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Multiple headwinds in the near term for heavy truck sector. Our analysis suggests that the domestic truck industry is likely to grow in low single digit during FY2018-20 driven by – (1) low road freight demand, (2) improvement in truck fleet utilization led by market share gains by large fleet operators and implementation of GST and (3) deterioration in profitability of the truck operators due to muted increase in truck freight rates. The truck industry could grow at a higher pace if replacement demand accelerates led by scrappage of old trucks but we believe the scrappage policy is unlikely to come in the next two years.

Truck demand is very sensitive to improvement in truck fleet utilization

We estimate the domestic truck demand will likely grow at 8% CAGR over FY2017-20 led by 7.5% CAGR in road freight demand and a 2% improvement in truck fleet utilization annually over this period. Our analysis of past 16-year data of the domestic truck industry indicates that the industry has grown at 7% CAGR over FY2000-16 driven by 8% CAGR in road freight demand and 1.5% annual improvement in truck fleet utilization. The implementation of GST poses a big threat to the truck industry as logistic sector will become more organized and toll booths at highways will become computerized, which could lead to faster improvement in truck fleet utilization. It is difficult to take a call to what extent truck fleet utilization will improve post GST but given the fragmented nature of the industry, we believe it is difficult for overall fleet utilization to improve beyond 80%. However, our sensitivity analysis to truck fleet utilization with domestic truck demand suggests that the domestic truck demand CAGR over FY2017-20 could vary from 4-13% CAGR depending on 1-3% annual improvement in fleet utilization.

Is 7-8% CAGR in road freight demand optimistic over FY2017-20?

Overall in the past three years, freight demand is muted with rail freight demand being flattish while road freight demand growing at 5% CAGR according to our estimates. Core sectors (steel, cement, coal, fertilizer, food grains), which form ~50% of road freight demand, are likely to grow at 3-5% CAGR over the next three years. We continue to assume road sector will take share from rail over the next three years as capacity expansion of railways lags behind the road sector. Although post implementation of DFC, rail may gain some share from road sector but we believe this event will likely play out post FY2020. So for road freight demand to grow at 8% CAGR over the next three years, core sector demand has to improve to 6-8% CAGR and road sector will need to take some market share from railways.

Replacement demand could get accelerated if scrappage policy is implemented

Government is working on implementing a policy to scrap old trucks (age higher than 15 years) from the population to reduce pollution. However, transport industry believes the pollution issue is a phenomenon in top 10-15 cities in India and vehicles are not the main source of pollution, so banning old trucks across India does not make sense. They believe small fleet operators do not have the financial strength to buy new trucks even if the government gives incentives to replace old trucks. Another issue is setting up of specialized automobile scrappage yards in India, which also requires investment and subsidy by the government. Given the multiple viewpoints on this issue, we believe the government will likely go slow on this policy and will not take harsh stance, which could be detrimental for the interests of small truck owners. We believe scrappage of trucks will happen on a phased manner in India.

