

# Ashok Leyland

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	AL IN
Equity Shares (m)	5873
M.Cap.(INRb)/(USDb)	716.3 / 8.2
52-Week Range (INR)	132 / 95
1, 6, 12 Rel. Per (%)	-2/7/-3
12M Avg Val (INR M)	1728

## Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
Sales	387.5	405.3	447.4
EBITDA	49.3	51.4	58.9
Adj. PAT	32.2	33.9	39.5
Adj. EPS (INR)	5.5	5.8	6.7
EPS Gr. (%)	20.2	5.0	16.8
BV/Sh. (INR)	19.6	22.1	25.1

## Ratios

RoE (%)	31.7	27.6	28.5
ROCE (%)	25.4	23.3	24.4
Payout (%)	56.9	56.4	55.7

## Valuations

P/E (x)	22.2	21.2	18.1
P/BV (x)	6.2	5.5	4.9
EV/EBITDA (x)	13.7	12.6	10.6
Div. Yield (%)	2.6	2.7	3.1

## Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.1	51.1	51.1
DII	13.8	14.0	14.1
FII	24.5	24.1	22.7
Others	10.6	10.8	12.2

FII includes depository receipts

**CMP: INR122 TP: INR141 (+16%) Buy**

## Improved mix drives margin expansion

### Finance arm gets RBI approval for reverse merger

- Ashok Leyland's (AL) 1Q PAT stood at INR5.9b, marginally ahead of our estimate of INR5.8b, led by a slight beat on margins (30bp) and higher other income. Its margins expanded 50bp YoY to 11.1% despite subdued demand, led by a healthy non-CV mix in 1Q.
- Over the years, AL has effectively reduced its business cyclicity by focusing on non-MHCV segments. Its continued emphasis on margin expansion is expected to support stronger returns in the long run. Further, a net cash position will enable AL to invest in growth avenues in the coming years. **We reiterate our BUY rating with a TP of INR141 (based on 11x June27E EV/EBITDA + ~INR10/sh for NBFC).**

## Improved mix drives margin expansion

- AL revenue grew 1.5% YoY (in line with our estimates) to INR 87.2b, led by marginal growth in both volume and blended ASP.
- Despite subdued volumes, EBITDA margin expanded 50bp YoY to 11.1% and was slightly ahead of our estimate of 10.8%.
- EBITDA margin was supported by a favorable shift in the mix, driven by higher non-CV sales, with spare parts growing 8% YoY and the power solutions business growing 29% YoY. Within the CV segment, the mix improved with an increase in MAV sales, while exports also recorded strong growth of 29% YoY.
- As a result, EBITDA grew 6% YoY to INR 9.7b, largely in line with our estimate.
- Overall, PAT grew 13% YoY to INR5.9b, marginally ahead of our estimate of INR5.8b.
- AL has undergone significant deleveraging over the past 12 months, moving to a net cash position of INR8b, compared to a net debt of INR12b previously.

## Highlights from the management commentary

- Management expects the MHCV industry to post mid-single-digit growth in FY26, while the LCV segment is expected to grow at a slightly higher rate.
- Backed by a healthy order backlog, management remains confident of achieving double-digit growth in the defense segment in FY26 and sustaining the momentum into FY27.
- Exports grew 29% YoY in 1Q, and management expects this momentum to continue in the coming quarters.
- Switch India reported a positive PBT in 1QFY26 and is targeting PAT breakeven in FY26E. As of the end of 1Q, it had an order backlog of over 1,500 buses.
- Hinduja Leyland Finance Ltd. (HLFL) has received RBI approval for its merger with NxT Digital, with remaining statutory and regulatory approvals still in process. According to management, the HLFL listing is likely to take at least 3-4 quarters.

**Aniket Mhatre - Research analyst** (Aniket.Mhatre@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Valuation and view

- Over the years, AL has effectively reduced its business cyclicality by focusing on non-MHCV segments. Its continued emphasis on margin expansion is expected to support strong returns in the long run. Further, a net cash position will enable AL to invest in growth avenues in the coming years. **We reiterate our BUY rating with a TP of INR141 (based on 11x June27E EV/EBITDA + ~INR10/sh for NBFC).**

