

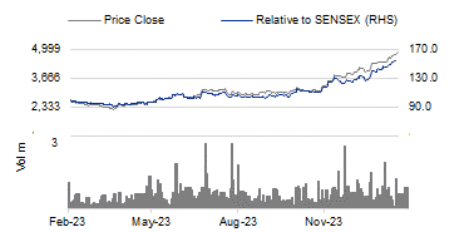
India

**REDUCE** (no change)

|  |                           |
|--|---------------------------|
| Consensus ratings*: Buy 28 Hold 8 Sell 8 |                           |
| Current price:                           | Rs4,909                   |
| Target price: ▲                          | 3,321                     |
| Previous target:                         | Rs2,499                   |
| Up/downside:                             | -32.3%                    |
| InCred Research / Consensus:             | -18.7%                    |
| Reuters:                                 | HROM.NS                   |
| Bloomberg:                               | HMCL IN                   |
| Market cap:                              | US\$11,817m<br>Rs981,216m |
| Average daily turnover:                  | US\$29.1m<br>Rs2415.2m    |
| Current shares o/s:                      | 199.8m                    |
| Free float:                              | 65.2%                     |
| *Source: Bloomberg                       |                           |

**Key changes in this note**

- Sales cut by around 3% for FY24F-26F.
- EBITDA raised by 1-2% for FY24F-26F.
- EPS raised by 1% for FY24F-26F.



Source: Bloomberg

|                          |      |      |      |
|--------------------------|------|------|------|
| <b>Price performance</b> | 1M   | 3M   | 12M  |
| Absolute (%)             | 19.4 | 54.7 | 91.8 |
| Relative (%)             | 21.0 | 41.0 | 62.6 |

|                           |        |
|---------------------------|--------|
| <b>Major shareholders</b> | % held |
| Hero Group                | 34.8   |
| LIC of India              | 11.2   |
| ICICI Prudential Fund     | 4.0    |

**Research Analyst(s)**



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# Hero MotoCorp

## Sustains its EBITDA margin in 3Q

- 3QFY24 EPS growth of 43% yoy to Rs50.7 was marginally above our/Bloomberg consensus estimates.
- We maintain our financial estimates as the reduction in sales volume is compensated by a marginal increase in the EBITDA margin.
- We feel the sharp rerating in the stock's valuation without any signs of rural recovery is a cause of concern. Maintain our REDUCE rating on the stock.

### Gross margin expansion in 3QFY24 is impressive

Hero MotoCorp's 3QFY24 EBITDA grew by 2% qoq and 47% yoy to Rs13.6bn, which was 3% above our estimate and 5% above Bloomberg consensus estimate. The gross margin expansion of 125bp was impressive but the spike in other expenses disappointed. A special interim dividend of Rs100 per share has been announced by the company.

### Management conference-call highlights

Management indicated that the company's EBITDA margin shed 200bp as the electric vehicle or EV division was a drag on its financials. Considering the superior margins in premium bikes, where it has launched new vehicles and expanded showrooms, it expects a 200bp rise in the EBITDA margin which it plans to deploy for reviving two-wheeler or 2W demand. Management plans to launch entry-level and mid-segment EV scooters in the Jun 2024F quarter to address the wide spectrum of electric two-wheelers or E2Ws. Management plans to incur a capex of Rs6bn to double spare parts sales to Rs100bn by FY27F.

### Maintain our financial estimates

The weak single-digit sales volume growth post festive season disappointed, as the premium bike volume ramp-up has been gradual. We have cut our sales estimates by around 3% for FY24F-26F. Building in management's guidance of close to 14% EBITDA margin, we raise our EBITDA estimates by 1-2%. The recovery in rural demand is essential for the company to gain market share and improve volume momentum, in our view. Any aggression in the pricing of EVs, which it plans to launch in FY25F, can pose a risk our EBITDA margin assumptions.

### Rural market recovery hopes factored in stock rally in recent months

Hopes of rural market recovery post festive season have not yet materialized in monthly volume traction while the stock price has risen by 30% in the last two months which, in our view, leads to a stretched valuation at a P/BV of +2SD. Meanwhile, there are fresh hopes of rural market recovery on the back of forthcoming general elections in India. We raise our sum-of-the-parts or SOTP-based target price to Rs3,321 (Rs2,499 earlier), rolling forward our valuation. The stock trades near its mean-level P/E. We maintain our REDUCE rating on it. The upside risk is success of new product launches driving profitability.

