6 June2019

Update |Sector: Automobiles

Eicher Motors

BSE SENSEX	S&P CNX
40,084	12,022

Bloomberg	EIM IN
Equity Shares (m)	27
M.Cap.(INRb)/(USDb)	547.8 / 7.9
52-Week Range (INR)	30333 / 18222
1, 6, 12 Rel. Per (%)	-4/-23/-46
12M Avg Val (INR M)	2326
Free float (%)	50.7

Financials & Valuations (INR b)

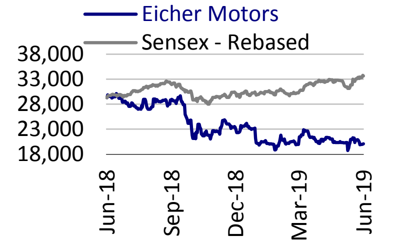
Y/E Mar	2019	2020E	2021E
Net Sales	98.0	108.8	127.0
EBITDA	29.0	30.5	35.8
PAT	22.2	23.9	27.5
EPS (INR)	814	877	1,007
Gr. (%)	1.8	7.8	14.8
BV/Sh (INR)	3,269	3,911	4,622
RoE (%)	27.8	24.4	23.6
RoCE (%)	26.6	23.9	23.9
P/E (x)	24.7	22.9	19.9
P/BV (x)	6.1	5.1	4.3

Shareholding pattern (%)

As On	Mar-19	Dec-18	Mar-18
Promoter	49.3	49.3	50.5
DII	4.7	6.2	5.9
FII	32.5	30.8	31.0
Others	13.5	13.6	12.6

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR20,075 TP: INR23,500(+17%) Buy

Gearing up for a ride to under-penetrated states

BS6 upgrades would bridge product quality gaps

Eicher Motors (EIM) engaged in a dialogue with the investing community at the UK Technology Centre (started operations in May-17), where entire senior management of the motorcycle and CV businesses presented on their strategy and focus areas (link to the webcast). Throughout the discourse, management did not appear perturbed by the ongoing demand slowdown for Royal Enfield (RE) as they looked at it as a cyclical and industry wide phenomenon. In fact, the company continues focusing on upping its game on product quality, distribution and brand strength. At the same time, it would attempt to capitalize on the continued premiumization trend in developing markets (including India). Key highlights from the meet:

- New CEO Mr Vinod Dasari will bring complementary skillsets and help Mr Siddhartha Lal fill gaps in the hitherto weak areas. While Mr Lal would focus on product development and brands, Mr Dasari's emphasis would be on the front end (expanding market and driving demand) apart from managing day-to-day operations.
- RE is focused on expanding the middle weight motorcycle segment (250-750cc) and looking to capture share of the motorcycle market and not just of the category. Its ambition is based on the premiumization trend and the target is to grow 2x of the industry over the next 10 years. In exports, it intends to replicate the India story in the next 10-15 years.
- For product quality, the 650cc twins are the new benchmark. The BS6 up-gradation is likely to bridge the product quality gap between the old product and the 650cc twins.
- Notably, RE is doubling its marketing efforts in under-indexed markets (big markets where its share is less than national average) like UP/ MP.
- The company is undertaking various initiatives to expedite growth, including (a) distribution expansion (through smaller format stores), (b) price laddering (by offering multiple 'trim' levels) and (c) mass customization.
- Unlike in the past when it was focused top-down, RE is now preparing for region-specific initiatives to address the relevant issues there.
- The 'Learning Markets' (v/s 'Conquering Markets') approach may take longer time to bear fruit but ensure sustainable and profitable ramp-up.

Valuation view: RE is facing demand weakness for the first time since its renaissance in 2008, as it is in a perfect storm with a weak industry environment, substantial cost inflation and a new competitor. Volumes are likely to remain under pressure until 2QFY20 and then recover gradually. More importantly, we endorse the key initiatives undertaken by RE (RE Studio, price laddering and mass customization), which coupled with complete product portfolio up-gradation with BS6 (could be 2nd inflection point for RE) and ramp-up of 650cc Twins, strengthens the case for a sustainable volumes revival. Valuation are reasonable at ~22.9/19.9x FY20/21E consol. EPS. Maintain **Buy** with a target price of ~INR23,500 (Mar'21 based SOTP).

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Mr Siddhartha Lal: Third phase of RE evolution into a global brand

- The first phase (2000-09) of RE’s evolution was all about understanding customer, while the second phase (2010-18) was about scaling-up success of Classic. RE is now in its third phase (2019 onwards), where it has channelized all efforts to solidify its status as a global brand (as it sees enormous opportunity in the global middle-weight segment) without diluting the focus on India (its highest-priority market).
- Mr Lal sees continuance of the premiumization trend in India (and other developing markets), and RE is a play on that as everything it does is premium (product, sales and service network, accessories, etc.). The company wants to maintain its aspirational yet accessible product/brand attribute.
- In India, the focus is on expanding the market by addressing under-penetrated but high-potential states, and also providing attractive value proposition for an upgrade to the existing 4.1m RE customers.
- In the developing markets like Thailand and Brazil, it is establishing small footprint to understand the market/customer and then replicate the India-like stories there. The target is to offer an upgrade option in the form of RE to the existing commuter motorcycle customers in these markets.

