

Eicher Motors

BSE Sensex	S&P CNX
19,722	5,995
Bloomberg	EIM IN
Equity Shares (m)	27.0
M.Cap. (INR b)/(USD b)	88.1/1.6
52-Week Range (INR)	3,285/1,620
1,6,12 Rel. Perf. (%)	10/20/36

Financials & Valuation (INR b)

Y/E Dec	2013E	2014E	2015E
Net Income	70.6	91.0	112.2
EBITDA	6.4	8.7	11.7
Net Profit	3.6	4.7	6.3
Adj. EPS (INR)	132.8	174.9	232.8
EPS Gr. (%)	10.5	31.7	33.1
BV/Sh. (INR)	694.7	821.1	995.2
RoE (%)	20.5	23.1	25.6
RoCE (%)	20.7	23.8	28.0
Payout (%)	0.7	0.9	1.1
Valuations			
P/E (x)	24.6	18.7	14.0
P/BV (x)	4.7	4.0	3.3
EV/EBITDA (x)	16.1	11.0	7.8
Div. Yield (%)	0.7	0.9	1.1

CMP: INR3,263
TP: INR4,190
Buy

- Eicher Motors (EIM) consolidated revenue grew 2% YoY (+4.3% QoQ) to INR17.2b (v/s est INR17.3b). EBITDA margin stood at 9.9% (v/s est 8%) Royal Enfield (RE) and VECV (CV business) reported sequentially improved margins. Tax rate was higher-than-estimated by 460bp YoY. PAT (after minority) declined 10.6% YoY (+34.7% QoQ) to INR979m (v/s est INR875m).
- **Earnings call highlights:** 1) RE volume guidance at 175k/250k units for CY13/CY14 respectively (CY12 volumes at 113k units), 2) new RE plant can be scaled up to 500k units, 3) dealership expansion, new launches, exports to emerging markets to drive RE growth, 4) JV with Polaris on track, to launch first product in CY15, 5) MDEP (engine project) to commence first phase of 25k units by CY13-end, and 6) launch of new CV range (developed with Volvo inputs) to commence CY13-end onwards.

Valuation and view

- With several projects coming on stream in CY13-14 and driving 32.5% sales CAGR and 46.3% EBITDA CAGR over CY12-15E, EIM is at an inflection point. Its motorcycle business will benefit from capacity expansion, new launches and network expansion. CV subsidiary will benefit from the commencement of MDEP and ramp-up in HCVs.
- We raise CY13E/CY14E/CY15E EPS by 16.2%/7.3%/4.6% to INR132.8/174.9/232.8 respectively on strong margin performance in Royal Enfield business, partially offset with marginal delay in MDEP ramp-up and current cyclical weakness in CV industry.
- The stock trades at 24.6x/18.7x/14x CY13E/CY14E/CY15E earnings. Maintain **Buy** with a two-year target price of INR4,190 (CY15E SOTP-based).

Quarterly Performance (Consolidated)

(INR million)

