



## India

**ADD** (no change)

Consensus ratings\*: Buy 23 Hold 15 Sell 7

|                              |              |
|------------------------------|--------------|
| Current price:               | Rs8,179      |
| Target price:                | Rs9,944      |
| Previous target:             | Rs10,590     |
| Up/downside:                 | 21.6%        |
| InCred Research / Consensus: | 7.1%         |
| Reuters:                     | BAJA.NS      |
| Bloomberg:                   | BJAUT IN     |
| Market cap:                  | US\$26,032m  |
|                              | Rs2,283,908m |
| Average daily turnover:      | US\$37.7m    |
|                              | Rs3305.0m    |
| Current shares o/s:          | 279.3m       |
| Free float:                  | 45.0%        |

\*Source: Bloomberg

**Key changes in this note**

- FY26F-28F sales cut by ~5%.
- EBITDA margin cut by 20bp.



Source: Bloomberg

| Price performance | 1M    | 3M  | 12M    |
|-------------------|-------|-----|--------|
| Absolute (%)      | (3.0) | 2.9 | (13.2) |
| Relative (%)      | 0.5   | 3.2 | (14.4) |

**Major shareholders**

|                 | % held |
|-----------------|--------|
| Bajaj Family    | 55.0   |
| LIC             | 5.0    |
| SBI Mutual Fund | 1.2    |

# Bajaj Auto

## Resilient EBITDA margin performance

- 1QFY26 EPS grew by 6% yoy to Rs75.1 on a flat volume, aided by strong ASP and growth in other income.
- Rare earth material supply challenges to hit short-term EV volume momentum, but INR depreciation comes to the aid. FY26F-28F EPS cut by ~5%.
- With an attractive dividend yield and mean P/E valuation, we maintain our ADD rating on the stock with a lower SOTP-based target price of Rs9,944.

**EPS growth of 6% yoy is in line with expectations**

1QFY26 EBITDA of Bajaj Auto (BAL) rose by 3% yoy to Rs24.8bn, which was just 3% below our expectation, but in line with Bloomberg consensus estimate. Higher other income (34% yoy) aided the 6% PAT growth yoy to Rs.20.96bn. Management indicated that a Rs3bn investment in Bajaj Auto Credit, a non-banking finance company or NBFC, in 1Q will support fast growth. Capex guidance maintained at Rs6bn for FY26F.

**Management conference-call highlights**

Management indicated short-term rare earth material supply challenges impacting the production of Chetak scooter by 50% and electric three-wheelers or E3Ws by 25% in 2QFY26F. BAL will be launching E-rick in Aug 2025 and gradually scale up. Management indicated that the EV portfolio is inching towards a double-digit EBITDA margin in 2QFY26F, with the help of government incentives. Management indicated its constructive dialogue with the Government of India on ABS norms implementation, for which alternative technology/cost solution are at the discussion stage. KTM exports have restarted, which traditionally accounted for 5% of BAL's total exports.

**EPS cut by 5% because of volume and market share weakness**

Management indicated demand challenges in deep rural areas and a few urban markets due to the high inflation impact in recent quarters. Price and feature calibration of new vehicle models is being done to address market share challenges. Considering the short-term demand challenges and supply problems in the case of high-growth EV products, we have cut sales volume by 6-7% for FY26F-28F. However, due to favourable currency benefit on the strong-volume momentum export business, we limit the EPS cut to 5%.

**EV transition impressive; maintain ADD rating**

The gradual uptick in EV penetration to 20% of its domestic sales volume in 1Q (Fig. 5), with a minimal compromise in the EBITDA margin (marginal aid from government incentives) is impressive. We maintain our ADD rating with a lower target price of Rs9,944 (Rs10,590 earlier) as the stock trades just above its 10-year mean apart from an attractive dividend yield of 3%. Key downside risks: Weak festive demand or export volume volatility.

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**Financial Summary**

|                                   | Mar-24A | Mar-25A | Mar-26F | Mar-27F | Mar-28F |
|-----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rsm)                     | 445,922 | 500,103 | 555,056 | 632,764 | 702,002 |
| Operating EBITDA (Rsm)            | 87,300  | 100,988 | 110,668 | 126,599 | 141,590 |
| Net Profit (Rsm)                  | 73,859  | 79,402  | 91,947  | 104,897 | 117,335 |
| Core EPS (Rs)                     | 264.5   | 291.9   | 329.3   | 375.6   | 420.2   |
| Core EPS Growth                   | 31.2%   | 10.4%   | 12.8%   | 14.1%   | 11.9%   |
| FD Core P/E (x)                   | 30.92   | 28.76   | 24.84   | 21.77   | 19.46   |
| DPS (Rs)                          | 160.0   | 210.0   | 230.0   | 220.0   | 230.0   |
| Dividend Yield                    | 1.96%   | 2.57%   | 2.81%   | 3.24%   | 3.67%   |
| EV/EBITDA (x)                     | 23.31   | 19.67   | 17.61   | 15.14   | 13.34   |
| P/FCFE (x)                        | 23.67   | 34.31   | 38.80   | 28.12   | 28.29   |
| Net Gearing                       | (91.8%) | (79.5%) | (72.9%) | (72.8%) | (71.0%) |
| P/BV (x)                          | 9.19    | 7.10    | 6.54    | 6.01    | 5.52    |
| ROE                               | 29.4%   | 28.6%   | 27.4%   | 28.8%   | 29.6%   |
| % Change In Core EPS Estimates    |         |         | (4.71%) | (4.78%) | (4.77%) |
| InCred Research/Consensus EPS (x) |         |         |         |         |         |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Resilient EBITDA margin performance

