	<b>3,665,950</b>	<b>4,006,788</b>	<b>5,019,503</b>	<b>4,615,212</b>	<b>3,804,792</b>	<b>4,201,398</b>
Change (%)	-1.5	2.2	-5.8	9.3	25.3	-8.1	-17.6	10.4
<b>Net Sales</b>	<b>216,120</b>	<b>225,865</b>	<b>217,667</b>	<b>252,189</b>	<b>303,576</b>	<b>299,187</b>	<b>251,661</b>	<b>283,080</b>
Change (%)	7.3	4.5	-3.6	15.9	20.4	-1.4	-15.9	12.5
<b>Total Expenditure</b>	<b>174,955</b>	<b>178,046</b>	<b>173,443</b>	<b>203,815</b>	<b>251,651</b>	<b>248,224</b>	<b>208,410</b>	<b>233,394</b>
<b>EBITDA</b>	<b>41,166</b>	<b>47,819</b>	<b>44,224</b>	<b>48,374</b>	<b>51,925</b>	<b>50,962</b>	<b>43,251</b>	<b>49,686</b>
Change (%)	0.3	16.2	-7.5	9.4	7.3	-1.9	-15.1	14.9
EBITDA Margins (%)	19.0	21.2	20.3	19.2	17.1	17.0	17.2	17.6
Depreciation	2,674	3,072	3,073	3,148	2,657	2,464	2,437	2,613
<b>EBIT</b>	<b>38,492</b>	<b>44,748</b>	<b>41,151</b>	<b>45,226</b>	<b>49,268</b>	<b>48,498</b>	<b>40,814</b>	<b>47,072</b>
Int. & Fin. Charges	65	11	14	13	45	32	20	20
Other Income	5,824	10,736	12,220	12,933	14,389	17,336	16,052	15,517
Non-recurring Exp.	3,403	0	0	320	-3,420	0	0	0
<b>PBT</b>	<b>40,848</b>	<b>55,473</b>	<b>53,356</b>	<b>57,826</b>	<b>67,032</b>	<b>65,802</b>	<b>56,846</b>	<b>62,569</b>
Tax	12,711	16,177	15,081	17,145	20,280	14,802	13,116	14,619
Effective Rate (%)	31.1	29.2	28.3	29.6	30.3	22.5	23.1	23.4
<b>PAT</b>	<b>28,137</b>	<b>39,297</b>	<b>38,276</b>	<b>40,681</b>	<b>46,752</b>	<b>51,000</b>	<b>43,729</b>	<b>47,951</b>
Change (%)	-13.2	39.7	-2.6	6.3	14.9	9.1	-14.3	9.7
Add: Share in profit of asso.	2,137	2,214	2,546	2,876	3,498	3,215	2,894	3,038
<b>Adj. PAT</b>	<b>32,619</b>	<b>41,511</b>	<b>40,822</b>	<b>43,782</b>	<b>47,864</b>	<b>54,215</b>	<b>46,623</b>	<b>50,989</b>
Change (%)	(3.7)	27.3	(1.7)	7.3	9.3	13.3	(14.0)	9.4