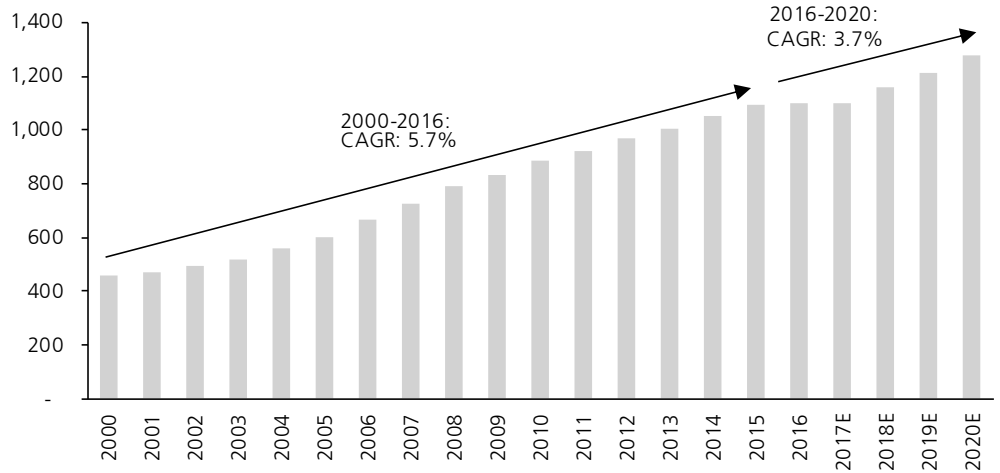
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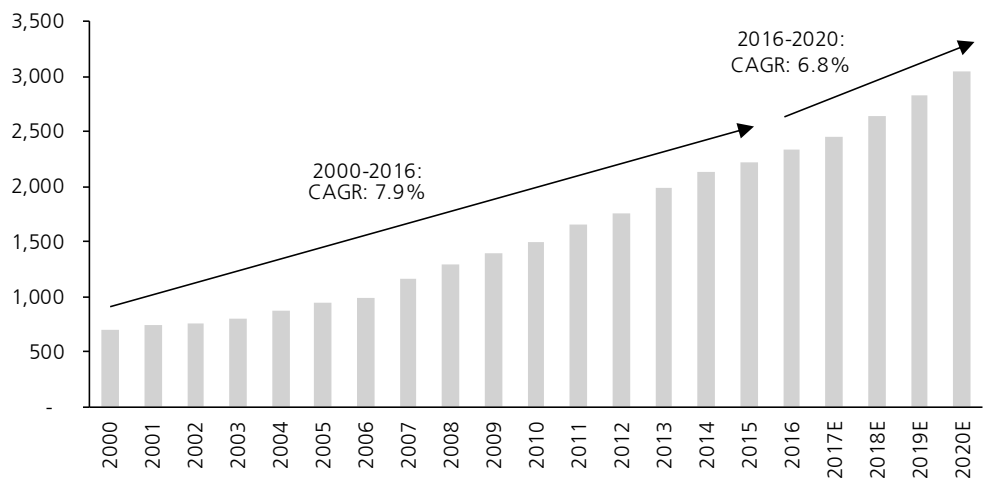
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Exhibit 1: Rail tonnage has grown at 6% CAGR over the past 16 years
 Rail freight movement, March fiscal year-ends, 2000-20E (mn tons)



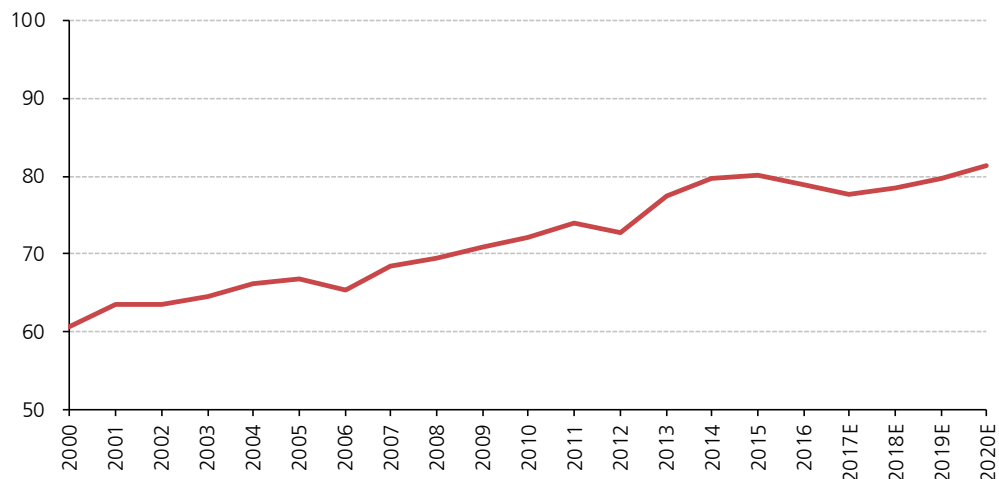
Source: Ministry of Railways, Kotak Institutional Equities estimates

Exhibit 2: Road tonnage has grown at 8% CAGR over the past 16 years
 Road freight movement, March fiscal year-ends, 2000-20E (mn tons)