### Management conference-call highlights ►

- **Financial highlights:** Commodity inflation stood at 70bp, better than the earlier estimate of 100bp. Despite flat volume, revenue grew by 6% due to a richer mix (premium bikes, commercial vehicles, EVs). EVs now contribute over 20% to domestic revenue, despite supply constraints. The EBITDA margin at 19.7% moderated sequentially due to the forex impact.
- **Export business:** Export volume grew by 16% yoy, supported by a recovery in international markets. Bajaj Auto outperformed industry growth in its top 30 overseas markets, registering a 27% growth vs. the industry's 17%.
- **Domestic motorcycles:** The domestic motorcycle industry remained flat yoy, with a better performance in the 125cc+ segment compared to the 100cc segment.
- **Region-wise details:** The southern and eastern regions witnessed a decline while the northern and central regions posted growth.
- **Market share trend:** Bajaj Auto lost about 2% of its market share in the entry-level segment because of limited tactical actions. In the 125cc+ segment, the company gained 3% sequentially, taking its market share to 15% in 1Q. The focus is on growing its share in the 125cc+ segment through new products and targeted marketing, like the new Pulsar TV campaign.
- **Overseas markets:** Latin America and Asia showed a firm growth trajectory while the Nigerian market remained unstable. Brazil sales reached 7,000 units, and the company is on track to expand its capacity to 50,000 units annually. The Pulsar 400Z, new 150cc, and 125cc bikes were launched in several markets.
- **US tariffs:** They had a limited impact as its US exports (mainly KTM and Triumph models) contribute less than 1% of revenue.
- **Commercial vehicles (three-wheelers):** This business posted an 11% yoy growth, driven by strong performance in electric vehicles. Maintained its leadership in the ICE vehicle segment, with 3Ws having a 75% market share.
- **EV3Ws:** Secured a 35% market share, with the launch of the 7012 wide-body EV model boosting ASP and profitability above ICE vehicle levels. Bajaj Auto has sustained a 100,000+ units quarterly run-rate in 3Ws for eight quarters in a row. The company plans to enter the e-rickshaw segment in Aug 2025F with a premium product targeting conversion from low-quality alternatives.
- **EV2W (Chetak):** The electric scooter industry sales averaged 100,000 units/month, with a 30% yoy growth; Chetak doubled its volume. Expanded the portfolio with the Chetak 3.5 series. In the segment priced above Rs100,000, Chetak achieved a market-leading 31%+ share. The new platform accounted for 80% of total sales.
- **EV portfolio:** EVs contributed >20% to domestic revenue, with growing profitability. Some Chetak' models are now EBITDA-positive. The EV portfolio (2Ws + 3Ws) is nearing double-digit EBITDA margin.
- **Rare earth magnets:** Rare earth magnet (HRE) shortage affected production in Jun and Jul 2025, causing a 50% shortfall in Chetak scooter output and 25-30% in electric autos. The problem is expected to normalize by 2QFY26F and full de-risking in six-to-nine months.
- **Pro-biking (KTM & Triumph):** The premium motorcycle segment (KTM+ Triumph) grew by 20% yoy. Triumph launched the Scrambler 400X, and it is now available in 80 cities via 130 stores. KTM introduced the Enduro 390 R model, targeting dual-sport riders. KTM exports resumed after the production restarted in Austria.
- **Bajaj Auto Credit (BACL):** Reached 40%+ penetration, with a customer base of 1m. The assets under management or AUM stood at Rs120bn and the company posted a PAT of Rs1.02bn. Bajaj Auto infused Rs3bn into BACL, taking its total investment to Rs27bn.