### Qty Performance (S/A)

	FY25				FY26E				FY25	FY26	1QE	Var. (INR M)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Total Volumes (nos)	43,893	45,624	46,404	59,176	44,238	47,905	47,796	60,363	195,097	200,302	44,238	0.0
Growth %	6.2	-8.5	-1.4	5.1	0.8	5.0	3.0	2.0	0.3	3.0	0.8	
Realizations (INR '000)	1,959	1,922	2,043	2,012	1,972	1,980	2,083	2,049	1,986	2,024	1,988	-0.8
Change (%)	-1.1	-0.6	3.7	0.6	0.7	3.0	2.0	1.8	0.7	2.6	1.5	
<b>Net operating revenues</b>	<b>85,985</b>	<b>87,688</b>	<b>94,787</b>	<b>119,067</b>	<b>87,245</b>	<b>94,835</b>	<b>99,583</b>	<b>123,686</b>	<b>387,527</b>	<b>405,348</b>	<b>87,961</b>	<b>-0.8</b>
Change (%)	5.0	-9.0	2.2	5.7	1.5	8.1	5.1	3.9	1.0	5.7	2.3	
RM/sales %	72.2	71.2	71.5	70.6	70.6	71.0	71.0	72.2	71.3	71.3	71.5	
Staff/sales %	6.4	6.8	6.4	5.5	7.0	6.7	6.5	5.1	6.2	6.2	6.6	
Other exp/sales %	10.9	10.4	9.4	8.9	11.2	10.5	9.6	8.4	9.8	9.8	11.1	
<b>EBITDA</b>	<b>9,109</b>	<b>10,173</b>	<b>12,114</b>	<b>17,910</b>	<b>9,696</b>	<b>11,191</b>	<b>12,846</b>	<b>17,643</b>	<b>49,306</b>	<b>51,376</b>	<b>9,500</b>	<b>2.1</b>
EBITDA Margins(%)	10.6	11.6	12.8	15.0	11.1	11.8	12.9	14.3	12.7	12.7	10.8	30bp
Interest	591	607	501	471	419	350	310	249	2,169	1,327	380	
Other Income	223	973	247	1,059	529	700	300	1,012	2,503	2,540	350	51.0
Depreciation	1,727	1,754	1,923	1,789	1,828	1,850	1,880	1,891	7,193	7,449	1,750	
<b>PBT before EO Item</b>	<b>7,014</b>	<b>8,785</b>	<b>9,938</b>	<b>16,709</b>	<b>7,977</b>	<b>9,691</b>	<b>10,956</b>	<b>16,515</b>	<b>42,446</b>	<b>45,139</b>	<b>7,720</b>	<b>3.3</b>
EO Exp/(Inc)	0	-1,174	0	137	0	0	0	0	-1,037	0	0	
<b>PBT after EO</b>	<b>7,014</b>	<b>9,958</b>	<b>9,938</b>	<b>16,573</b>	<b>7,977</b>	<b>9,691</b>	<b>10,956</b>	<b>16,515</b>	<b>43,483</b>	<b>45,139</b>	<b>7,720</b>	
Effective Tax Rate (%)	25.1	22.7	23.3	24.8	25.6	25.5	24.0	25.1	24.0	25.0	25.5	
<b>Adj PAT</b>	<b>5,256</b>	<b>6,933</b>	<b>7,617</b>	<b>12,562</b>	<b>5,937</b>	<b>7,219</b>	<b>8,327</b>	<b>12,371</b>	<b>32,355</b>	<b>33,854</b>	<b>5,751</b>	<b>3.2</b>
Change (%)	-8.9	20.2	31.2	32.4	13.0	4.1	9.3	-1.5	20.6	4.6	9.4	

E: MOFSL Estimates

### Key Performance Indicators

Y/E March	FY25				FY26E				FY25	FY26E	1QE
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
M&HCV	27,885	28,180	30,058	39,908	28,071	27,428	28,755	30,082	126,031	126,031	28071
Dom. M&HCV Mkt sh (%)	30.7	31.1	29.6	31.3	30.7				30.7		
LCV	16,008	17,444	16,346	19,268	16,167	16,810	15,483	14,599	69,066	69,066	16167
Dom. LCV Mkt sh (%)	11.1	12.0	10.4	11.2	11.2				6.2		
<b>Total Volumes (nos)</b>	<b>43,893</b>	<b>45,624</b>	<b>46,404</b>	<b>59,176</b>	<b>44,238</b>	<b>47,905</b>	<b>47,796</b>	<b>60,363</b>	<b>195,097</b>	<b>195,097</b>	<b>44238</b>
AL's CV Market Sh (%)	18.3	18.9	18.0	20.2	19.8						
Realizations (INR '000)	1,959	1,922	2,043	2,012	1,972	1,980	2,083	2,049	1,986	2,024	1988
Growth %	-1.1	-0.6	3.7	0.6	0.7	3.0	2.0	1.8	42.4	45.1	1
<b>Cost Break-up</b>											
RM Cost (% of sales)	72.2	71.2	71.5	70.6	70.6	71.0	71.0	72.2	71.3	71.3	71.5
Staff Cost (% of sales)	6.4	6.8	6.4	5.5	7.0	6.7	6.5	5.1	6.2	6.2	6.6
Other Cost (% of sales)	10.9	10.4	9.4	8.9	11.2	10.5	9.6	8.4	9.8	9.8	11.1
<b>Gross Margin (%)</b>	<b>27.8</b>	<b>28.8</b>	<b>28.5</b>	<b>29.4</b>	<b>29.4</b>	<b>29.0</b>	<b>29.0</b>	<b>27.8</b>	<b>28.7</b>	<b>28.7</b>	<b>28.5</b>
<b>EBITDA Margins (%)</b>	<b>10.6</b>	<b>11.6</b>	<b>12.8</b>	<b>15.0</b>	<b>11.1</b>	<b>11.8</b>	<b>12.9</b>	<b>14.3</b>	<b>12.7</b>	<b>12.7</b>	<b>10.8</b>
EBIT Margins (%)	8.6	9.6	10.8	13.5	9.0	9.8	11.0	12.7	10.9	10.8	8.8

E:MOFSL Estimates



## Key takeaways from the management commentary

### Outlook

- Management expects the domestic MHCV truck market to grow in 2Q, albeit over a low base of FY26. Further, given positive lead indicators (healthy fleet utilization levels, rising freight rates, reduction in interest rates and an ever ageing fleet), management is hopeful of a pick-up in demand during the festive season.
- Management expects the MHCV industry to post mid-single-digit growth for FY26, and LCVs a bit higher than that.