"As you know at Eicher Motors we try to do things differently, I believe. I believe we are long term oriented in our approach and that's absolutely our approach, and that would continue to be our approach in times to come. Our idea is to build something spectacular in the long term and whatever that means in the short term we will get that done. We don't put ourselves under tremendous pressure to do things to show people and investors, and we want to make sure that we do right things always for the long term success of the company," **said Mr Siddhartha Lal in his opening remarks.**

Mr Vinod Dasari (new CEO): Sharp focus on expanding markets

- Mr Dasari, who joined EIM as a CEO for the RE business from Apr’19, laid down immediate priorities for RE and his focus areas for the medium term.
- For RE, it has set three main goals for FY20 – (i) expand market in India (and outside), (ii) prepare for outstanding BS6 and (iii) reimagine the brand and make it a global motorcycling brand (longer term).
- To achieve these goals, Mr Dasari would focus on (i) connecting with people of RE (including dealers), (ii) focusing on a few markets outside major cities (where motorcycle industry volumes are very high but RE’s share is low), (ii) mass customization using the digital platform and (iv) increasing value capture of customer spend (currently only captures 10% of money spent by RE customer, including insurance, financing, gears & accessories, etc.).

“Resistance to change is often what kills new initiatives. But resistance to change is the lowest when two things are happening either the company is going through transition or there is new CEO. So in this case we have both, so hence resistance to change is very very low and I look at this as wonderful opportunity to make some tweaks.” – **Mr Vinod Dasari, CEO, Eicher Motors**

Demand weakness largely due to macro/industry headwinds and not pricing

- RE's management believes that the ongoing demand weakness is not specific to just RE but it is more widespread for overall autos and the wider economy.
- 40% of customers are salaried class, demand from whom has not been impacted. However, since Diwali, the business-class customers have been deferring purchases. Walk-ins are very strong, though.
- Further, Kerala volumes have dropped by 10k units (-12.5%) due to floods, and the market is yet to come back.
- Price increase was not even in top-5 reasons for deferment, according to its analysis of voice of customers. Hence, it does not believe it was big factor.
- Also, it has not seen any changes in underwriting norms by its financing partners (both NBFC and banks).

Next phase of growth in India to be driven by under-penetrated states through RE Studio network

- RE is doubling its marketing efforts on under-penetrated markets like UP and MP (big motorcycle markets where RE's market share is less than the national average).
- It has classified the entire market into four categories and is adopting market and approach clustering for 'Winning in many Indias'. Hence, it is now decentralizing marketing, public relation, rides, etc., making it very region- or market-specific for marketing.
- The company is targeting smaller-format stores under 'Royal Enfield Studio,' which will cater to smaller towns and cities. RE Studio would have lower investment outlay, supporting viability of dealers. It would offer both sales (~225 sq ft) and service (~275 sq ft with 2 service bays).
- For CY19, it is targeting to add ~350 RE Studio stores. This, coupled with ~80 store additions under the normal channel, would increase RE's retail footprint in 1,100 towns with 1,350 stores.

Exports: Ramp-up would be slow with focus on learning markets

- RE's approach in exports is of 'Learning markets' (v/s 'Conquering markets'). This will take longer time to bear fruit but offer more sustainable and profitable ramp-up.
- RE is focused on the key identified markets: Seven developed and six developing markets. The testing and learning time will be high in the export markets, but distribution ramp-up could be faster once the learning curve is achieved.
- It is at the early stage of the international journey. There is excitement about the initial responses in the international market.
- 650cc Twins has stepped up RE's game in the international markets. Also, the recently revamped Himalayan is doing very well in exports markets like the US and Columbia (contributing ~50% of volumes in these markets).

VECV: Synergies with Volvo coming to the fore

- Mr Lal believes that VECV is extremely well poised for BS6 as it has been exporting Euro 6 engines since 2013. The same base engine would be used in

India for BS6. Also, VECV would benefit from Volvo's experience in Euro 6 implementation at the global level.

- For the LMD business, the upcoming Pro 2000 series launch would replace its 33-year-old platform.
- Exports of LMD (in 7-10 ton segment) under the 'UD' brand to Indonesia, Malaysia and South Africa would leverage on Volvo’s distribution network in these high-volume markets (particularly Indonesia).
- Further, it is also focusing on supplies of parts to Volvo (as VECV localizes Pro 8000 series cabins). This will get boost post BS6. Also, Volvo is planning to shift from Deutz engines used in construction equipment to VECV MDEP engines.
- The MDEP project produced ~40k engines in FY19, of which ~34k were sold to Volvo. Under BS6, large part of VECV M&HCV will shift to MDEP engine (though ICVs will be on smaller engine). MDEP engine capacity will be increased to 75k (and can be further increased to ~100k).
- Its greenfield plant at Bhopal with capacity of 40k trucks (scalable to 100k) will start by Apr’20, taking total VECV capacity to 130k.