| Financial Summary                 | Mar-22A | Mar-23A | Mar-24F | Mar-25F | Mar-26F |
|-----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rsm)                     | 292,455 | 338,057 | 369,013 | 422,478 | 470,136 |
| Operating EBITDA (Rsm)            | 33,688  | 39,862  | 51,331  | 57,587  | 62,347  |
| Net Profit (Rsm)                  | 24,730  | 29,106  | 39,349  | 44,304  | 48,241  |
| Core EPS (Rs)                     | 123.8   | 145.7   | 196.9   | 221.7   | 241.4   |
| Core EPS Growth                   | (16.6%) | 17.7%   | 35.2%   | 12.6%   | 8.9%    |
| FD Core P/E (x)                   | 39.66   | 33.70   | 24.93   | 22.14   | 20.34   |
| DPS (Rs)                          | 120.0   | 100.1   | 180.1   | 156.1   | 180.1   |
| Dividend Yield                    | 2.44%   | 2.04%   | 3.67%   | 3.18%   | 3.67%   |
| EV/EBITDA (x)                     | 25.90   | 21.76   | 16.85   | 14.95   | 13.67   |
| P/FCFE (x)                        | 42.37   | 45.24   | 28.87   | 31.32   | 26.12   |
| Net Gearing                       | (68.6%) | (68.0%) | (68.5%) | (65.9%) | (66.1%) |
| P/BV (x)                          | 6.21    | 5.87    | 5.80    | 5.38    | 5.04    |
| ROE                               | 16.0%   | 17.9%   | 23.4%   | 25.2%   | 25.6%   |
| % Change In Core EPS Estimates    |         |         | 0.28%   | 1.23%   | 1.22%   |
| InCred Research/Consensus EPS (x) |         |         |         |         |         |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Sustains its EBITDA margin in 3Q

### Management conference-call highlights➤

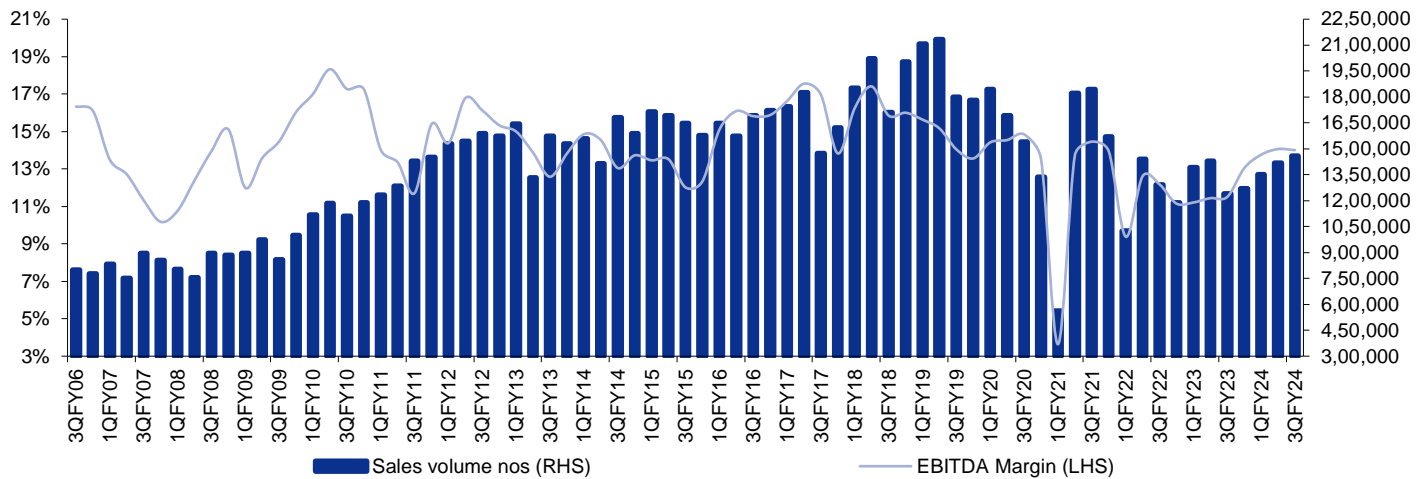
- **Outlook:** The industry is likely to witness a double-digit revenue growth in FY25F. Hero MotoCorp is confident of growing faster than the industry to gain market share. Sales enquiries have been increasing in rural areas and management expects the revenue contribution from this market to increase by 300bp from the current levels.
- **Financial performance:** The ICE (internal combustion engine) vehicle segment generated 16% EBITDA margin and the company invested 220bp of this margin in EV product development and R&D. The rising raw material price impact has been absorbed by the company partially while the remaining has been passed on to its customers. Management expects the raw material prices to be stable from the current levels.
- **Financing activity:** Easy financing activity and lower cost of financing helped in increasing market penetration to 60-65%, and management expects the company to increase it further in the next three years led by government push to infrastructure, especially in rural areas.
- **Segment-wise performance:** 125cc motorcycles are likely to witness a similar growth as in 2QFY24 next year led by their premium versions. 220cc+ motorcycles are likely to clock a double-digit volume growth. The company has models like XOOM 40, Karizma, Harley X440 and the upcoming Maverick 440.
- **Product-wise details:** The bookings for Maverick 440 will commence this month and deliveries are likely to start in Apr 2024F. Harley X440 and Karizma order books topped 30,000 units in three-to-four months, Management is ramping up the capacity to 10,000 units per month by Mar 2024F. In the ICE segment, the company plans to launch 125cc scooters in its top 10 countries, especially in Nigeria and Nepal.
- **Electric vehicles:** The company has expanded its product reach to 100+ cities with a 150+-dealer network and has opened 18 Vida hubs, which will be increased to 100 next year. The company plans to foray into affordable and mid segments, with prices of the vehicles ranging from Rs100,000 to Rs1,45,000 each.
- **Inventory level:** Currently, the company has four-to-six weeks of inventory which, its management believes, is the healthy level.
- **Spare parts business:** Management has decided to make an investment of Rs6bn over the next two years in the spare parts business to improve stock-keeping units or SKUs and expand the merchandise portfolio. Revenue in 3QFY24 stood at Rs14.36bn vs. Rs12.59bn in 3QFY23 as against Rs13.54bn in 2QFY24.