Source: Planning Commission, Kotak Institutional Equities estimates

Exhibit 3: We expect truck fleet utilization to increase by ~2% annually over the next three years
Truck fleet utilization rates, March fiscal year-ends, 2000-20E (%)

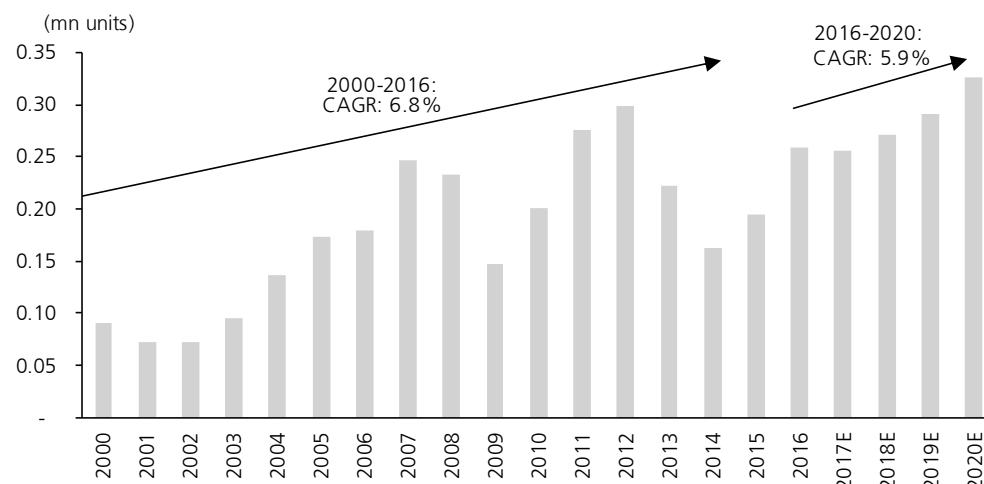


Notes:

(a) We assume trucks run around maximum 80,000 kms a year.

Source: Kotak Institutional Equities estimates

Exhibit 4: We expect truck demand to grow at 6% CAGR over FY2016-20E
Domestic annual truck demand, March fiscal year-ends, 2000-20E (mn units)



Source: SIAM, Kotak Institutional Equities estimates

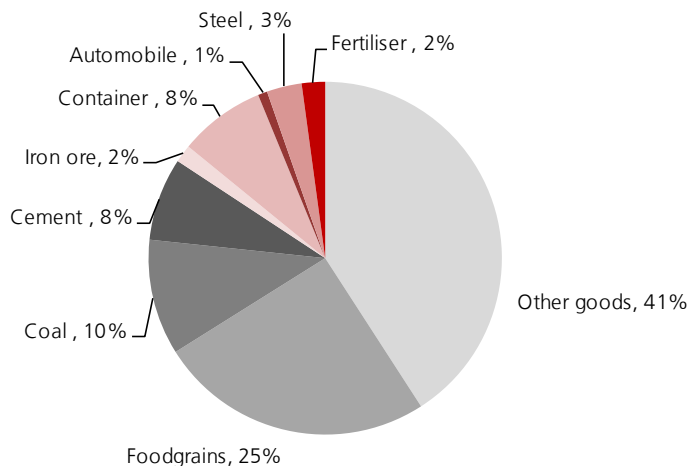
Exhibit 5: Truck industry demand to grow at much slower pace if fleet utilization improves
Sensitivity of MHCV industry growth to change in fleet utilization levels (%)

	Annual increase in utilization levels (%)			
	1.0	2.0	2.5	3.0
FY2017-20E industry CAGR (%)	12.5	8.2	6.0	3.8