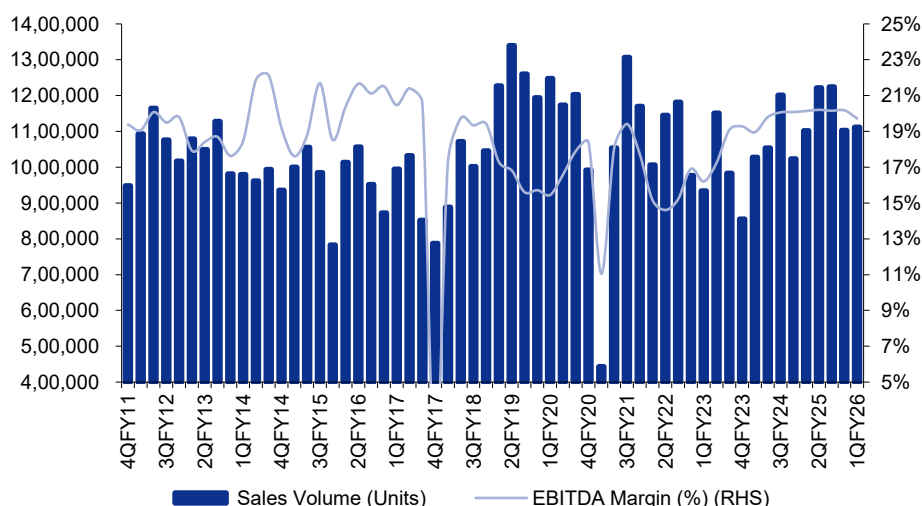
- **Spare parts business and capex:** Revenue at Rs~16bn was up 19% yoy. Capex for the quarter was Rs1bn; FY26F capex expected at Rs6–7bn, split between EV and ICE vehicle innovation.

**Figure 1: Quarterly results comparison**

| Y/E Mar (Rs m)               | 1QFY26        | 1QFY25        | yoy % chg     | 4QFY25        | qoq % chg     | Comments                        |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------------------|
| Revenue                      | 1,25,845      | 1,19,280      | 5.5           | 1,21,480      | 3.6           | 1% below our estimate.          |
| Raw material costs           | 88,596        | 83,527        | 6.1           | 84,882        | 4.4           |                                 |
| RM costs as a % of revenue   | 70.4          | 70.0          | 37.6          | 69.9          | 52.8          | 10bp below our estimate.        |
| EBITDA                       | 24,818        | 24,021        | 3.3           | 24,506        | 1.3           | 3% below our estimate.          |
| <b>EBITDA margin (%)</b>     | <b>19.7</b>   | <b>20.1</b>   | <b>(41.7)</b> | <b>20.2</b>   | <b>(45.2)</b> | <b>47bp below our estimate.</b> |
| Depreciation & amortization  | 1,109         | 937           | 18.3          | 1,111         | (0.2)         | 6% above our estimate.          |
| EBIT                         | 23,709        | 23,084        | 2.7           | 23,395        | 1.3           |                                 |
| Interest expenses            | 141           | 207           | (31.6)        | 168           | (15.9)        |                                 |
| Other income                 | 4,308         | 3,209         | 34.2          | 3,808         | 13.1          | 27% above our estimate.         |
| Pre-tax profit               | 27,875        | 26,087        | 6.9           | 27,034        | 3.1           | In line with our estimate.      |
| Tax                          | 6,915         | 6,335         | 9.2           | 6,541         | 5.7           |                                 |
| Tax rate (%)                 | 25            | 24            | 52            | 24            | 61            |                                 |
| <b>Normalized net profit</b> | <b>20,960</b> | <b>19,752</b> | <b>6.1</b>    | <b>20,493</b> | <b>2.3</b>    | <b>1% below our estimate.</b>   |
| Exceptional items            | -             | -             | nm            | -             | nm            |                                 |
| Other comprehensive income   | -             | -             | nm            | -             | na            |                                 |
| Reported net profit          | 20,960        | 19,752        | 6.1           | 20,493        | 2.3           |                                 |
| Normalized EPS (Rs)          | 75.1          | 70.7          | 6.1           | 73.4          | 2.3           |                                 |
| Volumes (nos)                | 11,11,237     | 11,02,056     | 0.8           | 11,02,934     | 0.8           |                                 |
| Net realization (Rs)         | 1,13,247      | 1,08,234      | 4.6           | 1,10,142      | 2.8           | 4% above our estimate.          |
| EBITDA/vehicle               | 22,333        | 21,797        | 2.5           | 22,219        | 0.5           |                                 |

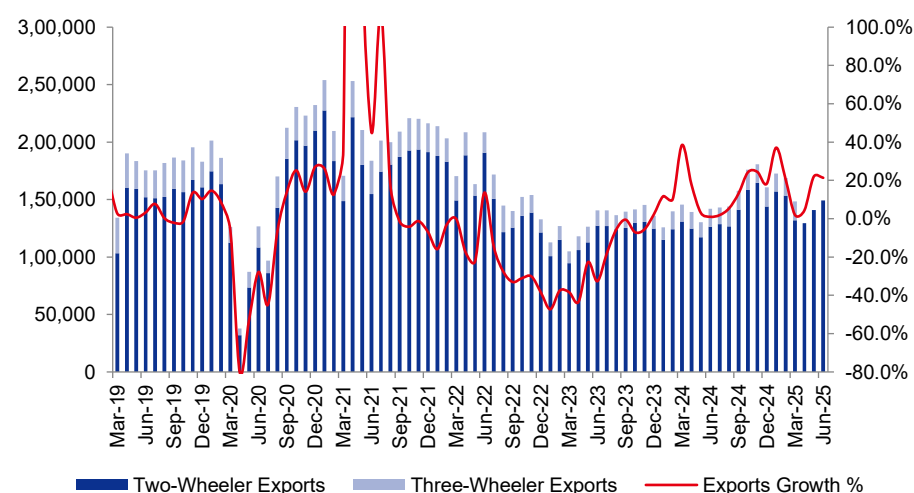
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: The EBITDA margin softens sequentially**