### 1Q key highlights

- AL's market share in MHCV goods has improved 130bp YoY to 31.3% in 1Q. Moreover, its share in the up to 7.5T LCV segment rose 120bp YoY to 12.9%, according to Vahan.
- In 1Q, the company added 23 MHCV dealers and 13 LCV dealers, largely in North and Central regions where it intends to ramp up its presence. With this, the total dealer count for MHCV stands at 1,073, and the same for LCVs stands at 851. AL targets to cross 2k total touchpoints by FY26-end.
- In servicing, AL is now ranked No. 1, and holds No. 2 position in customer and sales satisfaction survey.

### Update on new launches

- Management indicated that it is preparing to launch a slew of new products in both MHCVs and LCVs. It is looking to launch 280, 320, and 360 HP variants in tippers, tractor trailers, and MAVs. Management expects to launch higher HP trucks that will feature the highest power and highest torque in the category. It will target to launch the same at a premium price position.
- It is also planning to launch its first LNG based CV soon.
- It will also launch 13.5mtr and 15mtr buses with a unique value proposition in the coming quarters.
- It will also unveil its first bio fuel product in the LCV range.

### Update on defense

- 1QFY26 was an aberration due to the very high base of last year, with defense revenue at INR1.2b vs INR4b YoY.
- It already has orders worth INR10b and has won tenders worth INR20b.
- Hence, management remains confident that despite the decline in 1Q, the defense segment is expected to post double-digit growth in FY26 and sustain its momentum in FY27.

### Capacity and utilization levels

- Capacity utilization stands at 75% for AL.
- Its bus body building capacity now stands at 950 units per month, which will increase to 1,650 units per month. They are seeing a higher demand for fully built vehicles now
- Its new plant in AP was inaugurated in 4QFY25 and has an initial capacity of 200 units per month.
- Further, its upcoming and most modern plant in Lucknow is expected to SOP in 3QFY26.
- It is also looking to enhance its bus capacity at the Trichy and Alwar plants.

### Update on exports

- Export volumes in 1QFY26 grew 29% YoY to 3,011 units, marking one of the strongest quarterly performances in recent years.
- The GCC region posted a strong 60% YoY growth in 1Q.
- However, demand from Bangladesh, SAARC, and Africa was below expectations in 1Q due to adverse macro factors.
- Management highlighted ongoing efforts to diversify the export base by entering newer geographies and strengthening dealer networks in under-penetrated regions.
- Management expects its exports momentum to continue in the coming quarters.

### Update on Switch

- Switch India reported positive PBT in 1QFY26, marking a key milestone in its path toward sustainable profitability. It targets to achieve PAT breakeven in FY26.
- Switch India had an order backlog of 1,500+ buses as of 1Q-end
- The shutdown of Switch UK operations at its Sherburn facility will be completed by early Q3FY26. Production will be shifted to other global facilities.

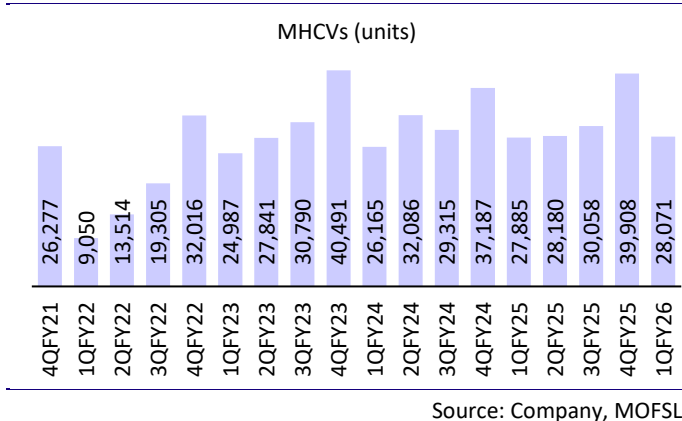
### Update on OHM Mobility

- OHM Mobility is currently operating more than 850 buses at 98% utilization levels. It has further added 200 buses in 1Q, and is on track to achieve its target of 2,500 buses by FY26E.
- Most of its projects are at healthy double-digit IRR.
- AI has invested INR3b in this subsidiary in 1Q. It had invested INR3b in FY25. These investments are sufficient to take care of OHM's requirements for FY26E.
- Post this, the company may consider alternate funding options for OHM, including unlocking value.