Y/E December	CY12				CY13				CY12	CY13E	CY13	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Op Income	16,950	15,850	14,831	16,536	17,243	16,112	16,659	20,538	63,899	70,551	17,331	-0.5
Growth (%)	21.7	22.1	2.2	4.7	1.7	1.7	12.3	24.2	11.6	10.4	2.2	-23.1
Expenses												
RM Cost (%)	72.1	71.4	71.6	72.8	69.5	70.0	70.0	70.5	71.8	70.0	72.1	-260bp
Staff Cost (%)	6.0	7.3	7.8	7.5	7.4	8.4	8.6	7.4	7.2	7.9	7.3	10bp
Other Exp (%)	11.3	12.5	13.1	12.6	13.2	13.2	12.2	13.4	12.5	13.0	12.5	70bp
EBITDA	1,802	1,395	1,114	1,180	1,705	1,351	1,547	1,769	5,490	6,371	1,388	22.8
EBITDA Margins (%)	10.6	8.8	7.5	7.1	9.9	8.4	9.3	8.6	8.6	9.0	8.0	190bp
Depreciation	177	187	213	245	275	310	360	321	822	1,265	268	2.4
Other income	543	306	246	271	444	200	180	211	1,366	1,035	480	-7.4
Interest cost	9	9	12	10	6	11	11	9	38	37	11	-43.6
PBT before EO item	2,160	1,506	1,135	1,196	1,868	1,230	1,356	1,649	5,997	6,103	1,589	
Exceptional Exp/(Inc)	0	0	0	0	0	0	0	0	0	0	0	
PBT after EO item	2,160	1,506	1,135	1,196	1,868	1,230	1,356	1,649	5,997	6,103	1,589	17.6
Tax	525	381	198	145	541	295	317	388	1,249	1,541	366	
Effective tax rate (%)	24.3	25.3	17.4	12.1	28.9	24.0	23.4	23.5	20.8	25.3	23.1	590bp
PAT	1,634	1,125	937	1,052	1,328	935	1,039	1,261	4,749	4,562	1,222	8.6
Minority interest	539	366	277	324	348	213	204	213	1,506	978	347	
Recurring PAT	1,096	759	660	727	979	722	834	1,048	3,243	3,584	875	11.9
Growth (%)	49.5	-0.6	-10.5	-14.9	-10.6	-4.8	26.4	44.1	5.0	10.5	-20.2	

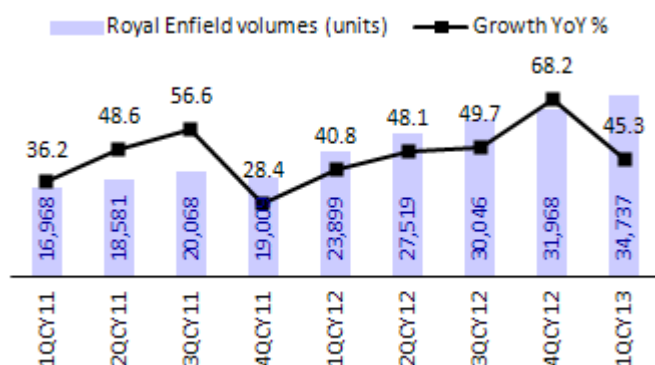
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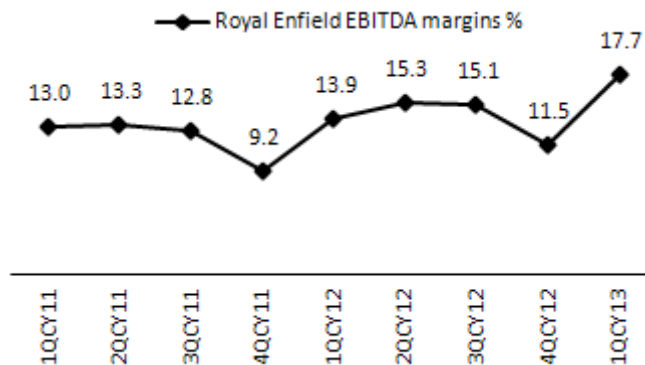
Standalone performance (Royal Enfield): Strong revenue growth coupled with margin improvement drives 93% YoY EBITDA growth