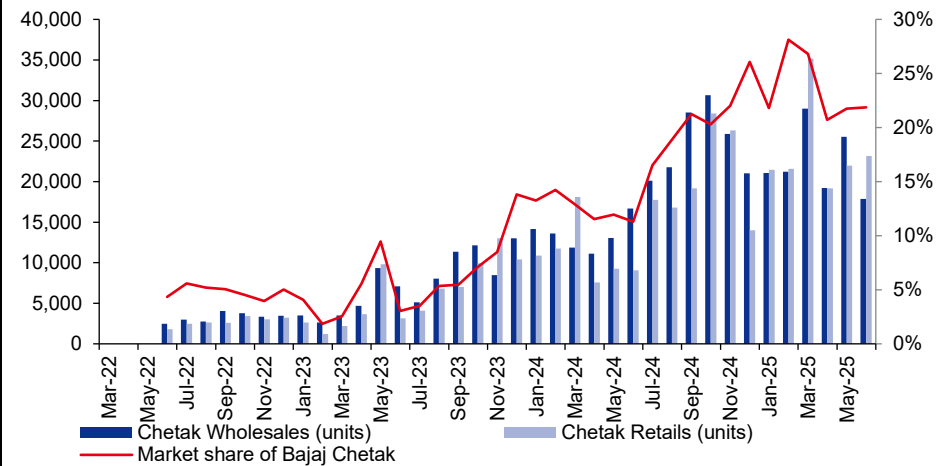
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Export volume witnesses a sequential improvement**



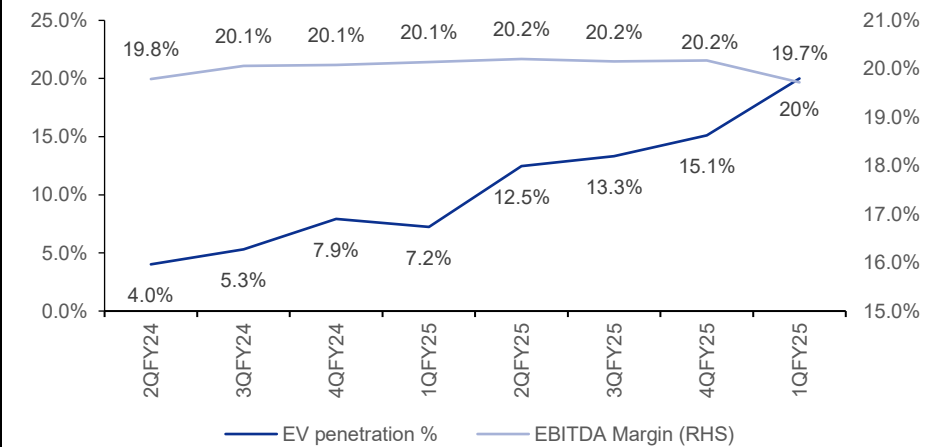
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Bajaj Auto's E2W market share declines**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Bajaj Auto maintains its EBITDA margin amidst a surge in EV penetration**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Product mix improves following a better 3W and premium 2W mix**

|                              | 1QFY26           | 1QFY25           | % yoy      | 4QFY25           | % qoq       |
|------------------------------|------------------|------------------|------------|------------------|-------------|
| CT100                        | 11,348           | 18,029           | -37%       | 12,105           | -6%         |
| Platina                      | 83,270           | 1,07,394         | -22%       | 78,879           | 6%          |
| Pulsar Family                | 3,34,615         | 3,84,390         | -13%       | 2,98,387         | 12%         |
| Avenger                      | 4,204            | 4,754            | -12%       | 4,244            | -1%         |
| KTM / Dominar / Husqvarna    | 19,873           | 17,600           | 13%        | 20,516           | -3%         |
| Freedom 125                  | 3,729            | -                | 0%         | 3,766            | 0%          |
| Chetak                       | 62,620           | 40,854           | 53%        | 71,268           | -12%        |
| Triumph                      | 9,685            | 6,476            | 50%        | 11,531           | -16%        |
| <b>2W domestic</b>           | <b>5,29,344</b>  | <b>5,79,497</b>  | <b>-9%</b> | <b>5,00,696</b>  | <b>6%</b>   |
| 2W Export                    | 4,19,447         | 3,68,420         | 14%        | 4,42,467         | -5%         |
| <b>Total 2W</b>              | <b>9,48,791</b>  | <b>9,47,917</b>  | <b>0%</b>  | <b>9,43,163</b>  | <b>1%</b>   |
| 3W domestic (including Qute) | 1,05,464         | 1,08,124         | -2%        | 1,25,627         | -16%        |
| 3W Export (including Qute)   | 56,982           | 43,015           | 32%        | 65,237           | -13%        |
| <b>Total 3W</b>              | <b>1,62,446</b>  | <b>1,51,139</b>  | <b>7%</b>  | <b>1,90,864</b>  | <b>-15%</b> |
| <b>Total volume</b>          | <b>11,11,237</b> | <b>10,99,056</b> | <b>1%</b>  | <b>11,34,027</b> | <b>-2%</b>  |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Key assumptions