Source: SIAM, Kotak Institutional Equities estimates

Exhibit 6: Food grains account for 25% of road freight movement

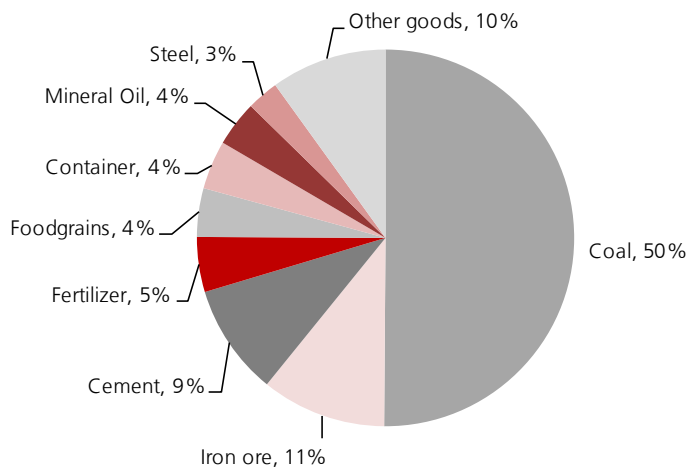
Commodity-wise break-up of freight through road, March fiscal year-end, 2016 (%)



Source: SIAM, Kotak Institutional Equities estimates

Exhibit 7: Coal accounts for 50% of rail freight movement

Commodity-wise break-up of freight through rail, March fiscal year-end, 2016 (%)



Source: SIAM, Kotak Institutional Equities estimates

Exhibit 8: Profitability of truck fleet operators has come down in FY2017 due to increase in diesel price and competitive freight rates
Truck operators' profitability trend, March fiscal year-ends, 2011-17E (₹)

	2011	2012	2013	2014	2015	2016	2017
Cost of 16 ton truck (Rs mn)	1.10	1.14	1.08	1.05	1.16	1.19	1.22
Loan Amount (Rs mn)	0.88	0.92	0.87	0.84	0.93	0.95	0.97
Revenue model							
Tonnage carried with overloading on 16 ton truck (tons)	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Distance between Delhi-Mumbai (km)	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Truck rental (Rs/km/ton)	1.5	1.6	1.7	1.8	2.0	2.1	2.1
Maximum kms truck can run in a year	78,000	78,000	78,000	78,000	78,000	78,000	78,000
Truck utilization (%)	73.9	72.8	77.5	79.8	80.0	78.9	77.7
Kms run by truck in a year	57,656	56,783	60,423	62,240	62,405	61,509	60,606
Annual freight earnings (Rs)	1,210,775	1,275,915	1,479,892	1,600,629	1,747,339	1,773,913	1,800,313
Average diesel price (Rs/ltr)							
Average diesel price (Rs/ltr)	38.0	40.5	45.2	51.5	53.8	47.1	54.1
Fuel efficiency (km/ltr)	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Diesel cost (Rs)	547,732	574,928	682,777	801,344	839,347	724,266	819,696
Tyre replacement cost (Rs)							
Tyre replacement cost (Rs)	128,000	134,400	141,120	148,176	155,585	163,364	163,364
Driver and helper salary (Rs)							
Driver and helper salary (Rs)	180,000	207,000	238,050	273,758	314,821	362,044	398,249
Other costs (maintenance, spares, overheads etc)							
Other costs (maintenance, spares, overheads etc)	100,000	108,000	116,640	125,971	136,049	146,933	132,240
Total operating cost (Rs)	955,732	1,024,328	1,178,587	1,349,249	1,445,802	1,396,607	1,513,548
Operating profit (Rs)	255,044	251,587	301,305	251,380	301,537	377,306	286,765
Annual EMI (principal + interest) @ 5 year period for 80% LTV							
Annual EMI (principal + interest) @ 5 year period for 80% LTV	221,780	234,697	226,260	221,998	244,198	248,662	247,857
Interest rate (%)							
Interest rate (%)	9.5	10.3	11.0	11.5	11.5	11.0	10.0
Profits after EMI	33,264	16,890	75,045	29,382	57,340	128,644	38,908

Source: Kotak Institutional Equities estimates

Exhibit 9: Capacity utilization levels are low in commercial vehicles
Capacity utilization levels, March fiscal year-ends, 2008-17E (%)