- Royal Enfield (S/A) revenue grew 51% YoY (+12.5% QoQ) to INR3.37b led by volume growth of 45% YoY (+8.7% QoQ) and realization increase of 3.5% YoY (+3.2% QoQ). Product mix improvement were the key reason for realization improvement.
- Volume growth has been largely driven by de-bottlenecking at its existing plant as the benefit of production from the new plant will be reflected 2QCY13 onwards.
- Royal Enfield continues to enjoy average waiting period of 8-10 months for its products despite sharp increase in production over the last few quarters.
- RM cost declined by 120bp QoQ (-220bp YoY) to 63.3% driven by product mix improvement and benign RM cost. Staff cost and other expenditure declined driven by higher volumes (operating leverage benefits).
- Royal Enfield margins at 17.7% (v/s est 12.8%) were driven by lower other expenditure (-400bp QoQ) at 12%.
- Other income stood at INR682m (v/s est 762m). The company recognized dividend income from CV subsidiary on receipt basis (as per revised Schedule VI) in the current quarter. This being an inter-company transaction gets off-set at the consolidated level.
- With the new plant becoming operational, management expects to sell 175,000/250,000 units in CY13/CY14. The new plant can be scaled-up to 500,000 units.
- The new plant has the ability to upgrade to higher capacity at much cheaper cost and quickly as it already has land and necessary infrastructure (including paint shop) in place.
- New launches and dealership expansion together with higher production capacity would drive strong volume growth for next few years. Currently, RE has 260 dealers and plans to add atleast 6 dealers per month over the next two years, largely in mid-size towns and cities.
- Top 10-12 cities/markets, contribute ~50% of RE volumes, indicating significant potential in mid-size towns and cities.
- While RE margins would directionally be under pressure in the near term as the new plant ramps up but the quantum may not be significant.
- With capacity expansion, RE is also focusing on increasing exports particularly to emerging markets (Latin America, ASEAN, Middle East, South Africa) apart from traditional markets of US, UK & Europe. Global market size for mid-size motorcycles (250-650cc) is around 700,000 units annually.
- Given its leadership position, cult brand equity and minimal competition, Royal Enfield is well positioned to benefit from increasing trend of lifestyle biking. Capacity expansion, recent/new launches (Thunderbird 500 and Café Racer), and network expansion to drive 36%/39%/50% volume/revenue/EBITDA CAGR over CY12-15E.

Royal Enfield volume momentum remains strong



Royal Enfield achieves highest ever margin



Source: Company, MOSL

Quarterly Performance (Standalone - Royal Enfield)

(INR million)

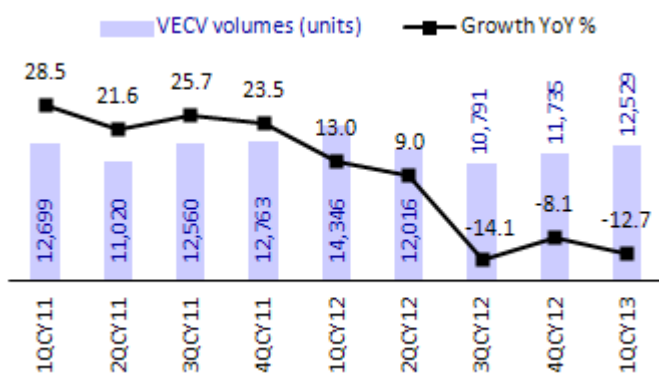
Y/E December	CY12				CY13				CY12	CY13E	CY13	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Royal Enfield (units)	23,899	27,519	30,046	31,968	34,737	39,864	47,614	57,688	113,432	179,902	34,097	1.9
Net Realizations (INR/unit)	92,083	92,162	91,476	92,345	95,299	95,284	95,508	95,612	92,015	95,452	92,567	3.0
Change - YoY (%)	4.5	3.1	2.0	2.8	3.5	3.4	4.4	3.5	3.0	3.7	0.5	
Change - QoQ (%)	2.5	0.1	-0.7	1.0	3.2	0.0	0.2	0.1		3.7	0.2	
Net Op Income	2,214	2,551	2,761	2,967	3,338	3,827	4,577	5,544	10,493	17,287	3,171	5.3
Growth (%)	46.4	52.0	52.4	73.1	50.8	50.0	65.8	86.9	56.3	64.8	43.3	
Expenses												
RM Cost (%)	65.5	64.5	63.9	64.5	63.3	63.5	64.0	64.0	64.4	63.8	63.8	-50bp
Staff Cost (%)	6.8	7.5	7.6	8.0	7.0	7.3	6.8	5.8	7.5	6.6	8.4	-140bp
Other Exp (%)	13.9	12.7	13.4	16.0	12.0	13.2	12.5	13.0	14.2	12.7	15.0	-300bp
EBITDA	307	389	416	342	591	613	764	956	1,454	2,923	406	45.6
EBITDA Margins (%)	13.9	15.3	15.1	11.5	17.7	16.0	16.7	17.2	13.9	16.9	12.8	
Depreciation	38	40	45	48	60	80	90	16	172	246	68	-12.2
Other income	264	49	39	106	682	50	60	106	458	898	762	-10.5
Interest cost	0	0	1	1	1	1	1	2	3	4	1	-50.0
PBT before EO item	532	398	409	399	1,212	582	733	1,044	1,738	3,572	1,099	
Exceptional Exp/(Inc)	0	0	0	0	0	0	0	0	0	0	0	
PBT after EO item	532	398	409	399	1,212	582	733	1,044	1,738	3,572	1,099	10.4
Tax	79	75	79	57	240	114	143	210	290	707	176	
Effective tax rate (%)	14.8	18.9	19.3	14.3	19.8	19.5	19.5	20.1	16.7	19.8	16.0	380bp
Recurring PAT	453	323	330	342	972	469	590	834	1,448	2,865	923	5.3
Growth (%)	213.1	11.7	80.8	-45.7	114.4	45.1	79.0	144.1	16.2	97.9	103.6	