| Volume Break-Up      | FY22A     | FY23A     | FY24A     | FY25A     | FY26F     | FY27F     | FY28F     |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| (Number of vehicles) |           |           |           |           |           |           |           |
| Domestic motorcycles | 16,32,897 | 17,69,570 | 21,21,417 | 20,30,941 | 18,94,837 | 19,87,041 | 21,07,520 |
| Growth (%)           | -9.8%     | 8.4%      | 19.9%     | -4.3%     | -6.7%     | 4.9%      | 6.1%      |
| Chetak.EV            |           | 31,440    | 1,15,776  | 2,60,158  | 3,48,000  | 5,16,000  | 6,00,000  |
| Growth (%)           |           | 284%      | 268%      | 125%      | 34%       | 48%       | 16%       |
| Export motorcycles   | 21,95,772 | 16,36,956 | 14,77,338 | 16,74,060 | 19,08,428 | 21,56,524 | 24,36,872 |
| Growth (%)           | 22.2%     | -25.4%    | -9.8%     | 13.3%     | 14.0%     | 13.0%     | 13.0%     |
| Total 2-wheelers     | 38,36,856 | 34,37,966 | 37,14,531 | 39,65,159 | 41,51,265 | 46,59,565 | 51,44,392 |
| Growth (%)           | 6.4%      | -10.4%    | 8.0%      | 6.7%      | 4.7%      | 12.2%     | 10.4%     |
| 3-wheelers           | 4,71,577  | 4,85,018  | 6,23,010  | 6,68,657  | 7,23,592  | 7,79,103  | 8,06,923  |
| Growth (%)           | 28.5%     | 2.9%      | 28.5%     | 7.3%      | 8.2%      | 7.7%      | 3.6%      |
| Total vehicles       | 43,08,433 | 39,22,984 | 43,37,541 | 46,33,816 | 48,74,857 | 54,38,668 | 59,51,315 |
| Growth (%)           | 8.4%      | -8.9%     | 10.6%     | 6.8%      | 5.2%      | 11.6%     | 9.4%      |

Per vehicle assumptions

| In Rs.               | FY22A  | FY23A  | FY24A    | FY25A    | FY26F    | FY27F    | FY28F    |
|----------------------|--------|--------|----------|----------|----------|----------|----------|
| Net ASP/vehicle      | 76,601 | 92,857 | 1,02,805 | 1,07,925 | 1,13,861 | 1,16,345 | 1,17,957 |
| Growth (%)           | 9.7%   | 21.2%  | 10.7%    | 5.0%     | 5.5%     | 2.2%     | 1.4%     |
| Contribution/vehicle | 20,131 | 26,441 | 29,622   | 31,665   | 33,020   | 33,740   | 34,090   |
| Growth (%)           | -1.6%  | 31.3%  | 12.0%    | 6.9%     | 4.3%     | 2.2%     | 1.0%     |
| EBITDA/vehicle       | 11,877 | 16,694 | 20,127   | 21,794   | 22,702   | 23,278   | 23,791   |
| Growth (%)           | -4.3%  | 40.6%  | 20.6%    | 8.3%     | 4.2%     | 2.5%     | 2.2%     |
| EBITDA Margin (%)    | 15.5%  | 18.0%  | 19.6%    | 20.2%    | 19.9%    | 20.0%    | 20.2%    |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: EPS revision summary

| Rs m         | FY26F     |           | FY27F     |           | FY28F     |           |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
|              | Old       | New       | Old       | New       | Old       | New       |
| Sales volume | 52,21,731 | 48,74,857 | 57,75,583 | 54,38,668 | 63,17,435 | 59,51,315 |
| Change       |           | -6.6%     |           | -5.8%     |           | -5.8%     |
| Net sales    | 5,85,538  | 5,55,056  | 6,63,898  | 6,32,764  | 7,36,664  | 7,02,002  |
| Change       |           | -5.2%     |           | -4.7%     |           | -4.7%     |
| EBITDA       | 1,17,666  | 1,10,668  | 1,34,927  | 1,26,599  | 1,50,862  | 1,41,590  |
| Change       |           | -5.9%     |           | -6.2%     |           | -6.1%     |
| PBT          | 1,27,302  | 1,21,303  | 1,45,334  | 1,38,387  | 1,62,549  | 1,54,796  |
| Change       |           | -4.7%     |           | -4.8%     |           | -4.8%     |
| EPS (Rs)     | 345.5     | 329.3     | 394.5     | 375.6     | 441.2     | 420.2     |
| Change       |           | -4.7%     |           | -4.8%     |           | -4.8%     |