Other takeaways

- **RE Vintage stores:** It plans to increase RE Vintage stores (used RE stores) from 1 store currently to 25 stores (1 store in each key city). It would help RE to control stock of used REs as well as residual value of RE. Over a period of time, it would be an important part of RE’s strategy.
- **Focus on pull-based strategy to tackle competition:** It does not see any case of shift from pull to push strategy due to new competition. It would rather be more agile and have wider offerings rather than push strategy as this would impact the brand positioning. Pull-based strategy does result in more pressure, but it would use an innovative approach to deliver same results as the push-based strategy. However, RE would not hold back if there is a need to spend, as evident in its investments in brand, exports and capability development (fixed cost had come down to 10% of sales three years back, but now gone up to 14% due to these investments).
- **Sees no material headwinds to margins**: Commodity prices are stable. Cost for new technology like ABS and BS6 takes 2-3 quarters to stabilize and then generally trends down. In the long term, the gears & accessories business has high potential and margins. Currently, only 10% of revenues are non-motorcycle.
- **Dealer viability is not a concern** as 88% of dealers made above 12% RoCE in May-19, though it is well below average RoCE which RE dealers earn.

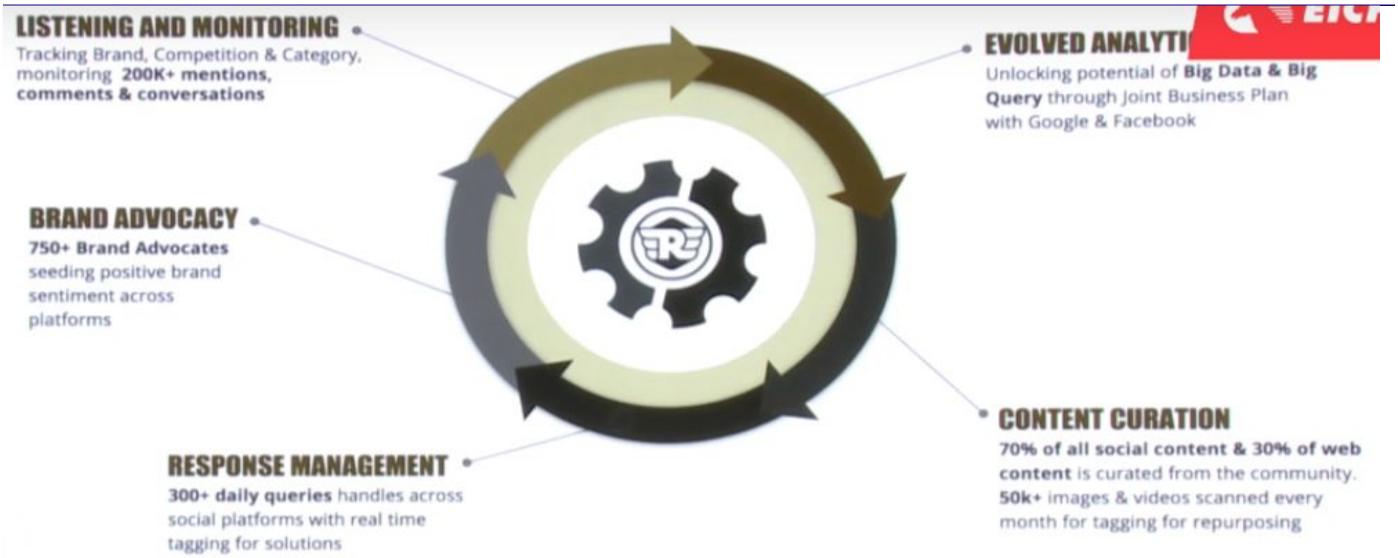
Exhibit 1: RE's strategy for 'Winning in many Indias'- Market and approach clustering

Note: PST refers to motorcycle >150cc; Source: Company, MOFSL

Exhibit 2: Royal Enfield Studio – Small store format for rural markets

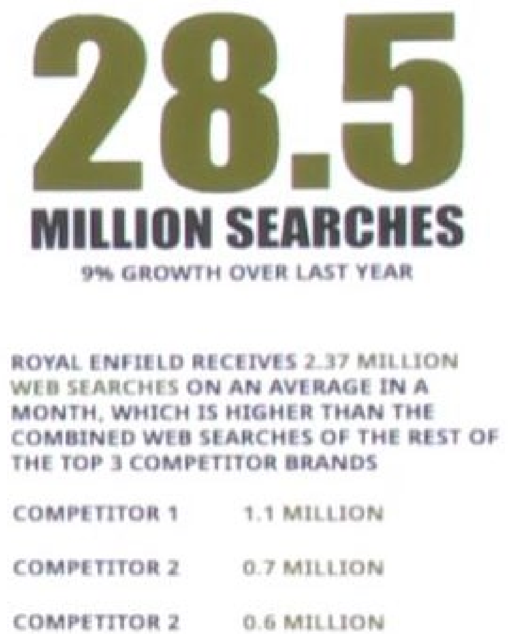
Source: Company, MOFSL

Exhibit 3: Royal Enfield Command Centre – nerve center for its digital initiatives