Balance Sheet								
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	2,894	2,894	2,894	2,894	2,894	2,894	2,894	2,894
<b>Net Worth</b>	<b>106,922</b>	<b>132,666</b>	<b>170,341</b>	<b>191,039</b>	<b>217,799</b>	<b>199,255</b>	<b>216,898</b>	<b>235,283</b>
Deferred Tax	1,416	2,028	3,136	3,234	5,427	3,464	4,601	5,852
Loans	1,118	1,886	1,764	1,674	1,685	1,669	1,669	1,669
<b>Capital Employed</b>	<b>109,455</b>	<b>136,579</b>	<b>175,242</b>	<b>195,947</b>	<b>224,910</b>	<b>204,388</b>	<b>223,167</b>	<b>242,804</b>
Gross Fixed Assets	41,009	51,572	45,917	46,402	47,915	49,730	51,832	54,832
Less: Depreciation	21,837	24,183	25,900	27,619	30,275	32,740	35,177	37,790
<b>Net Fixed Assets</b>	<b>19,172</b>	<b>27,389</b>	<b>20,018</b>	<b>18,783</b>	<b>17,639</b>	<b>16,990</b>	<b>16,655</b>	<b>17,041</b>
Capital WIP	2,549	522	422	565	480	602	1,000	1,000
Investments	91,533	102,606	147,315	175,883	191,594	181,960	181,960	181,960
<b>Current Assets</b>	<b>42,368</b>	<b>34,348</b>	<b>40,395</b>	<b>42,964</b>	<b>64,091</b>	<b>48,181</b>	<b>65,976</b>	<b>90,523</b>
Inventory	8,142	7,191	7,284	7,426	9,615	10,635	7,971	8,966
Sundry Debtors	7,170	7,179	9,533	14,919	25,597	17,251	18,616	20,940
Cash & Bank Balances	5,862	8,176	2,798	7,609	9,054	2,773	25,186	44,640
Loans & Advances	17,727	365	362	369	380	386	414	465
Others	3,469	11,437	20,418	12,641	19,445	17,136	13,790	15,511
<b>Current Liab. &amp; Prov.</b>	<b>46,168</b>	<b>28,286</b>	<b>32,907</b>	<b>42,248</b>	<b>48,894</b>	<b>43,345</b>	<b>42,423</b>	<b>47,720</b>
Sundry Creditors	17,998	20,270	22,357	32,443	37,867	31,997	31,392	35,311
Other Liabilities	8,251	6,410	8,559	7,427	9,475	8,964	7,584	8,531
Provisions	19,920	1,605	1,991	2,378	1,552	2,385	3,447	3,878
<b>Net Current Assets</b>	<b>-3,800</b>	<b>6,063</b>	<b>7,488</b>	<b>716</b>	<b>15,197</b>	<b>4,836</b>	<b>23,553</b>	<b>42,803</b>
<b>Application of Funds</b>	<b>109,455</b>	<b>136,580</b>	<b>175,242</b>	<b>195,947</b>	<b>224,911</b>	<b>204,387</b>	<b>223,167</b>	<b>242,804</b>

E: MOFSL Estimates



## Financials and Valuations

### Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>Basic (INR)</b>								
<b>Consol EPS</b>	<b>112.7</b>	<b>143.5</b>	<b>141.1</b>	<b>151.3</b>	<b>165.4</b>	<b>187.4</b>	<b>161.1</b>	<b>176.2</b>
EPS growth (%)	-3.7	27.3	-1.7	7.3	9.3	13.3	-14.0	9.4
Consol Cash EPS	122.0	154.1	151.7	162.2	174.6	195.9	169.5	185.2
Book Value per Share	369.5	458.5	588.7	660.2	752.7	688.6	749.6	813.1
DPS	50.0	55.0	55.0	60.0	60.0	120.0	75.0	85.0
Payout (Incl. Div. Tax) %	53.2	46.1	46.9	47.8	43.6	77.0	56.0	58.0
<b>Valuation (x)</b>								
P/E	22.7	17.8	18.1	16.9	15.5	13.7	15.9	14.5
Cash P/E	21.0	16.6	16.9	15.8	14.7	13.1	15.1	13.8
EV/EBITDA	15.6	13.2	13.4	11.5	10.4	10.9	12.4	10.4
EV/Sales	3.0	2.8	2.7	2.2	1.8	1.9	2.1	1.8
Price to Book Value	6.9	5.6	4.3	3.9	3.4	3.7	3.4	3.1
Dividend Yield (%)	2.0	2.2	2.2	2.3	2.3	4.7	2.9	3.3
<b>Profitability Ratios (%)</b>								
RoE	32.1	34.7	26.9	24.2	23.4	26.0	22.4	22.6
RoCE	29.4	32.0	24.6	22.0	21.1	23.8	20.5	20.6
RoIC	338	182	118	174	193	176	184	137
<b>Turnover Ratios</b>								
Debtors (Days)	12	11	15	21	31	21	27	27
Inventory (Days)	13	11	12	11	12	13	12	12
Creditors (Days)	29	31	35	46	46	39	46	46
Working Capital (Days)	-4	-9	-9	-14	-3	-5	-7	-7
Asset Turnover (x)	2.0	1.7	1.2	1.3	1.3	1.5	1.1	1.2
Fixed Asset Turnover	5.3	4.9	4.5	5.5	6.4	6.1	5.0	5.3
<b>Leverage Ratio</b>								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Cash Flow Statement