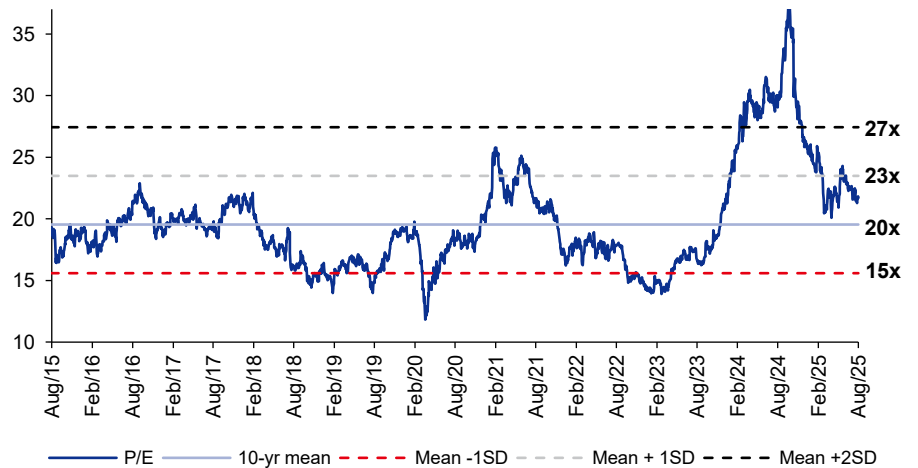
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Sum-of-the-parts or SOTP-based target price

|  | 1-year forward |
|--|----------------|
| EPS (Rs.) (One-year forward)                     | 389            |
| P/E(x)   | 25             |
| Value (Rs.)                                      | 9,717          |
| Value of stake in PMAG post 20% holding discount | 127            |
| Value of stake in BACL post 20% holding discount | 101            |
| Target price (Rs)                                | 9,944          |

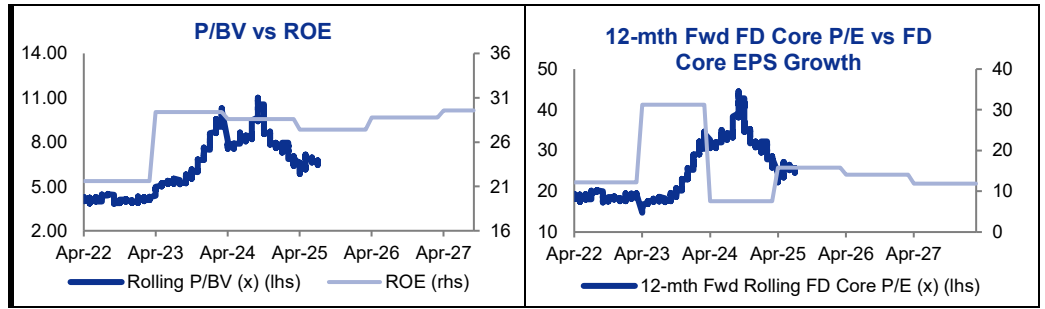
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Forward P/E valuation is above the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