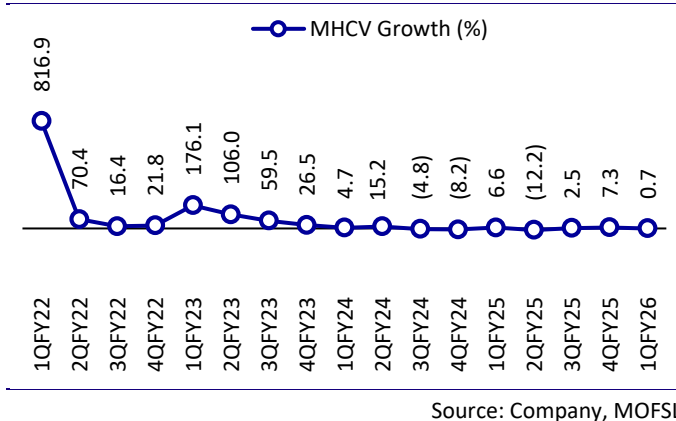
### Update on Hinduja Leyland Finance

- HLFL reported an AUM of INR504b as of 1QFY26.
- Total Income in 1Q stood at INR18.6b and PAT stood at INR1.6b for 1Q.
- Its NNPA stands at 1.63%, and capital adequacy is at 18.2%
- HLFL has received an RBI approval for its merger with NxT Digital, with the remaining statutory and regulatory approvals already in process. According to management, HLFL listing is likely to take at least 3-4 quarters.