	2010	2011	2012	2013	2014	2015	2016	2017E
MHCVs								
Ashok Leyland	43	63	63	50	38	52	75	77
Eicher-Volvo	63	88	108	58	43	46	60	66
M&M-Navistar		3	7	6	7	10	15	16
Swaraj Mazda	32	42	44	39	29	32	36	35
Tata Motors	43	57	64	42	35	42	50	50
Total	44	56	61	43	34	42	54	55
LCVs								
Ashok Leyland	73	58	29	71	55	52	58	58
Eicher Motors	70	85	95	66	70	78	85	73
Force Motors	49	72	79	53	48	43	56	65
M&M	79	97	92	97	85	66	71	75
Piaggio	92	76	90	19	46	43	31	24
Swaraj Mazda	38	46	54	40	40	49	49	56
Tata Motors	47	57	73	71	50	31	29	32
Total	54	66	76	74	58	43	44	47

Source: Kotak Institutional Equities estimates

Exhibit 10: We estimate Ashok Leyland to deliver 9% yoy volume CAGR over FY2017-19E
Ashok Leyland volume assumptions, March fiscal year-ends, 2011-19E (units)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Buses	20,425	20,638	18,643	14,951	13,151	19,586	18,607	20,467	22,514
Trucks	62,818	61,252	51,909	36,876	53,291	79,223	80,183	86,597	95,257
LCV	701	398	360	—	—	—	—	—	—
Dost	—	7,383	34,794	27,283	25,117	28,512	28,512	31,363	34,500
Domestic volumes	83,944	89,671	105,706	79,110	91,559	127,321	127,301	138,428	152,271
Buses	4,808	5,207	4,857	4,377	7,571	6,135	5,215	5,945	6,837
Trucks	5,285	6,944	3,594	4,100	3,670	4,811	5,773	6,581	7,569
LCV	164	774	425	75	1,330	2,091	2,091	2,342	2,623
Export volumes	10,257	12,925	8,876	8,552	12,571	13,037	13,079	14,868	17,028
Buses	25,233	25,845	23,500	19,328	20,722	25,721	23,821	26,412	29,351
Trucks	68,103	68,196	55,503	40,976	56,961	84,034	85,956	93,179	102,826
LCV	865	1,172	785	75	1,330	2,091	2,091	2,342	2,623
Dost	—	7,383	34,794	27,283	25,117	28,512	28,512	31,363	34,500
Total volumes	94,201	102,596	114,582	87,662	104,130	140,358	140,380	153,296	169,299
Growth (% yoy)									
Buses	24.5	1.0	(9.7)	(19.8)	(12.0)	48.9	(5.0)	10.0	10.0
Trucks	54.2	(2.5)	(15.3)	(29.0)	44.5	48.7	1.2	8.0	10.0
LCV	(13.9)	(43.2)	(9.5)	—	—	—	—	—	—
Dost	—	—	—	(21.6)	(7.9)	13.5	—	10.0	10.0
Domestic volumes	44.9	6.8	17.9	(25.2)	15.7	39.1	(0.0)	8.7	10.0
Buses	131.6	8.3	(6.7)	(9.9)	73.0	(19.0)	(15.0)	14.0	15.0
Trucks	46.1	31.4	(48.2)	14.1	(10.5)	31.1	20.0	14.0	15.0
LCV	(42.7)	372.0	(45.1)	(82.4)	1,673.3	57.2	—	12.0	12.0
Export volumes	71.6	26.0	(31.3)	(3.7)	47.0	3.7	0.3	13.7	14.5
Buses	36.5	2.4	(9.1)	(17.8)	7.2	24.1	(7.4)	10.9	11.1
Trucks	53.6	0.1	(18.6)	(26.2)	39.0	47.5	2.3	8.4	10.4
LCV	(21.4)	35.5	(33.0)	(90.4)	1,673.3	57.2	—	12.0	12.0
Dost	—	—	—	(21.6)	(7.9)	13.5	—	10.0	10.0
Total volumes	47.4	8.9	11.7	(23.5)	18.8	34.8	0.0	9.2	10.4