CV business (VECV): Margins improves 180bp sequentially despite demand slowdown and higher discounting pressure in CV industry

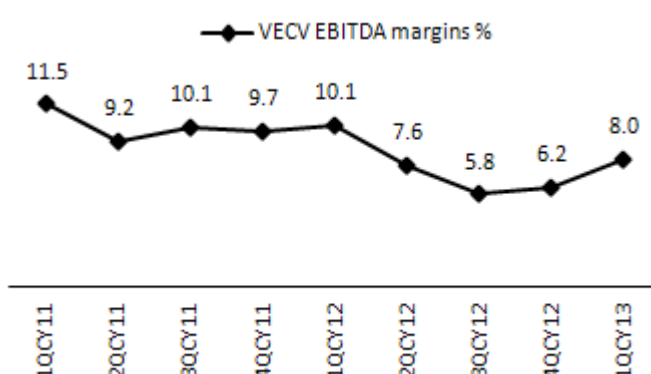
- CV volumes (VECV) declined by 12.3% YoY (+6.8% QoQ) in line with weakness in the overall CV industry. Realizations have declined by 3.4% QoQ due to lower share of Volvo and HD trucks.
- Revenues declined by 5.6% YoY (+2.5% QoQ) to INR13.9b (v/s est 14.1b).
- Despite pressure on demand and consequent higher discounting in the CV industry, margins for the CV business improved by 180bp QoQ (-210bp YoY) to 8.0% (v/s est 6.9%) driven by higher share of high margin bus segment, lower share of Volvo trucks (trading activity) and benign RM cost.
- Higher margins led EBITDA to come higher than our estimate by 13.4% at INR1.1b.

- However, despite higher EBITDA, PAT came in line with our estimates at INR764m due to increase in tax rate to 28.2% (v/s est 20%).
- **Outlook for CV business:** 1) Management indicated that demand environment for CVs remains weak with fleet operators' delinquencies with financiers/bankers rising over the past few months. 2) Due to weak demand environment, the discount levels in the CV industry continue to remain high (similar to 4QCY12 levels). 3) Management indicated that RM cost have remained stable over the last few quarters and expect it to remain so over the near term. 4) Launch of new range of CVs (developed with Volvo inputs) will commence CY13-end onwards across the entire range of products. 5) Medium Duty Engine Project (MDEP) will commence first phase of operations with 25,000 units capacity from CY13-end (trial runs started). Given the engines would be supplied to existing products; management does not foresee any demand related issues despite slowdown in Europe. Over a period of time, the capacity would be scaled-up to 100,000 units. 6) VECV currently has ~50% of geographical coverage. It plans to add ~40 dealers in CY13 to take the total no. of dealerships to ~290 by CY13-end.
- VECV is better placed among new entrants, given the marriage of Volvo's technological strength with Eicher's local market expertise. It is taking initiatives to gain share in HCVs and initial signs of success are visible. Volvo intends to use Eicher as a mass market brand and VECV as its low cost manufacturing hub over the long term; this presents a sizable export opportunity. We estimate VECV to register a CAGR of 16.2%/19.6% in revenues/EBITDA over CY12-15.