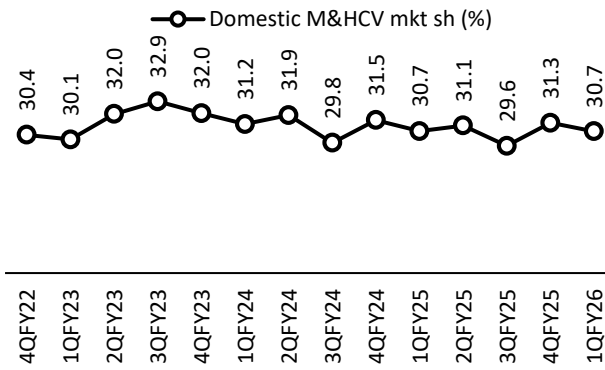
**Exhibit 1: M&HCV sales trend**



**Exhibit 2: Growth trend in M&HCV**

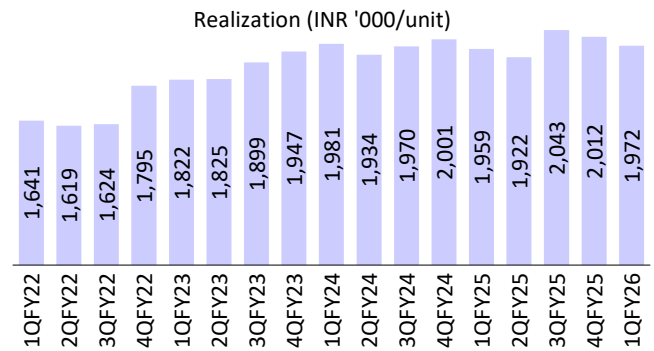


**Exhibit 3: Domestic M&HCV market share trend**



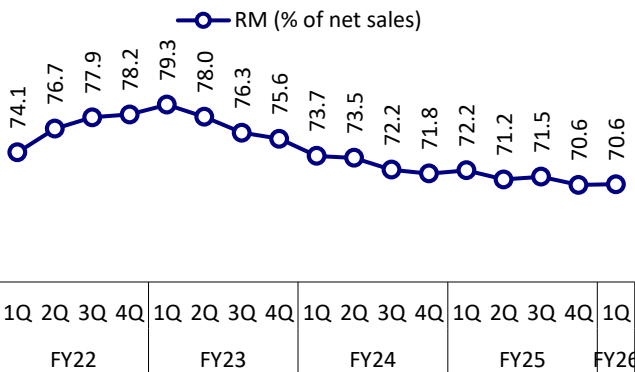
Source: Company, MOFSL

**Exhibit 4: Realization trend**



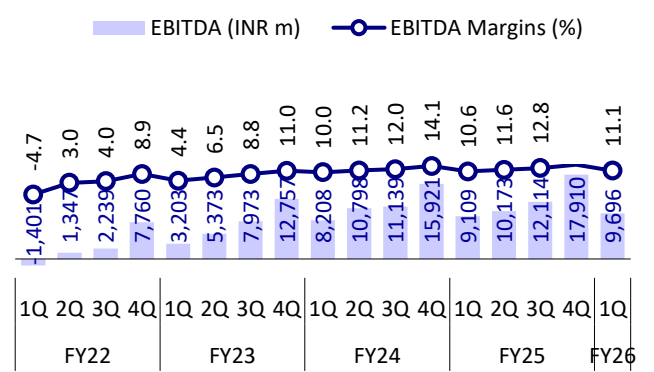
Source: Company, MOFSL

**Exhibit 5: Trend in RM costs**



Source: Company, MOFSL

**Exhibit 6: Trends in EBITDA and EBITDA margin**



Source: Company, MOFSL

### Valuation and view

- **Focus on reducing business cyclicalities:** Over the years, AL has effectively reduced its business cyclicalities by focusing on non-MHCV segments, such as LCV (11% of sales), Spares (9%), Exports (5%), and Defense (2%). Some of its critical targets in these segments include: 1) a medium-term goal to achieve a 25% share in the LCV sub-segment (2-3.5T), up from 20% currently; 2) having already doubled its revenue in spares over the last five years, the next objective is to further double its revenue over the medium term; 3) increasing its presence in exports through new launches and expanding its footprint in key regions; and 4) the potential to significantly scale up its defense business, aided by the government's 'Make in India' initiative.
- **CV demand likely to revive after near-term hiccups:** The underlying long-term demand drivers remain intact, as: 1) the average fleet age has increased to a record high of over 10 years, which is likely to fuel healthy replacement demand; 2) fleet operators' profitability remains strong with healthy utilization levels; 3) the fleet sentiment index remains positive; and 4) political stability means continued infrastructure push in the coming years. Taking these factors into consideration, there is a strong indication that the CV industry is poised for a recovery in demand, sooner than later. After a flat volume growth in 1Q, management expects the CV industry to post steady growth in 2Q, albeit over a low base of last year. Further, with the onset of the festive season and the lead indicators highlighted above, we expect the industry to post single-digit growth in H2. Overall, we expect AL to post 5% volume CAGR over FY25-27.
- **Strategy in place to gain market share in key segments:** On the back of the first-of-its-kind modular platform, AL has made significant strides in the MHCV Goods

category, achieving ~30% market share in FY25 vs. ~28% in FY21. AL has earmarked an ambitious target to achieve a 35% share in the medium term. Even in the LCV Goods segment, AL has set a target to ramp up its market share to 25% (from 20% currently) in the 2-3.5T segment. This growth is likely to be driven by the launch of new products and the resultant expansion of its addressable market, which currently stands at just under 50%, with the goal of increasing it to 85% in future.

- **Aiming for profitable growth:** One of the key factors in the CV industry has been the healthy pricing discipline that the sector has maintained, even in FY24 when industry volumes were flat YoY. Beyond this, AL aims to improve its medium-term margins to mid-teen levels, fueled by: 1) growth in the non-MHCV business (including LCVs, defense, spares, etc.), which will also help reduce its business cyclicality; and 2) value engineering backed by Industry 4.0 and optimizing automation wherever feasible. Input costs, which were earlier expected to harden, have now started reversing in 2Q. While we expect AL margins to remain stable YoY for FY26, we factor in margins to further expand 50bp in FY27E to 13.2%, led by its various initiatives highlighted above.
- **Valuation and view:** We expect CV demand to recover in FY26, driven by favorable factors highlighted above. Over the years, AL has effectively reduced its business cyclicality by focusing on non-MHCV segments. Its continued emphasis on margin expansion is expected to support strong returns in the long run. Further, a net cash position will enable AL to invest in growth avenues in the coming years. **We reiterate our BUY rating with a TP of INR141 (based on 11x June27E EV/EBITDA + ~INR10/sh for the NBFC).**

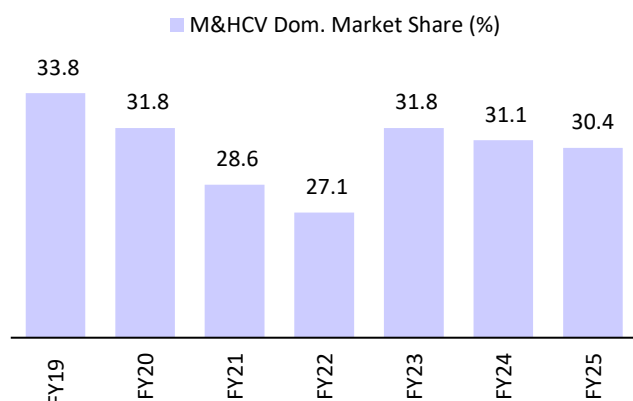
#### Exhibit 7: Our revised estimates

INR m	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	200	205	-2.2	215	221	-2.6
Net Sales	4,05,348	4,13,673	-2.0	4,47,431	4,55,200	-1.7
EBITDA	51,376	50,939	0.9	58,895	60,984	-3.4
EBITDA margins (%)	12.7	12.3	40bp	13.2	13.4	-20bp
Net Profit	33,854	33,484	1.1	39,541	41,022	-3.6
EPS (INR)	5.8	5.7	1.1	6.7	7.0	-3.6