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: We expect Ashok Leyland to deliver 16% EPS CAGR over FY2017-19E
 Profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2011-19E (₹ mn)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Profit model									
Volumes	94,201	102,596	114,582	87,662	104,130	140,358	140,380	153,296	169,299
Net sales	111,256	128,318	124,812	99,434	135,622	188,216	191,980	219,436	247,501
EBITDA	12,137	12,561	8,765	1,666	10,266	21,660	21,855	24,574	27,870
Other income	234	266	291	492	982	654	1,239	989	1,004
Interest	(1,679)	(2,415)	(3,436)	(4,356)	(3,673)	(2,291)	(1,328)	(864)	(864)
Depreciation	(2,674)	(3,528)	(3,808)	(3,770)	(4,163)	(4,437)	(4,876)	(5,061)	(5,439)
Prior period items/ extraordinary items	—	16	2,896	5,057	1,009	(3,909)	—	—	—
Profit before tax	8,018	6,900	4,707	(912)	4,422	11,677	16,890	19,638	22,571
Current tax	(1,112)	(775)	—	—	(39)	(4,220)	(5,067)	(5,891)	(6,771)
Deferred tax	(594)	(465)	(370)	1,206	(1,035)	(254)	—	—	—
Net profit	6,313	5,660	4,337	294	3,348	7,457	11,823	13,746	15,800
Adjusted profit	6,313	5,644	1,442	(4,763)	2,584	9,938	11,823	13,746	15,800
Earnings per share (Rs)	2.4	2.1	0.5	(1.8)	0.9	3.5	4.2	4.8	5.6
Balance sheet									
Equity	39,630	42,123	44,551	44,479	51,187	55,141	62,694	71,475	81,568
Deferred tax liability	5,338	4,904	5,274	4,068	5,103	5,356	5,356	5,356	5,356
Total Borrowings	25,683	30,979	43,554	46,903	33,497	26,590	11,344	13,344	11,344
Current liabilities	35,283	41,152	37,588	32,630	43,328	46,769	50,803	55,827	59,952
Total liabilities	105,933	119,157	130,967	128,080	133,115	133,855	130,197	146,001	158,220
Net fixed assets	49,918	54,617	59,708	58,414	53,757	51,293	50,417	49,857	53,918
Investments	12,300	15,345	23,376	27,897	26,488	19,179	20,179	21,179	22,179
Cash	1,795	326	139	117	7,513	15,681	8,066	10,975	10,266
Other current assets	41,877	47,962	46,861	39,612	42,080	46,398	50,231	62,687	70,554
Miscellaneous expenditure	43	908	882	2,040	3,277	1,303	1,303	1,303	1,303
Total assets	105,933	119,157	130,967	128,080	133,115	133,855	130,197	146,001	158,220
Free cash flow									
Operating cash flow (including working capital changes)	5,914	11,473	7,283	5,564	17,666	16,624	16,989	11,250	17,357
Capital expenditure	(3,501)	(6,906)	(6,438)	(2,071)	(2,059)	(1,425)	(4,000)	(4,500)	(9,500)
Investments	(9,038)	(3,031)	(5,136)	391	2,158	5,950	(1,000)	(1,000)	(1,000)
Free cash flow	(6,625)	1,535	(4,291)	3,884	17,765	21,150	11,989	5,750	6,857
Ratios									
EBITDA margin (%)	10.9	9.8	7.0	1.7	7.6	11.5	11.4	11.2	11.3
PAT margin (%)	5.7	4.4	3.5	0.3	2.5	4.0	6.2	6.3	6.4
Debt/equity (X)	0.6	0.7	0.9	1.0	0.6	0.4	0.2	0.2	0.1
Net debt/equity (X)	0.3	0.3	0.9	1.0	0.5	0.2	0.0	0.0	0.0
BVPS, excl. revaluation reserve	11.6	12.4	13.5	13.1	15.0	17.2	19.9	22.9	26.5
RoAE (%)	21.8	17.7	12.6	0.8	8.6	16.3	22.4	22.6	22.5