Figure 1: Results comparison

| Y/E Mar (Rs m)              | 3QFY24    | 3QFY23    | yoy % chg | 2QFY24    | qoq % chg | 9MFY24    | 9MFY23    | yoy % chg | Comments                 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------------|
| Revenue                     | 97,237    | 80,310    | 21.1      | 94,454    | 2.9       | 2,79,364  | 2,54,989  | 9.6       | 1% above our estimate.   |
| Raw material costs          | 65,470    | 55,743    | 17.5      | 64,780    | 1.1       | 1,91,059  | 1,82,118  | 4.9       |                          |
| RM costs as a % of revenue  | 67        | 69        | (208.0)   | 69        | (125.3)   | 68        | 71        | (303.1)   |                          |
| EBITDA                      | 13,620    | 9,241     | 47.4      | 13,283    | 2.5       | 38,966    | 29,032    | 34.2      |                          |
| EBITDA margin (%)           | 14.0      | 11.5      | 250.0     | 14.1      | (5.6)     | 13.9      | 11.4      | 256.2     | 3.4% above our estimate. |
| Depreciation & amortization | 1,825     | 1,620     | 12.7      | 1,749     | 4.4       | 5,264     | 4,884     | 7.8       |                          |
| EBIT                        | 11,795    | 7,621     | 54.8      | 11,534    | 2.3       | 33,702    | 24,149    | 39.6      |                          |
| Interest expenses           | 45        | 49        | (7.8)     | 48        | (5.0)     | 139       | 152       | (8.2)     |                          |
| Other income                | 1,825     | 1,832     | (0.4)     | 2,483     | (26.5)    | 6,530     | 3,282     | 98.9      | 4% below our estimate.   |
| Pre-tax profit              | 13,575    | 9,404     | 44.3      | 13,970    | (2.8)     | 40,092    | 27,279    | 47.0      |                          |
| Tax                         | 3,437     | 2,294     | 49.8      | 3,431     | 0.1       | 9,969     | 6,763     | 47.4      |                          |
| Tax rate (%)                | 25.3      | 24.4      | 92.4      | 24.6      | 75.1      | 24.9      | 24.8      | 7.4       |                          |
| Normalized net profit       | 10,139    | 7,111     | 42.6      | 10,538    | (3.8)     | 30,124    | 20,517    | 46.8      | 3% above our estimate.   |
| Exceptional items           | -         | -         | -         | -         | nm        | (1,200)   | -         | nm        |                          |
| Other comprehensive income  | -         | -         | nm        | -         | nm        | -         | (14)      | -         |                          |
| Reported net profit         | 10,139    | 7,111     | 42.6      | 10,538    | (3.8)     | 28,924    | 20,517    | 41.0      |                          |
| Normalized EPS (Rs)         | 50.7      | 35.6      | 42.6      | 52.7      | (3.8)     | 150.8     | 102.7     | 46.8      |                          |
| Volumes (nos.)              | 14,59,932 | 12,39,693 | 17.8      | 14,16,526 | 3.1       | 42,29,032 | 40,58,054 | 4.2       |                          |
| Net realization (Rs)        | 66,604    | 64,782    | 2.8       | 66,680    | (0.1)     | 66,059    | 62,835    | 5.1       |                          |
| EBITDA/vehicle              | 9,329     | 7,455     | 25.1      | 9,377     | (0.5)     | 9,214     | 7,154     | 28.8      |                          |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: EBITDA margin improves



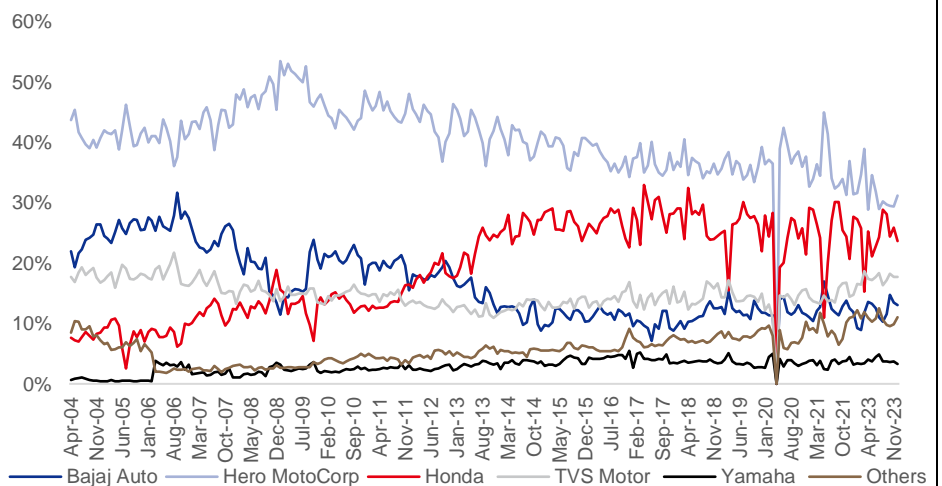
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Model-wise performance