Source: MOFSL

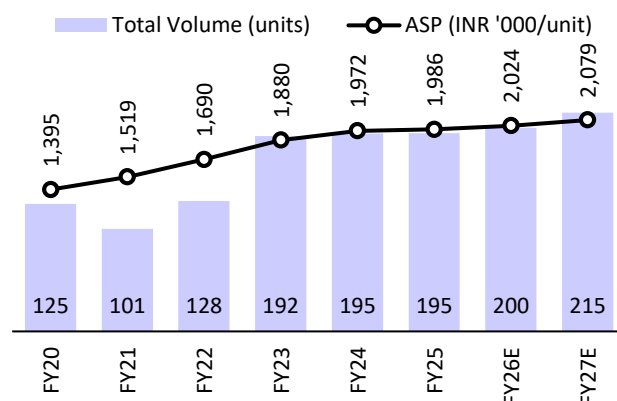
## Story in charts

**Exhibit 8: AL's market share trend**



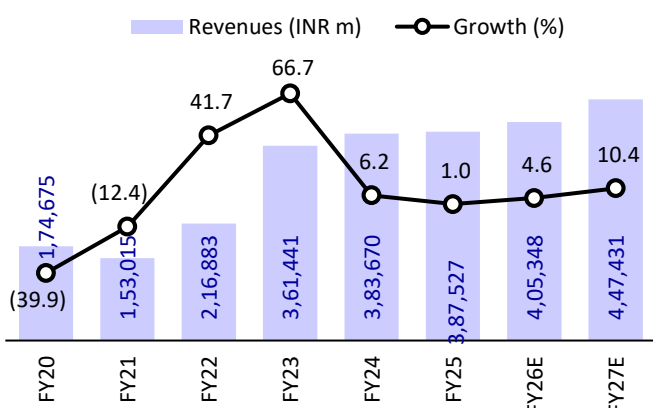
Source: Company, MOFSL

**Exhibit 9: Volume and realization growth trends**



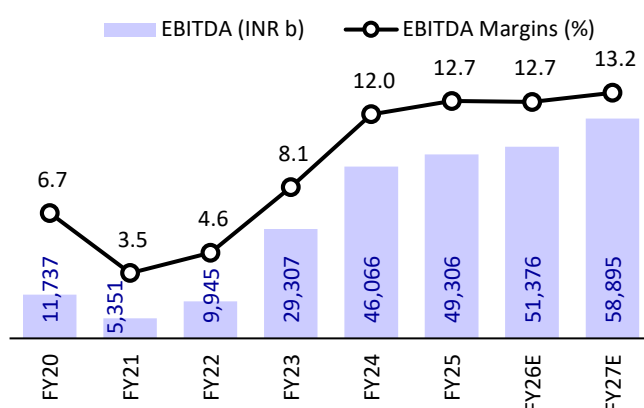
Source: Company, MOFSL

**Exhibit 10: Revenue growth trend**



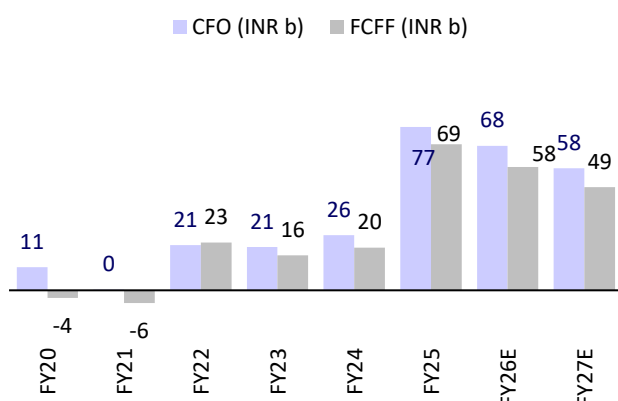
Source: Company, MOFSL

**Exhibit 11: EBITDA and EBITDA margin trends**



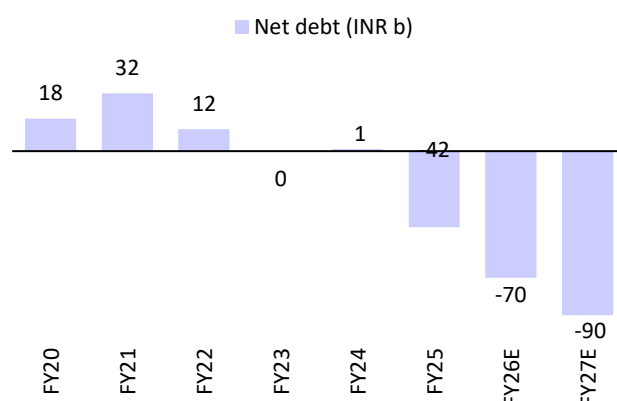
Source: Company, MOFSL

**Exhibit 12: CFO and FCFF trends**



Source: Company, MOFSL

**Exhibit 13: AL became net cash from FY24**



Source: Company, MOFSL



## Financials and valuations

Income Statement							(INR M)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Volumes ('000 units)	125	101	128	192	195	195	200	215
Growth (%)	-36.5	-19.6	27.4	49.8	1.2	0.3	2.7	7.4
<b>Net Operating Income</b>	<b>174,675</b>	<b>153,015</b>	<b>216,883</b>	<b>361,441</b>	<b>383,670</b>	<b>387,527</b>	<b>405,348</b>	<b>447,431</b>
Change (%)	-39.9	-12.4	41.7	66.7	6.2	1.0	4.6	10.4
<b>EBITDA</b>	<b>11,737</b>	<b>5,351</b>	<b>9,945</b>	<b>29,307</b>	<b>46,066</b>	<b>49,306</b>	<b>51,376</b>	<b>58,895</b>
EBITDA Margins (%)	6.7	3.5	4.6	8.1	12.0	12.7	12.7	13.2
Depreciation	6,698	7,477	7,528	7,320	7,178	7,193	7,449	7,850
<b>EBIT</b>	<b>5,039</b>	<b>-2,126</b>	<b>2,418</b>	<b>21,987</b>	<b>38,888</b>	<b>42,112</b>	<b>43,926</b>	<b>51,045</b>
Interest & Fin. Charges	1,095	3,068	3,011	2,891	2,494	2,169	1,327	1,014
Other Income	1,233	1,195	761	1,161	2,466	2,503	2,540	2,690
<b>PBT</b>	<b>3,619</b>	<b>-4,119</b>	<b>5,276</b>	<b>21,104</b>	<b>37,922</b>	<b>43,483</b>	<b>45,139</b>	<b>52,721</b>
Tax	1,224	(982)	(142)	7,303	11,743	10,450	11,285	13,180
Effective Rate (%)	33.8	23.8	-2.7	34.6	31.0	24.0	25.0	25.0
<b>Rep. PAT</b>	<b>2,395</b>	<b>-3,137</b>	<b>5,418</b>	<b>13,801</b>	<b>26,179</b>	<b>33,033</b>	<b>33,854</b>	<b>39,541</b>
Change (%)	-87.9	-231.0	-272.7	154.7	89.7	26.2	2.5	16.8
<b>Adjusted PAT</b>	<b>3,426</b>	<b>-3,045</b>	<b>172</b>	<b>13,248</b>	<b>26,826</b>	<b>32,245</b>	<b>33,854</b>	<b>39,541</b>