RoACE (%)	11.6	10.4	8.3	4.1	6.5	10.6	15.6	17.2	17.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 12: We expect TTMT's standalone volumes to increase by 10% CAGR over FY2017-19E; MHCV volumes will grow at 5% CAGR
Tata Motors standalone volume assumptions, March fiscal year-ends, 2011-19E (units)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
M&HCVs	209,522	221,298	152,505	122,498	142,737	176,573	170,766	180,088	189,939
M&HCVs-domestic	192,127	207,014	143,381	110,225	127,011	157,226	144,648	151,880	159,474
M&HCVs-exports	17,395	14,284	9,124	12,273	15,726	19,347	26,118	28,208	30,465
LCVs	287,463	363,756	428,643	298,799	221,818	205,231	215,493	247,816	277,554
LCVs-domestic	77,558	95,791	113,520	85,140	59,598	41,719	43,805	50,375	56,420
Ace	177,096	227,179	280,242	183,059	131,533	129,015	135,466	155,786	174,480
LCVs-exports	32,809	40,786	34,881	30,600	30,687	34,497	36,222	41,655	46,654
UVs	43,063	56,464	48,617	32,400	25,617	18,881	17,430	19,992	21,976
UVs-domestic	42,297	55,744	47,454	31,268	24,609	18,138	16,687	19,190	21,109
UVs-exports	766	720	1,163	1,132	1,008	743	743	802	867
Passenger vehicles	263,274	265,254	180,355	112,894	111,982	111,072	136,035	149,568	164,449
Passenger vehicles-domestic	185,767	183,439	120,845	85,648	92,569	92,808	116,010	127,611	140,372
Passenger vehicles-exports	7,075	7,288	5,663	5,707	2,512	3,264	3,525	3,807	4,112
Small car	70,432	74,527	53,847	21,539	16,901	15,000	16,500	18,150	19,965
Total domestic sales	745,277	843,694	759,289	516,879	452,221	453,906	473,116	522,993	571,821
Total export sales	58,045	63,078	50,831	49,712	49,933	57,851	66,608	74,473	82,097
Total vehicle sales	803,322	906,772	810,120	566,591	502,154	511,757	539,724	597,465	653,918
Volume growth (yoy %)									
M&HCVs	24.8	5.6	(31.1)	(19.7)	16.5	23.7	(3.3)	5.5	5.5
M&HCVs-domestic	23.8	7.7	(30.7)	(23.1)	15.2	23.8	(8.0)	5.0	5.0
M&HCVs-exports	37.1	(17.9)	(36.1)	34.5	28.1	23.0	35.0	8.0	8.0
LCVs	23.0	26.5	17.8	(30.3)	(25.8)	(7.5)	5.0	15.0	12.0
LCVs-domestic	(10.1)	23.5	18.5	(25.0)	(30.0)	(30.0)	5.0	15.0	12.0
Ace	34.0	28.3	23.4	(34.7)	(28.1)	(1.9)	5.0	15.0	12.0
LCVs-exports	115.6	24.3	(14.5)	(12.3)	0.3	12.4	5.0	15.0	12.0
UVs	26.2	31.1	(13.9)	(33.4)	(20.9)	(26.3)	(7.7)	14.7	9.9
UVs-domestic	26.1	31.8	(14.9)	(34.1)	(21.3)	(26.3)	(8.0)	15.0	10.0
UVs-exports	29.2	(6.0)	61.5	(2.7)	(11.0)	(26.3)	—	8.0	8.0
Passenger vehicles	27.2	0.8	(32.0)	(37.4)	(0.8)	(0.8)	22.5	9.9	9.9
Passenger vehicles-domestic	8.6	(1.3)	(34.1)	(29.1)	8.1	0.3	25.0	10.0	10.0
Passenger vehicles-exports	25.5	3.0	(22.3)	0.8	(56.0)	29.9	8.0	8.0	8.0
Small car	132.1	5.8	(27.7)	(60.0)	(21.5)	(11.2)	10.0	10.0	10.0
Total domestic sales	22.5	13.2	(10.0)	(31.9)	(12.5)	0.4	4.2	10.5	9.3
Total export sales	70.0	8.7	(19.4)	(2.2)	0.4	15.9	15.1	11.8	10.2
Total vehicle sales	25.0	12.9	(10.7)	(30.1)	(11.4)	1.9	5.5	10.7	9.4