| (Rs mn)                                   | Mar-24A        | Mar-25A        | Mar-26F        | Mar-27F        | Mar-28F        |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Total Net Revenues</b>                 | <b>445,922</b> | <b>500,103</b> | <b>555,056</b> | <b>632,764</b> | <b>702,002</b> |
| <b>Gross Profit</b>                       | <b>113,588</b> | <b>131,431</b> | <b>143,934</b> | <b>164,541</b> | <b>181,778</b> |
| <b>Operating EBITDA</b>                   | <b>87,300</b>  | <b>100,988</b> | <b>110,668</b> | <b>126,599</b> | <b>141,590</b> |
| Depreciation And Amortisation             | (3,498)        | (4,001)        | (4,700)        | (5,000)        | (5,400)        |
| <b>Operating EBIT</b>                     | <b>83,801</b>  | <b>96,987</b>  | <b>105,968</b> | <b>121,599</b> | <b>136,190</b> |
| Financial Income/(Expense)                | (535)          | (677)          | (580)          | (400)          | (300)          |
| Pretax Income/(Loss) from Assoc.          |                |                |                |                |                |
| Non-Operating Income/(Expense)            | 14,025         | 14,209         | 15,915         | 17,188         | 18,906         |
| <b>Profit Before Tax (pre-EI)</b>         | <b>97,291</b>  | <b>110,519</b> | <b>121,303</b> | <b>138,387</b> | <b>154,796</b> |
| Exceptional Items                         |                |                |                |                |                |
| <b>Pre-tax Profit</b>                     | <b>97,291</b>  | <b>110,519</b> | <b>121,303</b> | <b>138,387</b> | <b>154,796</b> |
| Taxation                                  | (23,432)       | (29,005)       | (29,355)       | (33,490)       | (37,461)       |
| Exceptional Income - post-tax             |                | (2,113)        |                |                |                |
| <b>Profit After Tax</b>                   | <b>73,859</b>  | <b>79,402</b>  | <b>91,947</b>  | <b>104,897</b> | <b>117,335</b> |
| Minority Interests                        |                |                |                |                |                |
| Preferred Dividends                       |                |                |                |                |                |
| FX Gain/(Loss) - post tax                 |                |                |                |                |                |
| Other Adjustments - post-tax              |                |                |                |                |                |
| <b>Net Profit</b>                         | <b>73,859</b>  | <b>79,402</b>  | <b>91,947</b>  | <b>104,897</b> | <b>117,335</b> |
| Recurring Net Profit                      | 73,859         | 81,514         | 91,947         | 104,897        | 117,335        |
| <b>Fully Diluted Recurring Net Profit</b> | <b>73,859</b>  | <b>81,514</b>  | <b>91,947</b>  | <b>104,897</b> | <b>117,335</b> |

### Cash Flow

| (Rs mn)                          | Mar-24A         | Mar-25A         | Mar-26F         | Mar-27F         | Mar-28F         |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>EBITDA</b>                    | <b>87,300</b>   | <b>100,988</b>  | <b>110,668</b>  | <b>126,599</b>  | <b>141,590</b>  |
| Cash Flow from Invt. & Assoc.    |                 |                 |                 |                 |                 |
| Change In Working Capital        | 8,923           | 2,349           | (2,022)         | 6,022           | (1,191)         |
| (Incr)/Decr in Total Provisions  | 17,579          | (29,167)        | 11,969          | (1,700)         | (2,800)         |
| Other Non-Cash (Income)/Expense  | 1,618           | 6,161           |                 |                 |                 |
| Other Operating Cashflow         |                 | (2,113)         |                 |                 |                 |
| Net Interest (Paid)/Received     | 13,490          | 13,532          | 15,335          | 16,788          | 18,606          |
| Tax Paid                         | (22,836)        | (25,590)        | (29,355)        | (33,490)        | (37,461)        |
| <b>Cashflow From Operations</b>  | <b>106,073</b>  | <b>66,160</b>   | <b>106,594</b>  | <b>114,219</b>  | <b>118,745</b>  |
| Capex                            | (7,781)         | (7,530)         | (4,487)         | (8,000)         | (8,000)         |
| Disposals Of FAs/subsidiaries    |                 |                 |                 |                 |                 |
| Acq. Of Subsidiaries/investments |                 |                 |                 |                 |                 |
| Other Investing Cashflow         | (1,811)         | 7,915           | (43,160)        | (25,000)        | (30,000)        |
| <b>Cash Flow From Investing</b>  | <b>(9,592)</b>  | <b>385</b>      | <b>(47,647)</b> | <b>(33,000)</b> | <b>(38,000)</b> |
| Debt Raised/(repaid)             | 16              | 18              | (76)            |                 |                 |
| Proceeds From Issue Of Shares    | (38)            | 1               |                 |                 |                 |
| Shares Repurchased               | (49,282)        |                 |                 |                 |                 |
| Dividends Paid                   | (44,669)        | (58,645)        | (64,230)        | (74,004)        | (83,778)        |
| Preferred Dividends              |                 |                 |                 |                 |                 |
| Other Financing Cashflow         |                 |                 |                 |                 |                 |
| <b>Cash Flow From Financing</b>  | <b>(93,973)</b> | <b>(58,626)</b> | <b>(64,306)</b> | <b>(74,004)</b> | <b>(83,778)</b> |
| Total Cash Generated             | 2,509           | 7,919           | (5,359)         | 7,215           | (3,033)         |
| <b>Free Cashflow To Equity</b>   | <b>96,498</b>   | <b>66,563</b>   | <b>58,871</b>   | <b>81,219</b>   | <b>80,745</b>   |
| <b>Free Cashflow To Firm</b>     | <b>97,016</b>   | <b>67,222</b>   | <b>59,527</b>   | <b>81,619</b>   | <b>81,045</b>   |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