Change (%)	-83.1	-188.9	-105.7	7,587.8	102.5	20.2	5.0	16.8

Balance Sheet							(INR M)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
<b>Sources of Funds</b>								
Share Capital	2,936	2,936	2,936	2,936	2,936	2,937	5,873	5,873
Reserves	69,704	66,837	70,434	81,322	85,167	112,251	124,082	141,599
<b>Net Worth</b>	<b>72,640</b>	<b>69,772</b>	<b>73,369</b>	<b>84,258</b>	<b>88,104</b>	<b>115,188</b>	<b>129,955</b>	<b>147,472</b>
Loans	30,648	37,163	35,071	32,248	22,994	14,817	9,317	8,317
Deferred Tax Liability	2,648	1,708	1,444	5,035	5,563	5,479	7,736	10,372
<b>Capital Employed</b>	<b>105,936</b>	<b>108,642</b>	<b>109,884</b>	<b>121,541</b>	<b>116,661</b>	<b>135,484</b>	<b>147,008</b>	<b>166,161</b>
<b>Application of Funds</b>								
Gross Fixed Assets	91,913	101,269	103,773	107,732	109,936	114,189	124,189	133,189
Less: Depreciation	28,376	35,264	41,626	48,470	54,917	60,233	67,682	75,532
<b>Net Fixed Assets</b>	<b>63,537</b>	<b>66,005</b>	<b>62,146</b>	<b>59,262</b>	<b>55,019</b>	<b>53,956</b>	<b>56,507</b>	<b>57,657</b>
Capital WIP	5,941	3,719	1,943	1,325	2,015	4,248	4,248	4,248
Goodwill	4,499	4,499	4,499	4,499	4,499	4,499	4,499	4,499
Investments	27,196	30,687	48,196	66,636	55,598	86,730	103,730	115,730
<b>Curr.Assets, L &amp; Adv.</b>	<b>62,723</b>	<b>79,590</b>	<b>86,554</b>	<b>94,194</b>	<b>118,987</b>	<b>105,826</b>	<b>117,398</b>	<b>137,871</b>
Inventory	12,380	21,423	20,752	27,745	31,907	29,573	29,985	33,098
Sundry Debtors	11,804	28,163	31,111	40,627	35,699	28,873	28,874	31,872
Cash & Bank Balances	12,790	5,301	9,943	4,541	19,419	26,598	41,881	54,514
Loans & Advances	25,748	24,702	24,749	21,281	31,962	20,782	16,658	18,388
<b>Current Liab. &amp; Prov.</b>	<b>57,960</b>	<b>75,857</b>	<b>93,454</b>	<b>104,375</b>	<b>119,457</b>	<b>119,774</b>	<b>139,373</b>	<b>153,843</b>
Sundry Creditors	26,239	51,647	68,752	71,751	63,052	73,047	77,738	85,809
Other Liabilities	23,666	17,665	17,997	22,238	42,657	31,386	45,532	50,259
Provisions	8,055	6,545	6,705	10,385	13,748	15,341	16,103	17,775
<b>Application of Funds</b>	<b>105,936</b>	<b>108,642</b>	<b>109,884</b>	<b>121,541</b>	<b>116,661</b>	<b>135,484</b>	<b>147,008</b>	<b>166,161</b>