| Motorcycles              | 3QFY24           | 3QFY23           | YoY (%)     | 2QFY24           | QoQ (%)     | 9MFY23           | 9MFY24           | YoY (%)      |
|--------------------------|------------------|------------------|-------------|------------------|-------------|------------------|------------------|--------------|
| Splendor Family          | 7,89,565         | 7,52,752         | 4.9         | 8,38,469         | (5.8)       | 23,47,074        | 24,39,444        | (3.8)        |
| Passion Family           | 1,09,060         | 36,981           | 194.9       | 1,08,526         | 0.5         | 1,57,327         | 2,72,438         | (42.3)       |
| HF Deluxe                | 2,95,196         | 2,50,905         | 17.7        | 2,23,055         | 32.3        | 8,55,262         | 7,95,326         | 7.5          |
| Glamour                  | 69,784           | 43,900           | 59.0        | 77,903           | (10.4)      | 2,19,817         | 1,86,795         | 17.7         |
| Others                   | 22,846           | 12,306           | 85.6        | 18,471           | 23.7        | 59,660           | 56,949           | 4.8          |
| <b>Total motorcycles</b> | <b>12,86,451</b> | <b>10,96,844</b> | <b>17.3</b> | <b>12,66,424</b> | <b>1.6</b>  | <b>36,39,140</b> | <b>37,50,952</b> | <b>(3.0)</b> |
| <b>Scooters</b>          |                  |                  |             |                  |             |                  |                  |              |
| Maestro                  | 601              | 9,198            | (93.5)      | 2,832            | (78.8)      | 31,071           | 8,724            | 256.2        |
| Pleasure                 | 58,387           | 58,480           | (0.2)       | 34,879           | 67.4        | 1,49,899         | 1,14,173         | 31.3         |
| Destini 125              | 40,372           | 39,293           | 2.7         | 34,354           | 17.5        | 1,00,985         | 95,299           | 6.0          |
| Xoom                     | 19,836           | na               | na          | 23,131           | (14.2)      | na               | 77,208           | na           |
| Vida                     | 8,246            | 120              | na          | 2,320            | 255.4       | 120              | 14,046           | (99.1)       |
| <b>Total scooters</b>    | <b>1,27,442</b>  | <b>1,07,091</b>  | <b>19.0</b> | <b>97,516</b>    | <b>30.7</b> | <b>2,82,075</b>  | <b>3,09,450</b>  | <b>(8.8)</b> |
| <b>Total 2W domestic</b> | <b>14,13,893</b> | <b>12,03,935</b> | <b>17.4</b> | <b>13,63,940</b> | <b>3.7</b>  | <b>39,21,215</b> | <b>40,60,402</b> | <b>(3.4)</b> |
| Exports                  | 46,037           | 35,664           | 29.1        | 52,584           | (12.5)      | 1,36,744         | 1,33,945         | 2.1          |
| <b>Gross Total</b>       | <b>14,59,930</b> | <b>12,39,599</b> | <b>17.8</b> | <b>14,16,524</b> | <b>3.1</b>  | <b>40,57,959</b> | <b>41,94,347</b> | <b>(3.3)</b> |

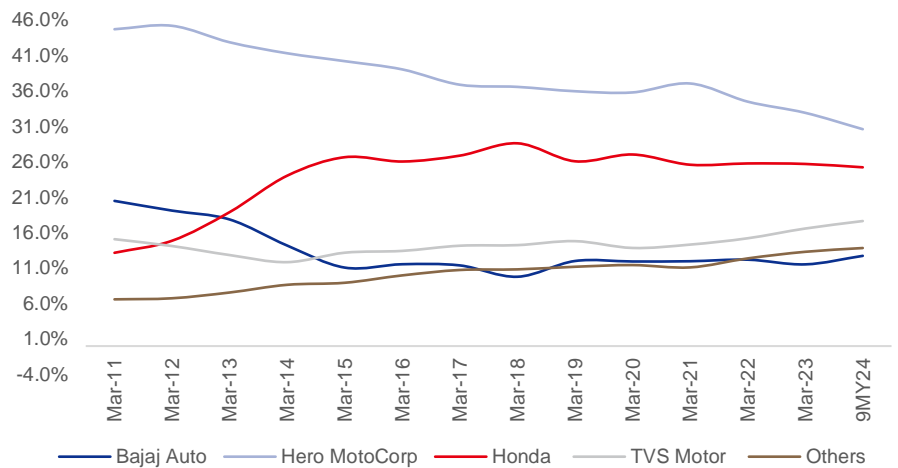
SOURCE: SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS, INCRED RESEARCH, COMPANY REPORTS

Figure 4: Domestic two-wheeler market share trend



SOURCE: SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS, INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Hero MotoCorp witnessed significant market share loss recently**