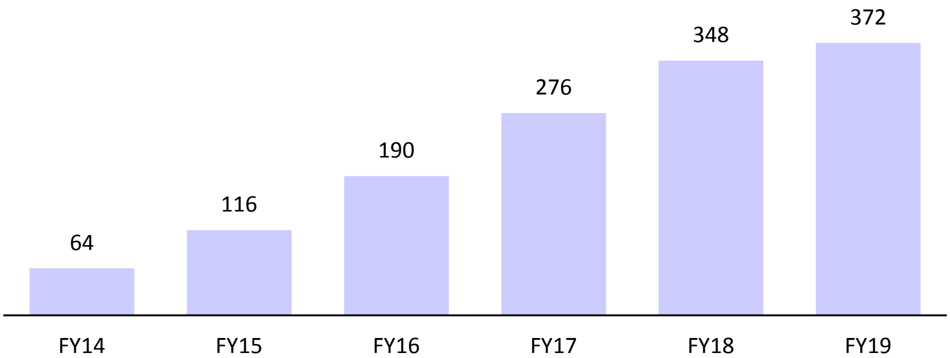
Source: Company, MOFSL

Exhibit 4: Google searches for Royal Enfield grew 9% in FY19, suggesting no brand fatigue



Source: Company, MOFSL

Exhibit 5: RE is expanding its product development capabilities and capacities (# of employees in all forms of product development)



Source: Company, MOFSL

Valuation and view

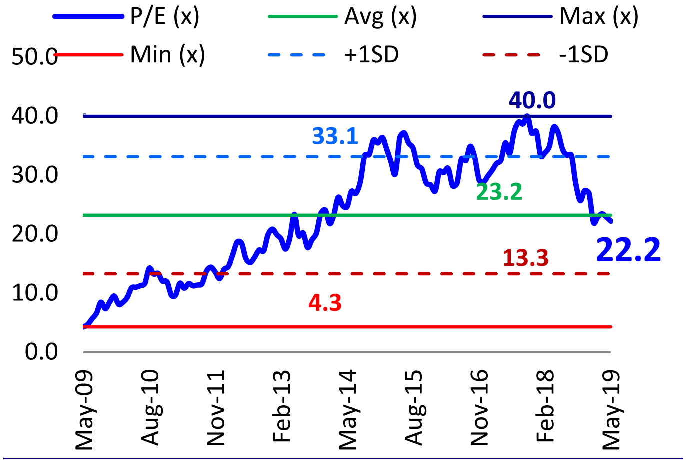
- **Near-term pain, expect recovery from 2HFY20:** RE is witnessing demand weakness for the first time since its renaissance in 2008, as it is in a perfect storm with a weak industry environment, substantial cost inflation and a new competitor. Near-term volumes are likely to remain under pressure until 2QFY20 and then recovery gradually. It is now focusing on expanding the addressable market through (a) improving product quality, (b) launching new products, (c) expanding dealership (in sync with capacity expansion) and (d) driving a paradigm change in retail identity, in turn improving visibility of sustained strong growth.
- **Export market – a huge opportunity but to fully play out over next few years:** RE is focused on creating an affordable leisure biking segment in 250-650cc and in price range of USD3-7,000. Globally, the size of the 250cc-650cc segment is ~1m annually, dominated by sports/street biking segment. Exports from India for the premium segment (Ex RE, >150cc) are over 0.5m annually. However, RE's exports were just ~19,300 units in FY18, restricted due to capacity constraints and limited relevant product portfolio for the export markets. With its new product launches, the latter concern would be resolved. EIM has recently started executing its exports strategy, based on experiential marketing like they have done it in India, and is opening exclusive stores in markets like LatAm, Indonesia, London, Paris, Madrid and ASEAN countries. It plans to increase its exclusive stores count to 65-70 by FY20. However, the ramp-up would be gradual, as it would take time for RE to build its brand and replicate its Indian strategy of creating brand pull by building a riding culture.
- **New product launches to drive strong volume growth:** With healthy response to new 650 Twins, Interceptor GT and Continental GT (both in Indian and international markets) and some recovery in domestic sales, RE volume CAGR is estimated at 6.1% over FY19-21. We expect margins to remain stable at ~28.5%, led by an improving product mix and cost-control initiatives.
- **Expect VECV volumes CAGR of ~1% over FY19-21:** While Pro series launch of LMD and HD range (big upgrade of existing platform) is largely done, we believe the acceptance of the new range would happen gradually. Pro series will help to ramp up exports over the next two years, with the focus on the recently entered Africa and Indonesia markets. We estimate VECV's sales to grow at 6% and PAT to decline at a 4% CAGR (FY19-21E).
- **Consol EPS to grow 11% CAGR; Maintain Buy:** RE is facing demand weakness for the first time since its renaissance in 2008, as it is in a perfect storm with a weak industry environment, substantial cost inflation and a new competitor. Volumes are likely to remain under pressure until 2QFY20 and then recover gradually. More importantly, we endorse key initiatives taken by RE (RE Studio, price laddering and mass customization), which coupled with complete product portfolio up-gradation with BS6 (could be 2nd inflection point for RE) and ramp-up of 650cc Twins, strengthens the case for a sustainable volumes revival. Valuation are reasonable at ~22.9/19.9x FY20/21E consol. EPS. Maintain **Buy** with a target price of ~INR23,500 (Mar'21 based SOTP).