CV volumes under pressure due to slowdown



Margin improves sequentially despite weak demand



Source: Company, MOSL

Quarterly Performance (VECV-derived)

(INR million)

Y/E December	CY12				CY13				CY12	CY13E	CY13	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Total CV Volumes	14,346	12,016	10,791	11,735	12,529	11,070	10,365	11,911	48,888	45,876	12,252	2.3
Growth (%)	13.0	9.0	-14.1	-8.1	-12.7	-7.9	-3.9	1.5	-0.3	-6.2	-14.3	
Net Realizations (INR '000)	1,019	1,098	1,108	1,138	1,099	1,099	1,154	1,252	1,081	1,152	1,146	-4.1
Change - YoY (%)	4.9	7.9	10.6	3.9	7.9	0.1	4.2	10.1	5.8	13.0	12.0	
Change - QoQ (%)	-6.9	7.7	0.9	2.7	-3.4	0.0	5.0	8.5	5.8	6.5	2.5	
Net Op Income	14,737	13,299	12,070	13,569	13,905	12,285	12,082	15,032	53,406	53,304	14,160	-1.8
Growth (%)	18.7	17.6	-5.0	-3.6	-5.6	-7.6	0.1	10.8	5.7	-0.2	-3.9	
RM Cost (%)	73.0	72.7	73.4	74.6	71.0	72.0	72.3	72.7	73.2	72.0	74.0	-300bp
Staff Cost (%)	5.9	7.3	7.9	7.4	7.5	8.8	9.3	8.0	7.1	8.3	7.1	40bp
Other Exp (%)	10.9	12.4	13.0	11.9	13.5	13.2	12.0	13.6	12.2	13.1	12.0	150bp
EBITDA	1,496	1,006	697	837	1,114	738	783	852	4,036	3,487	982	13.4
EBITDA Margins (%)	10.1	7.6	5.8	6.2	8.0	6.0	6.5	5.7	7.6	6.5	6.9	110bp
Depreciation	139	147	168	197	215	230	270	305	650	1,020	200	7.3
Other income	279	257	207	166	170	150	120	105	909	545	180	-5.4
Interest cost	8	8	11	9	6	10	10	8	35	33	10	-43.0
PBT after EO item	1,627	1,108	726	797	1,064	648	623	644	4,259	2,979	952	11.7
Effective tax rate (%)	27.4	27.6	16.3	10.9	28.2	28.0	28.0	27.6	22.5	28.0	20.0	820bp
Recurring PAT	1,181	802	607	710	764	467	448	466	3,301	2,145	762	0.2
Growth (%)	9.3	-8.0	-40.5	-6.1	-35.3	-41.8	-26.2	-34.4	-11.5	-35.0	-35.5	

Consolidated performance: Above estimate driven by strong operation performance by both the divisions

- Eicher Motors consolidated revenue grew 2% YoY (+4.3% QoQ) to INR17.2b (v/s est 17.3b).
- EBITDA margins stood at 9.9% (v/s est 8.0%) as both standalone and VECV (CV business) reported sequentially improved margins.
- PAT (after minority) declined 10.6% YoY (+34.7% QoQ) to INR979m (v/s est 875m).

Quarterly Performance (Consolidated)

(INR million)