SOURCE: SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS, INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Our revised earnings estimates**

| Rs m                | FY24F     |           | FY25F     |           | FY26F     |           |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                     | Old       | New       | Old       | New       | Old       | New       |
| Sales volume (nos.) | 57,11,133 | 55,59,377 | 62,44,693 | 61,20,732 | 62,44,693 | 66,18,698 |
| % change            |           | -2.7%     |           | -2.0%     |           | 6.0%      |
| Net sales           | 3,80,889  | 3,69,013  | 4,23,601  | 4,22,478  | 4,71,541  | 4,70,136  |
| % change            |           | -3.1%     |           | -0.3%     |           | -0.3%     |
| EBITDA              | 50,591    | 51,331    | 57,488    | 57,587    | 61,333    | 62,347    |
| % change            |           | 1.5%      |           | 0.2%      |           | 1.7%      |
| PAT                 | 38,944    | 39,349    | 44,197    | 44,304    | 47,661    | 48,241    |
| % change            |           | 1.0%      |           | 0.2%      |           | 1.2%      |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Earnings revision highlights**

| Key Assumptions                          | FY22      | FY23      | FY24F     | FY25F     | FY26F     |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>Vehicle sales volume (units)</b>      |           |           |           |           |           |
| Motorcycle                               | 46,28,006 | 49,59,707 | 51,45,670 | 56,50,965 | 60,91,387 |
| Growth (%)                               | -13.1%    | 7.2%      | 3.7%      | 9.8%      | 7.8%      |
| Scooter                                  | 3,16,383  | 3,68,744  | 4,13,707  | 4,69,767  | 5,27,311  |
| Growth (%)                               | -30.9%    | 16.5%     | 12.2%     | 13.6%     | 12.2%     |
| Total                                    | 49,44,389 | 53,28,451 | 55,59,377 | 61,20,732 | 66,18,698 |
| Growth (%)                               | -14.6%    | 7.8%      | 4.3%      | 10.1%     | 8.1%      |
| <b>Net Realization Per Vehicle (Rs.)</b> |           |           |           |           |           |
| Motorcycle                               | 49,005    | 52,680    | 54,682    | 57,143    | 58,857    |
| Growth (%)                               | 6.6%      | 7.5%      | 3.8%      | 4.5%      | 3.0%      |
| Scooter                                  | 50,440    | 53,920    | 55,538    | 57,759    | 58,914    |
| Growth (%)                               | 6.0%      | 6.9%      | 3.0%      | 4.0%      | 2.0%      |
| Total                                    | 49,097    | 52,766    | 54,746    | 57,190    | 58,862    |
| Growth (%)                               | 6.5%      | 7.5%      | 3.8%      | 4.5%      | 2.9%      |
| <b>Operating Matrix per Vehicle (Rs)</b> |           |           |           |           |           |
| Net Realization                          | 49,005    | 52,680    | 54,682    | 57,143    | 58,857    |
| Growth (%)                               | 6.6%      | 7.5%      | 3.8%      | 4.5%      | 3.0%      |
| Contribution                             | 17,027    | 18,669    | 21,108    | 21,328    | 21,807    |
| Growth (%)                               | 9.0%      | 9.6%      | 13.1%     | 1.0%      | 2.2%      |
| EBITDA                                   | 33,688    | 39,862    | 51,331    | 57,587    | 62,347    |
| Growth (%)                               | -16.2%    | 18.3%     | 28.8%     | 12.2%     | 8.3%      |
| EBITDA margin (%)                        | 11.5%     | 11.8%     | 13.9%     | 13.6%     | 13.3%     |
| Change (bp)                              | (153)     | 27        | 212       | (28)      | (37)      |
| Net profit                               | 24,730    | 29,106    | 38,149    | 44,304    | 48,241    |
| Growth (%)                               | -16.0%    | 17.7%     | 31.1%     | 16.1%     | 8.9%      |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

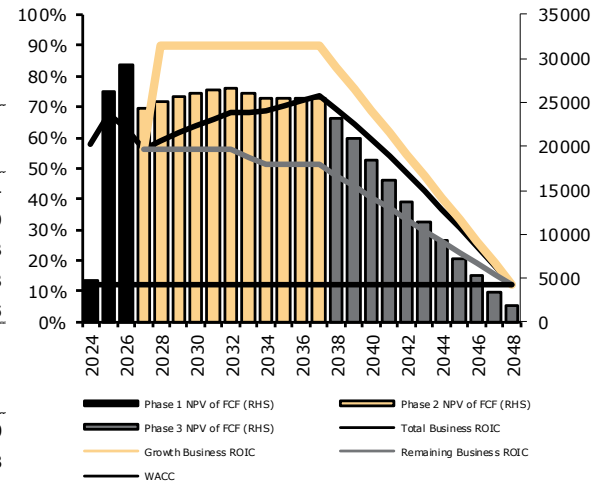
Figure 8: We have used discounted cash flow or DCF methodology to value the company's core business