Exhibit 6: SOTP valuations

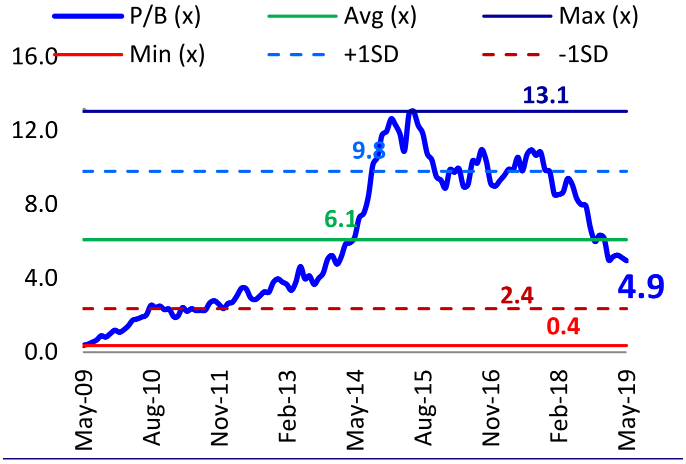
INR Mn		FY20E	FY21E
Royal Enfield			
PAT (ex VECV div)		21,807	26,073
Equity Value	PE @ 22.5x	490,667	585,721
VECV (@ 54.4% Economic interest)			
EBITDA		6,380	5,079
EV	@ 9x EV/EBITDA	57,416	45,710
Net Debt		-8,308	-9,649
Equity Value		65,723	55,359
Total Equity Value		**556,390**	**641,080**
Target Price (INR/Sh)		**20,396**	**23,500**

Source: Company, MOFSL

Exhibit 7: Valuations – P/E and P/B band



Source: MOFSL



Source: MOFSL

Exhibit 8: Comparative Valuation

	CMP	Rating	TP	P/E (x)		EV/EBITDA (x)		RoE (%)		Div Yield (%)		EPS CAGR (%)
Auto OEM's	**(INR)***		**(INR)**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY19-21E**
Bajaj Auto	2,990	Neutral	3,050	17.1	15.7	11.7	10.3	21.9	21.5	2.2	2.3	7.2
Hero MotoCorp	2,755	Neutral	2,912	15.6	14.9	9.1	8.4	26.1	24.8	3.3	3.4	4.4
TVS Motor	494	Neutral	480	27.2	21.6	14.1	11.5	23.5	24.6	0.8	0.8	27.4
M&M	651	Buy	810	14.0	14.2	10.3	10.6	13.7	11.9	1.5	1.5	3.8
Maruti Suzuki	7,050	Buy	8,047	25.4	21.1	14.6	12.2	16.4	18.1	1.8	2.0	16.2
Tata Motors	173	Neutral	199	12.5	11.5	3.3	3.1	7.5	7.6	0.2	0.2	NM
Ashok Leyland	93	Buy	107	12.8	14.9	7.2	7.8	24.2	19.2	3.7	3.7	-5.0
Eicher Motors	**20,075**	**Buy**	**23,500**	**22.9**	**19.9**	**18.9**	**16.0**	**24.4**	**23.6**	**0.6**	**0.6**	**11.3**
Escorts	604	Neutral	682	10.3	10.3	-0.6	-0.9	17.8	15.4	0.5	0.6	5.1
Auto Ancillaries												
Bharat Forge	463	Buy	595	18.9	17.2	10.6	9.9	19.8	19.1	1.3	1.3	10.3
Exide Industries	215	Buy	281	19.7	17.6	10.8	9.7	14.0	14.2	1.5	1.5	16.1
Amara Raja Batteries	638	Buy	761	19.2	16.8	9.9	8.5	16.1	16.4	1.3	1.5	15.9
BOSCH	17,416	Neutral	18,200	30.1	25.8	20.4	16.8	19.9	23.2	1.1	1.3	11.5
Endurance Tech	1,206	Buy	1,350	28.2	24.4	12.4	10.7	21.7	21.5	0.9	1.0	16.9
Motherson Sumi	115	Buy	146	19.2	15.8	1.8	1.0	16.5	18.5	1.4	1.7	19.4
Mahindra CIE	242	Buy	290	14.2	12.5	8.4	7.0	14.0	13.8	0.0	0.0	17.1
CEAT	1,012	Buy	1,277	13.8	11.1	3.3	3.1	10.3	11.7	1.2	1.3	19.7