Y/E December	CY12				CY13				CY12	CY13E	CY13	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Op Income	16,950	15,850	14,831	16,536	17,243	16,112	16,659	20,538	63,899	70,551	17,331	-0.5
Growth (%)	21.7	22.1	2.2	4.7	1.7	1.7	12.3	24.2	11.6	10.4	2.2	-23.1
Expenses												
RM Cost (%)	72.1	71.4	71.6	72.8	69.5	70.0	70.0	70.5	71.8	70.0	72.1	-260bp
Staff Cost (%)	6.0	7.3	7.8	7.5	7.4	8.4	8.6	7.4	7.2	7.9	7.3	10bp
Other Exp (%)	11.3	12.5	13.1	12.6	13.2	13.2	12.2	13.4	12.5	13.0	12.5	70bp
EBITDA	1,802	1,395	1,114	1,180	1,705	1,351	1,547	1,769	5,490	6,371	1,388	22.8
EBITDA Margins (%)	10.6	8.8	7.5	7.1	9.9	8.4	9.3	8.6	8.6	9.0	8.0	190bp
Depreciation	177	187	213	245	275	310	360	321	822	1,265	268	2.4
Other income	543	306	246	271	444	200	180	211	1,366	1,035	480	-7.4
Interest cost	9	9	12	10	6	11	11	9	38	37	11	-43.6
PBT before EO item	2,160	1,506	1,135	1,196	1,868	1,230	1,356	1,649	5,997	6,103	1,589	
Exceptional Exp/(Inc)	0	0	0	0	0	0	0	0	0	0	0	
PBT after EO item	2,160	1,506	1,135	1,196	1,868	1,230	1,356	1,649	5,997	6,103	1,589	17.6
Tax	525	381	198	145	541	295	317	388	1,249	1,541	366	
Effective tax rate (%)	24.3	25.3	17.4	12.1	28.9	24.0	23.4	23.5	20.8	25.3	23.1	590bp
PAT	1,634	1,125	937	1,052	1,328	935	1,039	1,261	4,749	4,562	1,222	8.6
Minority interest	539	366	277	324	348	213	204	213	1,506	978	347	
Recurring PAT	1,096	759	660	727	979	722	834	1,048	3,243	3,584	875	11.9
Growth (%)	49.5	-0.6	-10.5	-14.9	-10.6	-4.8	26.4	44.1	5.0	10.5	-20.2	

Valuation & View

- With several projects coming on stream in CY13-14 driving 32.5% sales CAGR and 46.3% EBITDA CAGR over CY12-15, EIM is at an inflection point. Its motorcycle business will benefit from capacity expansion, new launches (Thunderbird 500 and Café Racer), and network expansion. CV subsidiary will benefit from the commencement of the MDEP and ramp-up in HCVs.
- We upward revise our CY13E/CY14E/CY15E EPS by 16.2%/7.3%/4.6% to INR132.8/174.9/232.8 respectively on strong margin performance in Royal Enfield business partially offset with marginal delay in MDEP ramp-up and current cyclical weakness in CV Industry.
- The stock trades at 24.6x/18.7x/14x CY13E/CY14E/CY15E earnings. Maintain **Buy** with a two-year TP of INR4,190 (CY15 SOTP).

SOTP Valuations (INR m)

	Multiple	CY13E	CY14E	CY15E
Royal Enfield				
Core PAT (ex div & fin income)		2,064	2,881	3,480
Core Equity Value	@ 18x PE	37,145	51,863	62,644
Net Debt		-9,111	-12,996	-17,311
Equity Value		46,256	64,859	79,956
VECV (@ 54.4% Economic interest)				
EBITDA		1,897	2,533	3,732
EV	@ 8x EV/EBITDA	15,175	20,265	29,857
Net Debt		-1,553	-1,970	-3,195
Equity Value		16,728	22,234	33,052
Total Equity Value		62,984	87,093	113,008
Target Price		2,334	3,227	4,190

Source: MOSL

Eicher Motors: an investment profile

Company description

Promoted by the Delhi-based Vikram Lal Group, EIM is a diversified engineering company. It is engaged in the business of high end motorcycles (350cc & above) under the brand 'Royal Enfield', and commercial vehicles (CVs), automotive gears and components, and engineering solutions through its subsidiary, VECV.

To become a full-fledged CV player, EIM entered into a 50:50 joint venture with AB Volvo, Sweden in July 2008 and formed VECV.

Key investment arguments

- With several of its projects to commence in CY13-14, driving 32.5% sales CAGR and 46.3% EBITDA CAGR over CY12-15, EIM is at an inflection point.
- Its motorcycle business will benefit from capacity expansion, new launches (Thunderbird 500 and Café Racer), and network expansion.
- CV subsidiary, Volvo Eicher Commercial Vehicles (VECV), will benefit from the commencement of the Medium Duty Engine Project (MDEP) and ramp-up in HCVs.