| (Rs mn)                              | Mar-24A        | Mar-25A        | Mar-26F        | Mar-27F        | Mar-28F        |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Cash And Equivalents           | 229,407        | 256,968        | 255,610        | 277,825        | 294,791        |
| Total Debtors                        | 21,224         | 22,826         | 27,373         | 29,471         | 34,619         |
| Inventories                          | 16,956         | 19,579         | 21,290         | 26,004         | 28,849         |
| Total Other Current Assets           | 21,774         | 47,106         | 27,000         | 30,000         | 34,000         |
| <b>Total Current Assets</b>          | <b>289,361</b> | <b>346,479</b> | <b>331,272</b> | <b>363,300</b> | <b>392,260</b> |
| Fixed Assets                         | 26,760         | 31,277         | 35,577         | 38,577         | 41,177         |
| Total Investments                    | 20,884         | 42,020         | 81,180         | 91,180         | 101,180        |
| Intangible Assets                    |                |                |                |                |                |
| Total Other Non-Current Assets       |                |                |                |                |                |
| <b>Total Non-current Assets</b>      | <b>47,645</b>  | <b>73,296</b>  | <b>116,756</b> | <b>129,756</b> | <b>142,356</b> |
| Short-term Debt                      |                |                |                |                |                |
| Current Portion of Long-Term Debt    |                |                |                |                |                |
| Total Creditors                      | 56,102         | 62,676         | 66,911         | 79,746         | 86,548         |
| Other Current Liabilities            | 29,581         | 25,122         | 17,000         | 18,000         | 19,000         |
| <b>Total Current Liabilities</b>     | <b>85,683</b>  | <b>87,798</b>  | <b>83,911</b>  | <b>97,746</b>  | <b>105,548</b> |
| Total Long-term Debt                 | 1,258          | 1,276          | 1,200          | 1,200          | 1,200          |
| Hybrid Debt - Debt Component         |                |                |                |                |                |
| Total Other Non-Current Liabilities  |                |                |                |                |                |
| <b>Total Non-current Liabilities</b> | <b>1,258</b>   | <b>1,276</b>   | <b>1,200</b>   | <b>1,200</b>   | <b>1,200</b>   |
| Total Provisions                     | 6,960          | 13,745         | 13,730         | 14,030         | 14,230         |
| <b>Total Liabilities</b>             | <b>93,902</b>  | <b>102,820</b> | <b>98,841</b>  | <b>112,976</b> | <b>120,979</b> |
| Shareholders Equity                  | 248,605        | 321,469        | 349,187        | 380,080        | 413,638        |
| Minority Interests                   |                |                |                |                |                |
| <b>Total Equity</b>                  | <b>248,605</b> | <b>321,469</b> | <b>349,187</b> | <b>380,080</b> | <b>413,638</b> |

### Key Ratios

|                           | Mar-24A | Mar-25A  | Mar-26F  | Mar-27F  | Mar-28F  |
|---------------------------|---------|----------|----------|----------|----------|
| Revenue Growth            | 22.4%   | 12.2%    | 11.0%    | 14.0%    | 10.9%    |
| Operating EBITDA Growth   | 33.3%   | 15.7%    | 9.6%     | 14.4%    | 11.8%    |
| Operating EBITDA Margin   | 19.6%   | 20.2%    | 19.9%    | 20.0%    | 20.2%    |
| Net Cash Per Share (Rs)   | 816.98  | 915.61   | 911.01   | 990.56   | 1,051.32 |
| BVPS (Rs)                 | 890.23  | 1,151.15 | 1,250.40 | 1,361.03 | 1,481.19 |
| Gross Interest Cover      | 156.64  | 143.22   | 182.70   | 304.00   | 453.97   |
| Effective Tax Rate        | 24.1%   | 26.2%    | 24.2%    | 24.2%    | 24.2%    |
| Net Dividend Payout Ratio | 60.5%   | 71.9%    | 69.9%    | 70.5%    | 71.4%    |
| Accounts Receivables Days | 15.96   | 16.08    | 16.51    | 16.39    | 16.66    |
| Inventory Days            | 16.99   | 18.09    | 18.14    | 18.43    | 19.24    |
| Accounts Payables Days    | 53.18   | 58.80    | 57.52    | 57.16    | 58.34    |
| ROIC (%)                  | 264.6%  | 7,244.1% | 247.3%   | 342.6%   | 398.6%   |
| ROCE (%)                  | 38.1%   | 37.8%    | 35.0%    | 36.8%    | 37.9%    |
| Return On Average Assets  | 23.1%   | 21.7%    | 21.3%    | 22.4%    | 22.9%    |

### Key Drivers

|  | Mar-24A | Mar-25A | Mar-26F | Mar-27F  | Mar-28F  |
|--|---------|---------|---------|----------|----------|
| ASP (% chg, main prod./serv.)          | 10.7%   | 5.0%    | 5.5%    | (100.0%) | (100.0%) |
| Unit sales grth (% , main prod./serv.) | 10.6%   | 6.8%    | 5.2%    | (85.2%)  | (85.7%)  |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.