Source: Company, MOFSL

Operating metrics

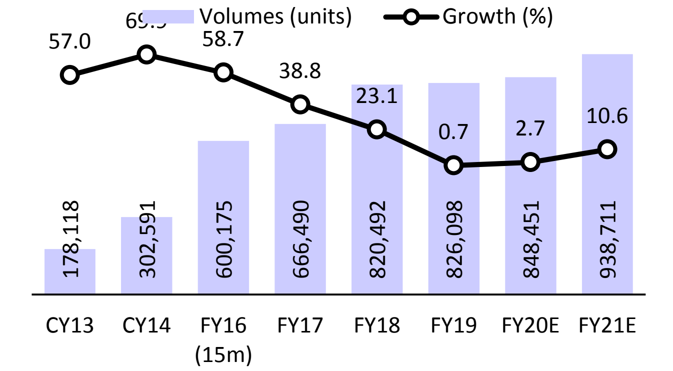
Exhibit 9: Snapshot of revenue model

000 units	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
ROYAL ENFIELD (S/A)							
Total 2W (units)	**303**	**600**	**666**	**820**	**826**	**848**	**939**
Growth (%)	69.9	98.3	38.8	23.1	0.7	2.7	10.6
Net realn (INR'000/unit)	**100**	**103**	**105**	**109**	**118**	**128**	**135**
Growth (%)	5.4	3.1	2.4	3.3	8.3	8.6	5.5
RE Revenues (INR b)	**30**	**62**	**70**	**90**	**98**	**109**	**127**
Growth (%)	76.9	104.2	42.1	27.3	9.3	11.1	16.7
VECV							
Dom - LMD	28	42	37	42	48	56	46
Growth (%)	-9.9	50.0	10.3	13.9	11.4	15.0	-18.0
% of CV Vols	70.1	68.1	64.4	65.0	67.5	67.4	62.6
Dom - HCV	6	12	12	14	13	15	14
Growth (%)	-8.2	98.2	28.0	10.6	7.3	15.0	-10.0
% of CV Vols	15.3	19.7	21.6	21.1	18.5	18.5	18.8
Total Dom.	**34**	**54**	**49**	**56**	**62**	**71**	**59**
Growth (%)	-9.6	58.6	14.3	13.1	10.5	15.0	-16.3
% of CV Vols	85.4	87.8	86.0	86.1	86.0	85.9	81.4
Exports	6	8	8	9	10	12	14
Growth (%)	86.5	29.0	33.7	12.0	11.2	16.6	16.6
% of CV Vols	14.6	12.2	14.0	13.9	14.0	14.1	18.6
Total CV vols	**40**	**62**	**57**	**65**	**72**	**83**	**73**
Growth (%)	-2.3	54.3	16.7	12.9	10.6	15.2	-11.6
MDEP Vols (Ex captive)	12	24	24	32	34	34	35
Net realn (INR'000/unit)	**1,412**	**1,465**	**1,449**	**1,571**	**1,590**	**1,589**	**1,760**
Growth (%)	14	4	24	8	4	0	11
VECV Revenues (INR b)	**58**	**92**	**85**	**104**	**116**	**133**	**131**
Growth (%)	12.3	60.5	14.9	21.9	15.4	15.1	-2.1
Net Consol sales (INR b)	**87**	**62**	**70**	**90**	**98**	**109**	**127**
Growth (%)	28.3	-29.4	42.4	27.5	9.3	11.1	16.7

Source: Company, MOFSL

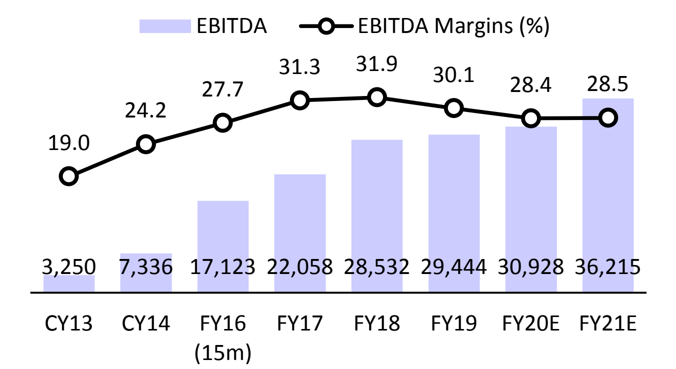
Eicher Motors| Story in charts: Multiple growth drivers