Key investments risks

- Sustained weakness in the CV Industry
- Increasing competition in the CV industry could impact ramp-up of HCV segment.

Recent developments

- Has recently started new Royal Enfield plant. Royal Enfield continues to enjoy 8-10months waiting period despite sharp increase in supplies.

Valuation and view

- The stock trades at 24.6x/18.7x/14x CY13E/CY14E/CY15E earnings.
- Maintain **Buy** with a two-year TP of INR4,190 (CY15 SOTP).

Sector view

- Demand drivers for Royal Enfield are in place, driven by increasing trend of lifestyle biking and minimal competition.
- The Indian CV industry is likely to evolve giving new players opportunity to challenge the incumbents. VECV is better placed among new entrants, given the marriage of Volvo's technological strength with Eicher's local market expertise.

Comparative valuations

		Eicher Motors	Ashok Leyland	Bajaj Auto
P/E (x)	CY13E	24.6	19.6	14.4
	CY14E	18.7	10.6	12.5
EPS Gr (%)	CY13E	10.5	80.4	19.5
	CY14E	31.7	84.6	15.5
RoE (%)	CY13E	20.5	6.7	44.0
	CY14E	23.1	11.9	41.8
EV/EBITDA (x)	CY13E	16.1	8.9	9.4
	CY14E	11.0	6.9	7.8

Shareholding pattern (%)

	Mar-13	Dec-12	Mar-12
Promoter	55.2	55.2	55.2
Domestic Inst	11.8	13.7	17.9
Foreign	21.3	19.1	15.5
Others	11.7	12.0	11.4

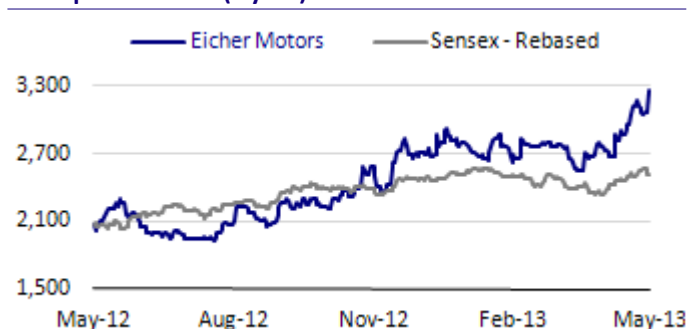
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
CY13	132.8	139.1	-4.5
CY14	174.9	177.9	-1.7

Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
3,263	4,190	28.4	Buy

Stock performance (1 year)



Financials and Valuation

Income Statement (Consolidated)		(INR Million)			
Y/E December	2012	2013E	2014E	2015E	
Total Operating Income	63,899	70,551	90,979	112,216	
Total Expenditure	58,533	64,267	82,322	100,550	
EBITDA	5,490	6,371	8,732	11,745	
EBITDA Margin (%)	8.6	9.0	9.6	10.5	
Depreciation	822	1,265	1,609	1,829	
EBIT	4,669	5,106	7,123	9,916	
Interest cost	38	37	37	37	
Other Income	1,366	1,035	945	1,223	
PBT	5,997	6,103	8,031	11,101	
Tax	1,249	1,541	2,091	2,907	
Effective Rate (%)	20.8	25.3	26.0	26.2	
PAT	4,749	4,562	5,940	8,194	
Change (%)	-4.5	-3.9	30.2	38.0	
% of Op. Income	7.4	6.5	6.5	7.3	
Less: Minority Interest	1,505.9	978.0	1,218.4	1,912.1	
Adj. PAT	3,243	3,584	4,722	6,282	
Change (%)	5.0	10.5	31.7	33.1	

Balance Sheet (Consolidated)		(INR Million)			
Y/E December	2012	2013E	2014E	2015E	
Share Capital	270	270	270	270	
Net Worth	16,291	18,749	22,162	26,859	
Minority Interest	9,882	10,860	12,079	13,991	
Deferred Tax	1,232	1,357	1,516	1,749	
Loans	539	539	539	539	
Capital Employed	27,945	31,506	36,296	43,138	