| Economic Profit Valuation                            |                |     | Discounted Cash Flow Valuation                         |          |     |
|--|----------------|-----|--|----------|-----|
|  | Rs m           | %   |  | Rs m     | %   |
| Adjusted Opening Invested Capital                    | 58621.7        | 12  | Value of Phase 1: Explicit (2024 to 2026)              | 60392.3  | 12  |
| NPV of Economic Profit During Explicit Period        | 59523.5        | 12  | Value of Phase 2: Value Driver (2027 to 2037)          | 281820.3 | 57  |
| NPV of Econ Profit of Remaining Business (1, 2)      | 168131.0       | 34  | Value of Phase 3: Fade (2038 to 2048)                  | 130774.7 | 26  |
| NPV of Econ Profit of Net Inv (Grth Business) (1, 3) | 210734.8       | 42  | Terminal Value   | 24029.3  | 5   |
| Enterprise Value                                     | 497011.1       | 100 | Enterprise Value                                       | 497016.6 | 100 |
| Plus: Other Assets                                   | 0.0            | 0   | FCF Grth Rate at end of Phs 1 implied by DCF Valuation |          | 4.9 |
| Less: Minorities                                     | 0.0            | 0   | FCF Grth Rate at end of Phs 1 implied by Current Price |          | 1.6 |
| Less: Net Debt (as at 10 Feb 2024)                   | -113558.6      | -23 |  |          |     |
| Equity Value   | 610569.7       | 123 |  |          |     |
| No. Shares (millions)                                | 199.5          |     |  |          |     |
| <b>Per Share Equity Value</b>                        | <b>Rs 3060</b> |     |  |          |     |

| Sensitivity Table |       | No of Years in Fade Period |      |      |      |      |
|-------------------|-------|----------------------------|------|------|------|------|
|                   |       | 5                          | 8    | 11   | 14   | 17   |
| WACC              | 10.0% | 3088                       | 3321 | 3550 | 3775 | 3994 |
|                   | 11.0% | 2902                       | 3099 | 3290 | 3473 | 3650 |
|                   | 12.0% | 2735                       | 2902 | 3060 | 3211 | 3353 |
|                   | 13.0% | 2585                       | 2726 | 2859 | 2982 | 3098 |
|                   | 14.0% | 2450                       | 2570 | 2680 | 2782 | 2876 |

| Performance Summary         |  | 2024 | 2025 | 2026 | Phase 2 Avg (2027 - 2037) |
|-----------------------------|--|------|------|------|---------------------------|
| Invested Capital Growth (%) |  | -3.2 | 16.6 | 8.2  | 9.0                       |
| Operating Margin (%)        |  | 11.9 | 11.8 | 11.5 | 10.8                      |
| Capital Turnover (x)        |  | 6.5  | 7.7  | 7.3  | 6.7                       |

Returns, WACC and NPV of Free Cash Flow



Source: InCred Research

1. In periods following the Explicit Period i.e. Phase 2 and Phase 3
2. Remaining Business is defined as Capital as at the end of Phase 1 and capex = depreciation thereafter
3. Net Investment is defined as capex over and above depreciation after Phase 1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

|                             | Methodology                              | Multiple            | Hero MotoCorp's stake | Value per share (Rs) |
|-----------------------------|--|---------------------|-----------------------|----------------------|
| Core Business               | DCF                                      |                     |                       | 3,060                |
| Ather Energy                | Private Equity (PE) Investment Valuation |                     | 35%                   | 86                   |
| Hero FinCorp                | P/BV                                     | 2 x FY22 Book Value | 41%                   | 174                  |
| <b>SOTP-based valuation</b> |  |                     |                       | <b>3,321</b>         |

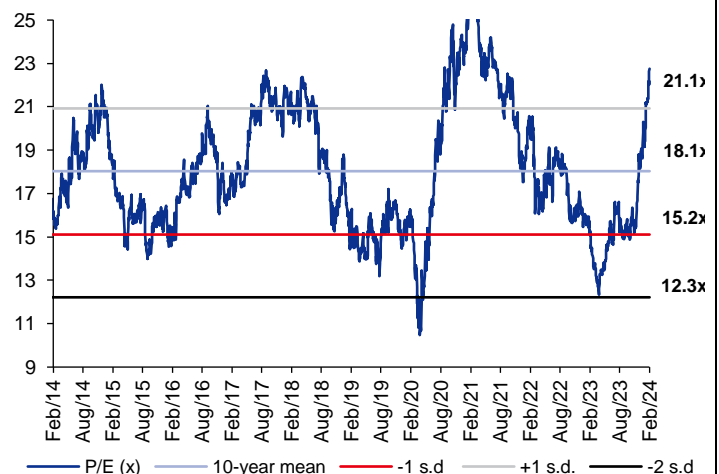
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: One-year forward P/BV valuation is above the mean level