E: MOFSL Estimates



## Financials and valuations

### Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
<b>Basic (INR)</b>								
EPS	0.6	-0.5	0.0	2.3	4.6	5.5	5.8	6.7
EPS Growth (%)	NM	NM	NM	NM	102.5	20.2	5.0	16.8
Cash EPS	1.7	0.8	1.3	3.5	5.8	6.7	7.0	8.1
Book Value per Share	12.4	11.9	12.5	14.3	15.0	19.6	22.1	25.1
DPS	0.3	0.3	0.5	1.3	2.5	3.1	3.3	3.8
Div. Payout (%)	51.5	NM	NM	57.6	54.2	56.9	56.4	55.7
<b>Valuation (x)</b>								
P/E	209.0	NM	4,156.2	54.1	26.7	22.2	21.2	18.1
Cash P/E	70.7	161.6	93.0	34.8	21.1	18.2	17.3	15.1
EV/EBITDA	62.5	139.8	73.2	24.4	15.6	13.7	12.6	10.6
EV/Sales	4.2	4.9	3.4	2.0	1.9	1.7	1.6	1.4
Price to Book Value	9.9	10.3	9.8	8.5	8.1	6.2	5.5	4.9
Dividend Yield (%)	0.2	0.2	0.4	1.1	2.0	2.6	2.7	3.1
<b>Profitability Ratios (%)</b>								
ROE	4.4	-4.3	0.2	16.8	31.1	31.7	27.6	28.5
RoCE	3.4	-1.5	2.3	12.4	22.5	25.4	23.3	24.4
<b>Turnover Ratios</b>								
Debtors (Days)	25	67	52	41	34	27	26	26
Inventory (Days)	26	51	35	28	30	28	27	27
Creditors (Days)	55	123	116	72	60	69	70	70
Working Capital (Days)	-4	-5	-28	-3	4	-14	-17	-17
Fixed-Asset Turnover (x)	2.7	2.3	3.5	6.1	7.0	7.2	7.2	7.8
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	0.2	0.5	0.2	0.0	0.0	-0.4	-0.5	-0.6

### Cash flow Statement

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
<b>(INR M)</b>								
OP/(Loss) before Tax	3,619	-4,119	5,276	21,104	37,922	43,483	43,926	51,045
Int/Div Received	-756	-945	-220	-404	-1,362	-888	2,540	2,690
Depreciation	6,698	7,477	7,528	7,320	7,178	7,193	7,449	7,850
Direct Taxes Paid	-941	779	714	-4,002	-6,245	-9,407	-9,028	-10,544
(Inc)/Dec in Work Cap.	-1,756	-6,058	15,696	-4,265	-15,229	37,407	23,310	6,629
Other Items	4,105	3,198	-7,633	762	3,705	-631	0	0
<b>CF from Oper. Activity</b>	<b>10,969</b>	<b>332</b>	<b>21,361</b>	<b>20,514</b>	<b>25,968</b>	<b>77,157</b>	<b>68,198</b>	<b>57,670</b>
Extra-ordinary Items	-1,558	-120	5,108	846	-937	1,037	0	0
<b>CF after EO Items</b>	<b>9,411</b>	<b>211</b>	<b>26,469</b>	<b>21,360</b>	<b>25,031</b>	<b>78,194</b>	<b>68,198</b>	<b>57,670</b>
(Inc)/Dec in FA+CWIP	-12,923	-6,166	-3,933	-4,884	-4,815	-9,243	-10,000	-9,000
<b>Free Cash Flow</b>	<b>-3,512</b>	<b>-5,954</b>	<b>22,536</b>	<b>16,477</b>	<b>20,217</b>	<b>68,951</b>	<b>58,198</b>	<b>48,670</b>
<b>CF from Inv. Activity</b>	<b>-21,775</b>	<b>-9,752</b>	<b>-14,589</b>	<b>-17,345</b>	<b>9,021</b>	<b>-40,779</b>	<b>-27,000</b>	<b>-21,000</b>
Inc/(Dec) in Debt	25,655	4,780	-2,721	-3,918	-9,096	-8,353	-5,500	-1,000
Interest Rec./ (Paid)	-1,463	-2,720	-2,755	-2,598	-2,461	-1,491	-1,327	-1,014
Dividends Paid	-12,702	0	-1,761	-2,936	-7,634	-20,408	-19,087	-22,024
<b>CF from Fin. Activity</b>	<b>11,490</b>	<b>2,060</b>	<b>-7,238</b>	<b>-9,402</b>	<b>-19,175</b>	<b>-30,235</b>	<b>-25,915</b>	<b>-24,038</b>
<b>Inc/(Dec) in Cash</b>	<b>-874</b>	<b>-7,481</b>	<b>4,643</b>	<b>-5,387</b>	<b>14,878</b>	<b>7,181</b>	<b>15,283</b>	<b>12,632</b>
Add: Beginning Balance	13,665	12,782	5,300	9,928	4,541	19,417	26,598	41,881
<b>Closing Balance</b>	<b>12,790</b>	<b>5,301</b>	<b>9,943</b>	<b>4,541</b>	<b>19,418</b>	<b>26,598</b>	<b>41,881</b>	<b>54,513</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishView/Litigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered/qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com).

Nainesh

Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

#### Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies).  
MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.  
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.  
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.  
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.  
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
- MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
- MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:  
financial interest in the subject company

- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp@grievances@motilaloswal.com.