Application of Funds					
Gross Fixed Assets	19,916	26,269	30,519	33,519	
Less: Depreciation	5,665	6,930	8,539	10,368	
Net Fixed Assets	14,251	19,339	21,979	23,150	
Capital WIP	5,103	2,500	1,250	1,250	
- of which Goodwill	223	223	223	223	
Investments	6,440	6,440	6,440	6,440	
Curr.Assets, L & Adv.	14,928	19,745	27,895	38,444	
Inventory	4,891	5,200	6,696	8,264	
Sundry Debtors	3,903	3,696	4,681	5,820	
Cash & Bank Balances	1,558	6,065	10,716	17,285	
Loans & Advances	4,071	4,251	5,118	6,230	
Others	504	533	683	845	
Current Liab. & Prov.	12,777	16,518	21,268	26,146	
Sundry Creditors	9,552	12,666	16,341	20,151	
Other Liabilities	1,487	1,808	2,447	2,956	
Provisions	1,737	2,045	2,479	3,039	
Net Current Assets	2,151	3,227	6,627	12,298	
Application of Funds	27,945	31,506	36,296	43,138	

E: MOSL Estimates

Ratios (Consolidated)					
Y/E December	2012	2013E	2014E	2015E	
Basic (INR)					
EPS	120.1	132.8	174.9	232.8	
EPS Growth (%)	5.0	10.5	31.7	33.1	
Cash EPS	150.6	179.7	234.6	300.5	
Book Value per Share	603.6	694.7	821.1	995.2	
DPS	20.0	24.0	28.0	35.0	
Payout (Incl. Div. Tax) %	19.5	21.1	18.6	17.5	
Valuation (x)					
P/E	27.2	24.6	18.7	14.0	
Cash P/E	21.7	18.2	13.9	10.9	
EV/EBITDA	22.3	16.1	11.0	7.8	
EV/Sales	2.1	1.7	1.2	0.9	
Price to Book Value	5.4	4.7	4.0	3.3	
Dividend Yield (%)	0.6	0.7	0.9	1.1	
Profitability Ratios (%)					
RoE	20.8	20.5	23.1	25.6	
RoCE	23.0	20.7	23.8	28.0	
RoIC					
Turnover Ratios					
Debtors (Days)	22	19	19	19	
Inventory (Days)	28	27	27	27	
Creditors (Days)	55	66	66	66	
Working Capital (Days)	-4	-20	-20	-20	
Asset Turnover (x)	2.3	2.2	2.5	2.6	
Fixed Asset Turnover					
Leverage Ratio					
Debt/Equity (x)	0.0	0.0	0.0	0.0	

Cash Flow Statement (Consolidated)		(INR Million)			
Y/E December	2012	2013E	2014E	2015E	
Profit before Tax	5,997	6,103	8,031	11,101	
Depreciation & Amort.	822	1,265	1,609	1,829	
Direct Taxes Paid	-661	-1,416	-1,931	-2,674	
(Inc)/Dec in Working Ca	-2,767	3,011	1,194	1,103	
Interest/Div. Received	1,366	1,035	945	1,223	
Other Items	-970	-578	-851	-1,391	
CF from Oper. Activity	3,787	9,421	8,997	11,191	
(Inc)/Dec in FA+CWIP	-11,003	-3,750	-3,000	-3,000	
(Pur)/Sale of Invest.	-1,313	0	0	0	
CF from Inv. Activity	-12,317	-3,750	-3,000	-3,000	
Issue of Shares	-1,251	-368	-431	-487	
Inc/(Dec) in Debt	35	0	0	0	
Interest Paid	-38	-37	-37	-37	
Dividends Paid	-632	-758	-878	-1,098	
CF from Fin. Activity	-1,885	-1,163	-1,346	-1,622	
Inc/(Dec) in Cash	-10,415	4,507	4,651	6,568	
Add: Beginning Balance	11,973	1,558	6,065	10,716	
Closing Balance	1,558	6,065	10,716	17,285	

E: MOSL Estimates

N O T E S

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