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
<b>(INR M)</b>								
<b>Profit before Tax</b>	<b>40,848</b>	<b>55,473</b>	<b>53,356</b>	<b>57,826</b>	<b>67,032</b>	<b>65,802</b>	<b>56,846</b>	<b>47,072</b>
Interest/Div. Received	2,373	1,807	633	2,047	1,102	2,573	16,052	15,517
Depreciation & Amort.	2,674	3,072	3,073	3,148	2,657	2,464	2,437	2,613
Direct Taxes Paid	-12,854	-18,195	-15,026	-16,851	-19,643	-16,777	-11,979	-13,367
(Inc)/Dec in Working Capital	-5,825	5,753	2,533	10,451	-7,030	3,765	3,696	204
Other Items	-3057	-9236	-10269	-11738	-18061	-16635	-16032	-15497
<b>CF from Oper. Activity</b>	<b>24,159</b>	<b>38,673</b>	<b>34,300</b>	<b>44,883</b>	<b>26,056</b>	<b>41,193</b>	<b>51,020</b>	<b>52,039</b>
Extra-ordinary Items	-313	-298	-275	-228	-58	-3	0	0
<b>CF after EO Items</b>	<b>23,846</b>	<b>38,375</b>	<b>34,025</b>	<b>44,655</b>	<b>25,997</b>	<b>41,190</b>	<b>51,020</b>	<b>52,039</b>
(Inc)/Dec in FA+CWIP	-2,933	-2,582	-1,970	-1,833	-1,082	-2,800	-2,500	-3,000
<b>Free Cash Flow</b>	<b>20,913</b>	<b>35,793</b>	<b>32,055</b>	<b>42,822</b>	<b>24,916</b>	<b>38,390</b>	<b>48,520</b>	<b>49,039</b>
(Pur)/Sale of Invest.	-3,584	587	-35,546	-19,395	-2,461	17,773	0	0
<b>CF from Inv. Activity</b>	<b>-6,517</b>	<b>-1,995</b>	<b>-37,516</b>	<b>-21,227</b>	<b>-3,543</b>	<b>14,973</b>	<b>-2,500</b>	<b>-3,000</b>
Inc. / Dec.in Networkth	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	532	501	128	0	28	0	0	0
Interest Paid	-65	-5	-6	-4	-35	-21	-20	-20
Dividends Paid	-16,909	-34,337	-2,022	-18,848	-20,733	-62,444	-26,087	-29,565
<b>CF from Fin. Activity</b>	<b>-16,442</b>	<b>-33,841</b>	<b>-1,901</b>	<b>-18,853</b>	<b>-20,741</b>	<b>-62,465</b>	<b>-26,107</b>	<b>-29,585</b>
<b>Inc/(Dec) in Cash</b>	<b>888</b>	<b>2,539</b>	<b>-5,392</b>	<b>4,575</b>	<b>1,714</b>	<b>-6,302</b>	<b>22,413</b>	<b>19,454</b>
Add: Beginning Bal.	4,863	5,637	8,190	3,034	7,340	9,075	2,773	25,186
<b>Closing Balance</b>	<b>5,751</b>	<b>8,176</b>	<b>2,798</b>	<b>7,609</b>	<b>9,054</b>	<b>2,773</b>	<b>25,186</b>	<b>44,640</b>

E: MOFSL Estimates

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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