Exhibit 10: RE volume and growth trend



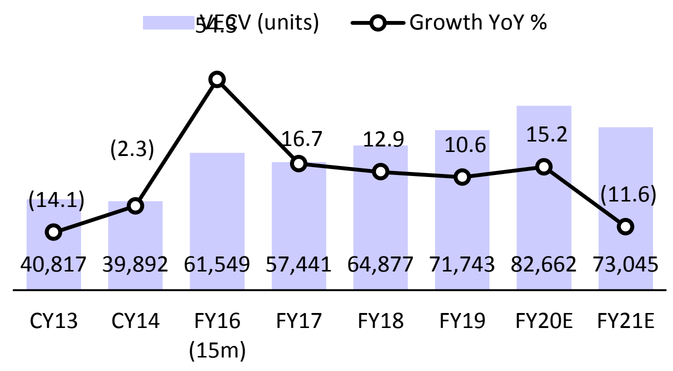
Source: Company, MOFSL

Exhibit 11: RE EBITDA and EBITDA margin trend



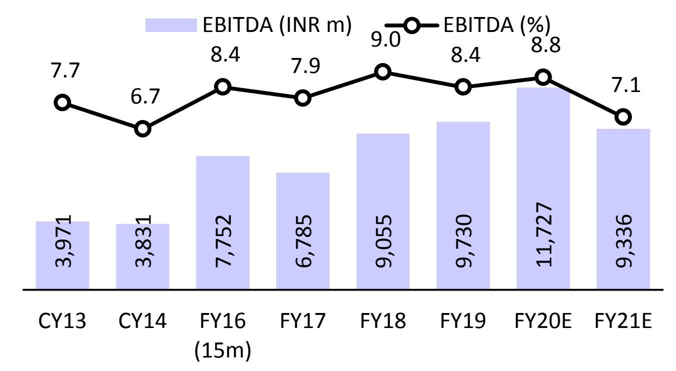
Source: Company, MOFSL

Exhibit 12: VECV volumes growth trajectory



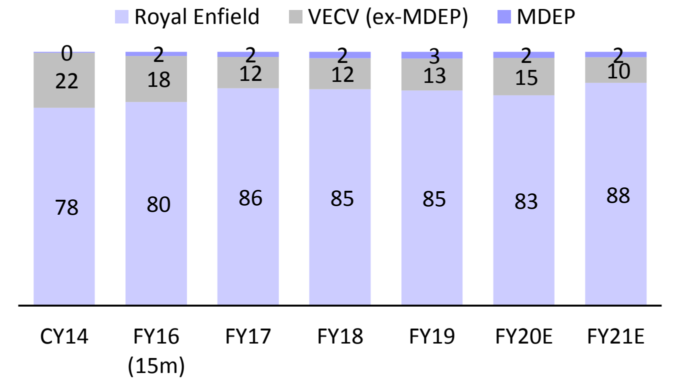
Source: Company, MOFSL

Exhibit 13: VECV EBITDA and EBITDA margins



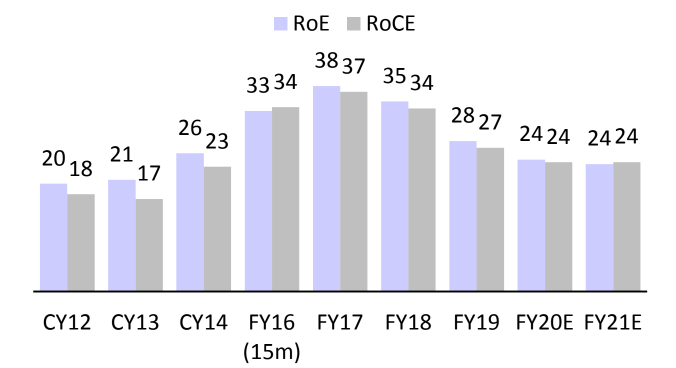
Source: Company, MOFSL

Exhibit 14: Contribution to EBITDA by each business



Source: Company, MOFSL

Exhibit 15: Return ratios to remain healthy



Source: Company, MOFSL

Financials and Valuations

Income Statement (Consolidated) (INR m)

Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	**85,987**	**61,469**	**70,030**	**89,209**	**97,174**	**108,336**	**126,422**
Change (%)	28.6	-42.8	42.4	27.4	8.9	11.5	16.7
EBITDA	**11,147**	**16,891**	**21,740**	**28,076**	**29,031**	**30,468**	**35,755**
EBITDA Margin (%)	13.0	27.5	31.0	31.5	29.9	28.1	28.3
Depreciation	2,198	1,366	1,538	2,233	3,003	3,583	4,159
EBIT	**8,949**	**15,525**	**20,201**	**25,843**	**26,028**	**26,885**	**31,595**
Interest cost	98	21	36	53	73	55	80
Other Income	1,074	1,781	2,273	2,801	4,434	4,775	6,400
PBT	**9,926**	**17,285**	**22,439**	**28,591**	**30,389**	**31,605**	**37,915**
Tax	2,909	5,390	7,203	9,359	10,770	10,986	12,842
Effective Rate (%)	29.3	31.2	32.1	32.7	35.4	34.8	33.9
PAT	**7,017**	**11,895**	**15,236**	**19,232**	**19,619**	**20,619**	**25,074**
Change (%)	33.4	35.6	60.1	26.2	2.0	5.1	21.6
Less: Minority Interest	864	-1,486	-1,895	-2,566	-2,584	-3,317	-2,406
Adj. PAT	**6,153**	**13,380**	**17,131**	**21,797**	**22,203**	**23,936**	**27,479**
Change (%)	56.0	74.0	60.0	27.2	1.9	7.8	14.8

Note: FY16 onwards Ind-AS

Balance Sheet (Consolidated) (INR m)

Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Share Capital	271	272	272	273	273	273	273
Net Worth	**27,556**	**36,531**	**53,451**	**70,301**	**89,187**	**106,699**	**126,075**
Minority Interest	**0**	**0**	**0**	**0**	**0**	**-3,317**	**-5,722**
Deferred Tax	220	358	778	1,421	2,739	3,067	3,456
Loans	0	226	444	1,508	1,868	0	0
Capital Employed	**27,775**	**37,115**	**54,673**	**73,230**	**93,794**	**106,449**	**123,809**
Application of Funds							
Gross Fixed Assets	5,408	10,178	12,328	21,443	28,175	40,608	49,108
Less: Depreciation	1,342	2,472	3,875	6,426	9,429	13,013	17,172
Net Fixed Assets	**4,066**	**7,707**	**8,453**	**15,017**	**18,746**	**27,595**	**31,936**
Capital WIP	593	945	3,738	3,332	4,497	250	250
- of which Goodwill	223	223	223	223	223	223	223
Investments	**25,588**	**33,834**	**49,871**	**55,808**	**49,225**	**63,713**	**65,517**
Curr.Assets, L & Adv.	**9,393**	**11,258**	**7,658**	**21,065**	**41,400**	**45,697**	**63,600**
Inventory	2,040	3,084	3,359	3,946	6,334	4,770	6,263
Sundry Debtors	107	326	500	680	903	894	1,044
Cash & Bank Balances	210	530	251	12,120	29,653	34,667	50,204
Loans & Advances	34	124	92	7	13	0	0
Others	7,002	7,194	3,456	4,312	4,497	5,366	6,089
Current Liab. & Prov.	**11,864**	**16,629**	**15,047**	**21,992**	**20,075**	**30,806**	**37,494**
Sundry Creditors	4,822	7,232	8,327	11,719	12,341	13,117	15,657
Other Liabilities	6,752	7,202	6,033	9,511	6,928	10,434	12,178
Provisions	291	2,195	686	763	807	7,255	9,659
Net Current Assets	**-2,471**	**-5,371**	**-7,389**	**-927**	**21,325**	**14,891**	**26,106**
Application of Funds	**27,775**	**37,115**	**54,673**	**73,230**	**93,794**	**106,449**	**123,809**

E: MOFSL Estimates

Financials and Valuations

Ratios (Consolidated)

Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)							
EPS	**227.1**	**492.7**	**629.6**	**799.6**	**813.9**	**877.4**	**1,007.3**
EPS Growth (%)	55.6	73.6	59.7	27.0	1.8	7.8	14.8
Cash EPS	308	543	686	882	924	1,009	1,160
Book Value per Share	1,017	1,345	1,964	2,579	3,269	3,911	4,622
DPS	35.0	100.0	100.0	110.0	115.0	120.0	125.0
Payout (Incl. Div. Tax) %	25.1	23.4	18.5	15.0	18.0	26.8	29.5
Valuation (x)							
P/E	88.4	40.7	31.9	25.1	24.7	22.9	19.9
Cash P/E	65.1	37.0	29.3	22.8	21.7	19.9	17.3
EV/EBITDA	56.2	24.5	20.0	14.8	14.0	12.5	10.8
EV/Sales	8.6	4.7	4.4	3.4	3.0	2.6	2.2
Price to Book Value	19.7	14.9	10.2	7.8	6.1	5.1	4.3
Dividend Yield (%)	0.2	0.5	0.5	0.5	0.6	0.6	0.6
Profitability Ratios (%)							
RoE	25.6	33.4	38.1	35.2	27.8	24.4	23.6
RoCE	23.1	34.1	37.0	33.9	26.6	23.9	23.9
RoIC	82.9	587.0	1,145.7	1,373.6	298.2	216.1	287.2
Turnover Ratios							
Debtors (Days)	0	2	3	3	3	3	3
Inventory (Days)	9	23	17	16	24	16	18
Creditors (Days)	20	53	43	48	46	44	45
Working Capital (Days)	-11	-28	-23	-29	-19	-25	-24
Asset Turnover (x)	3.1	1.7	1.3	1.2	1.0	1.0	1.0
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement (Consolidated) **(INR m)**

Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Profit before Tax	9,926	17,120	23,874	28,956	30,214	31,605	37,915
Depreciation & Amort.	2,198	1,366	1,538	2,233	3,003	3,583	4,159
Direct Taxes Paid	-2,810	-5,187	-6,516	8,071	-9,419	-10,658	-12,453
(Inc)/Dec in Working Capital	2,020	3,674	1,635	5,564	-1,989	2,350	898
Interest/Div. Received	950	-65	-40	-394	4,434	4,775	6,400
Other Items	-1,809	-2,278	-3,411	-19,608	-6,916	4,378	-2,895
CF from Oper. Activity	**10,475**	**14,631**	**17,080**	**24,823**	**19,326**	**36,033**	**34,025**
(Inc)/Dec in FA+CWIP	-9,682	-5,094	-5,470	-7,460	-7,897	-8,186	-8,500
Free Cash Flow	**793**	**9,537**	**11,610**	**17,363**	**11,429**	**27,848**	**25,525**
(Pur)/Sale of Invest.	-1,190	-4,920	-11,966	-13,991	6,583	-14,488	-1,804
CF from Inv. Activity	**-10,872**	**-10,014**	**-17,436**	**-21,450**	**-1,314**	**-22,673**	**-10,304**
Issue of Shares	79	48	57	195	853	0	0
Inc/(Dec) in Debt	-255	0	213	390	359	-1,868	0
Interest Paid	-98	-21	-17	-34	-73	-55	-80
Dividends Paid	-1,348	-4,682	0	-3,171	-3,993	-6,424	-8,103
CF from Fin. Activity	**2,974**	**-5,052**	**253**	**-2,620**	**-2,855**	**-8,346**	**-8,183**
Inc/(Dec) in Cash	**2,576**	**-435**	**-103**	**752**	**15,157**	**5,014**	**15,537**
Add: Beginning Balance	6,826	210	530	251	12,120	29,653	34,667
Closing Balance	**9,402**	**-226**	**427**	**1,003**	**27,277**	**34,667**	**50,204**

E: MOFSL Estimates

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

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