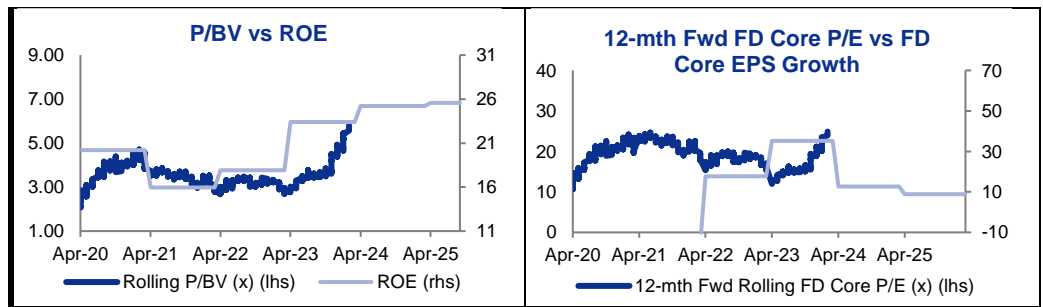
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 11: One-year forward P/E recovers from its +1SD level



SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

| (Rs mn)                                   | Mar-22A | Mar-23A | Mar-24F  | Mar-25F  | Mar-26F  |
|---|---------|---------|----------|----------|----------|
| <b>Total Net Revenues</b>                 | 292,455 | 338,057 | 369,013  | 422,478  | 470,136  |
| <b>Gross Profit</b>                       | 64,833  | 77,577  | 93,587   | 103,222  | 113,183  |
| <b>Operating EBITDA</b>                   | 33,688  | 39,862  | 51,331   | 57,587   | 62,347   |
| Depreciation And Amortisation             | (6,498) | (6,570) | (7,276)  | (7,719)  | (8,207)  |
| <b>Operating EBIT</b>                     | 27,190  | 33,293  | 44,055   | 49,867   | 54,140   |
| Financial Income/(Expense)                |         |         |          |          |          |
| Pretax Income/(Loss) from Assoc.          |         |         |          |          |          |
| Non-Operating Income/(Expense)            | 5,311   | 5,453   | 8,410    | 9,204    | 10,181   |
| <b>Profit Before Tax (pre-EI)</b>         | 32,501  | 38,746  | 52,465   | 59,071   | 64,322   |
| Exceptional Items                         |         |         |          |          |          |
| <b>Pre-tax Profit</b>                     | 32,501  | 38,746  | 52,465   | 59,071   | 64,322   |
| Taxation                                  | (7,771) | (9,640) | (13,116) | (14,768) | (16,080) |
| Exceptional Income - post-tax             |         |         |          |          |          |
| <b>Profit After Tax</b>                   | 24,730  | 29,106  | 39,349   | 44,304   | 48,241   |
| Minority Interests                        |         |         |          |          |          |
| Preferred Dividends                       |         |         |          |          |          |
| FX Gain/(Loss) - post tax                 |         |         |          |          |          |
| Other Adjustments - post-tax              |         |         |          |          |          |
| <b>Net Profit</b>                         | 24,730  | 29,106  | 39,349   | 44,304   | 48,241   |
| Recurring Net Profit                      | 24,730  | 29,106  | 39,349   | 44,304   | 48,241   |
| <b>Fully Diluted Recurring Net Profit</b> | 24,730  | 29,106  | 39,349   | 44,304   | 48,241   |

Cash Flow

| (Rs mn)                          | Mar-22A  | Mar-23A  | Mar-24F  | Mar-25F  | Mar-26F  |
|----------------------------------|----------|----------|----------|----------|----------|
| <b>EBITDA</b>                    | 33,688   | 39,862   | 51,331   | 57,587   | 62,347   |
| Cash Flow from Invt. & Assoc.    |          |          |          |          |          |
| Change In Working Capital        | (4,749)  | (3,613)  | 3,518    | (5,496)  | (2,583)  |
| (Incr)/Decr in Total Provisions  | (1,785)  | (940)    | 1,316    | (1,200)  | (1,800)  |
| Other Non-Cash (Income)/Expense  |          |          |          |          |          |
| <b>Other Operating Cashflow</b>  |          |          |          |          |          |
| Net Interest (Paid)/Received     | 5,311    | 5,453    | 8,410    | 9,204    | 10,181   |
| Tax Paid                         | (7,771)  | (9,640)  | (13,116) | (14,768) | (16,080) |
| <b>Cashflow From Operations</b>  | 24,694   | 31,122   | 51,458   | 45,327   | 52,064   |
| Capex                            | (5,102)  | (5,954)  | (11,881) | (10,000) | (7,500)  |
| Disposals Of FAs/subsidiaries    |          |          |          |          |          |
| Acq. Of Subsidiaries/Investments |          |          |          |          |          |
| Other Investing Cashflow         | 3,558    | (3,485)  | (5,600)  | (4,000)  | (7,000)  |
| <b>Cash Flow From Investing</b>  | (1,544)  | (9,439)  | (17,481) | (14,000) | (14,500) |
| Debt Raised/(repaid)             |          |          |          |          |          |
| Proceeds From Issue Of Shares    |          |          |          |          |          |
| Shares Repurchased               |          |          |          |          |          |
| Dividends Paid                   | (23,970) | (19,980) | (35,964) | (31,177) | (35,973) |
| Preferred Dividends              |          |          |          |          |          |
| Other Financing Cashflow         |          |          |          |          |          |
| <b>Cash Flow From Financing</b>  | (23,970) | (19,980) | (35,964) | (31,177) | (35,973) |
| Total Cash Generated             | (820)    | 1,704    | (1,987)  | 150      | 1,591    |
| <b>Free Cashflow To Equity</b>   | 23,150   | 21,684   | 33,977   | 31,327   | 37,564   |
| <b>Free Cashflow To Firm</b>     | 23,150   | 21,684   | 33,977   | 31,327   | 37,564   |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

**Balance Sheet**

| (Rs mn)                              | Mar-22A        | Mar-23A        | Mar-24F        | Mar-25F        | Mar-26F        |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Cash And Equivalents           | 108,274        | 113,559        | 115,972        | 120,122        | 128,713        |
| Total Debtors                        | 23,043         | 27,982         | 28,308         | 34,724         | 38,641         |
| Inventories                          | 11,227         | 14,341         | 15,165         | 18,520         | 21,897         |
| Total Other Current Assets           | 11,950         | 14,498         | 15,500         | 17,200         | 19,500         |
| <b>Total Current Assets</b>          | <b>154,493</b> | <b>170,379</b> | <b>174,945</b> | <b>190,566</b> | <b>208,752</b> |
| Fixed Assets                         | 62,647         | 64,633         | 66,857         | 69,138         | 68,431         |
| Total Investments                    |                |                |                |                |                |
| Intangible Assets                    |                |                |                |                |                |
| Total Other Non-Current Assets       |                |                |                |                |                |
| <b>Total Non-current Assets</b>      | <b>62,647</b>  | <b>64,633</b>  | <b>66,857</b>  | <b>69,138</b>  | <b>68,431</b>  |
| Short-term Debt                      |                |                |                |                |                |
| Current Portion of Long-Term Debt    |                |                |                |                |                |
| Total Creditors                      | 42,603         | 47,045         | 51,712         | 55,987         | 60,698         |
| Other Current Liabilities            | 12,875         | 14,482         | 16,800         | 17,300         | 17,800         |
| <b>Total Current Liabilities</b>     | <b>55,478</b>  | <b>61,527</b>  | <b>68,512</b>  | <b>73,287</b>  | <b>78,498</b>  |
| Total Long-term Debt                 |                |                |                |                |                |
| Hybrid Debt - Debt Component         |                |                |                |                |                |
| Total Other Non-Current Liabilities  |                |                |                |                |                |
| <b>Total Non-current Liabilities</b> |                |                |                |                |                |
| Total Provisions                     | 3,833          | 4,054          | 4,054          | 4,054          | 4,054          |
| <b>Total Liabilities</b>             | <b>59,311</b>  | <b>65,581</b>  | <b>72,566</b>  | <b>77,341</b>  | <b>82,552</b>  |
| Shareholders Equity                  | 157,829        | 167,051        | 169,236        | 182,363        | 194,631        |
| Minority Interests                   |                |                |                |                |                |
| <b>Total Equity</b>                  | <b>157,829</b> | <b>167,051</b> | <b>169,236</b> | <b>182,363</b> | <b>194,631</b> |

**Key Ratios**

|                           | Mar-22A | Mar-23A | Mar-24F | Mar-25F | Mar-26F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth            | (5.0%)  | 15.6%   | 9.2%    | 14.5%   | 11.3%   |
| Operating EBITDA Growth   | (16.2%) | 18.3%   | 28.8%   | 12.2%   | 8.3%    |
| Operating EBITDA Margin   | 11.5%   | 11.8%   | 13.9%   | 13.6%   | 13.3%   |
| Net Cash Per Share (Rs)   | 541.91  | 568.22  | 580.29  | 601.06  | 644.05  |
| BVPS (Rs)                 | 789.94  | 835.88  | 846.81  | 912.50  | 973.89  |
| Gross Interest Cover      |         |         |         |         |         |
| Effective Tax Rate        | 23.9%   | 24.9%   | 25.0%   | 25.0%   | 25.0%   |
| Net Dividend Payout Ratio | 96.9%   | 68.6%   | 91.4%   | 70.4%   | 74.6%   |
| Accounts Receivables Days | 29.52   | 27.55   | 27.84   | 27.23   | 28.48   |
| Inventory Days            | 20.78   | 17.91   | 19.55   | 19.26   | 20.66   |
| Accounts Payables Days    | 75.89   | 62.81   | 65.44   | 61.57   | 59.66   |
| ROIC (%)                  | 42.7%   | 46.8%   | 55.1%   | 65.3%   | 61.2%   |
| ROCE (%)                  | 20.5%   | 23.3%   | 30.5%   | 32.8%   | 33.4%   |
| Return On Average Assets  | 11.3%   | 12.9%   | 16.5%   | 17.7%   | 18.0%   |

**Key Drivers**

|  | Mar-22A | Mar-23A | Mar-24F | Mar-25F | Mar-26F |
|--|---------|---------|---------|---------|---------|
| ASP (% chg, main prod./serv.)          | 11.1%   | 7.3%    | 4.6%    | 4.0%    | 2.9%    |
| Unit sales grth (% , main prod./serv.) | (14.6%) | 7.8%    | 4.3%    | 10.1%   | 8.1%    |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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