Source: Company, Kotak Institutional Equities estimates

Exhibit 13: We don't expect significant improvement in EBITDA margin of standalone business in FY2018E
Tata Motors standalone profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2011-19E (₹ mn)

	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Profit model (Rs mn)									
Net sales	468,577	543,066	447,657	342,881	362,947	423,698	421,982	474,170	528,994
EBITDA	44,344	41,776	17,180	(9,112)	(12,375)	23,155	13,051	22,158	30,626
Other income	4,140	2,104	17,046	18,669	18,814	21,329	10,000	8,000	8,000
Interest	(11,440)	(8,550)	(10,041)	(13,375)	(16,117)	(14,811)	(15,525)	(17,721)	(19,326)
Depreciation	(13,608)	(16,067)	(18,176)	(20,703)	(26,032)	(24,538)	(28,670)	(31,830)	(34,990)
Profit before tax	23,436	19,263	6,008	(24,521)	(35,710)	5,136	(21,144)	(19,393)	(15,690)
Extra ordinary income/(expenses)	1,471	5,852	(8,642)	14,263	(4,038)	(3,632)	(1,500)	—	—
Tax expense	(84)	—	6	13,603	(7,642)	885	500	3,879	3,138
Net profit	18,118	12,422	(1,354)	3,346	(47,390)	2,342	(22,144)	(15,514)	(12,552)
Adjusted net profit	19,148	16,519	(3,031)	(27,276)	(52,240)	5,974	(21,019)	(15,514)	(12,552)
Adjusted Diluted EPS (Rs)	5.6	4.9	(0.9)	(8.0)	(15.4)	1.8	(6.2)	(4.6)	(3.7)
Balance sheet (Rs mn)									
Equity	6,377	6,348	6,381	6,438	6,438	6,792	6,792	6,792	6,792
Reserves and Surplus	193,756	189,913	187,118	185,328	142,188	216,889	196,245	180,731	168,179
Deferred tax liability	20,232	21,054	19,639	431	—	—	—	—	—
Total borrowings	159,154	158,806	167,990	150,528	211,344	158,873	193,873	208,873	228,873
Current liabilities	162,386	169,073	142,871	154,619	139,462	141,709	146,208	151,466	162,249
Foreign currency translation difference	—	—	—	(2,012)	(149)	(974)	(974)	(974)	(974)
Total liabilities	541,905	545,193	523,998	497,344	499,432	524,263	543,118	547,861	566,093
Net fixed assets	172,161	190,562	202,085	215,956	218,240	222,449	233,778	241,948	246,958
Investments	226,242	204,936	199,344	184,584	169,670	169,755	169,755	169,755	169,755
Cash	24,289	18,410	4,629	2,262	9,650	21,881	17,994	5,169	4,219
Other current assets	119,212	128,702	115,790	94,542	101,872	110,179	121,590	130,990	145,161
Miscellaneous expenditure	—	2,584	2,150	—	—	—	—	—	—
Total assets	541,905	545,193	523,998	497,344	499,432	524,263	543,118	547,861	566,093
Free cash flow (Rs mn)									
Operating cash flow excl. working capital	41,519	39,671	17,557	(9,949)	(6,972)	27,195	23,551	34,037	41,764
Working capital changes	(26,463)	(3,135)	5,028	34,583	(15,171)	(3,733)	(6,913)	(4,142)	(3,387)
Capital expenditure	(23,817)	(28,355)	(25,884)	(30,941)	(30,548)	(29,820)	(40,000)	(40,000)	(40,000)
Free cash flow	(21,737)	(6,642)	(21,394)	(23,805)	(71,140)	(26,487)	(38,887)	(27,826)	(20,949)
Ratios									
EBITDA margin (%)	9.5	7.7	3.8	(2.7)	(3.4)	5.5	3.1	4.7	5.8
Debt/equity (X)	0.8	0.8	0.9	0.8	1.4	0.7	1.0	1.1	1.3
Net debt/equity (X)	0.7	0.7	0.8	0.8	1.4	0.6	0.9	1.1	1.3
RoAE (%)	10.9	8.3	(1.6)	(14.2)	(30.7)	3.2	(9.9)	(7.9)	(6.9)
Book value/share (X)	58.9	57.8	57.0	56.5	43.8	65.9	59.8	55.2	51.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 14: We expect Tata Motors consolidated earnings to grow at 18% CAGR over FY2016-19E

Tata Motors consolidated profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2012-19E (₹ mn)

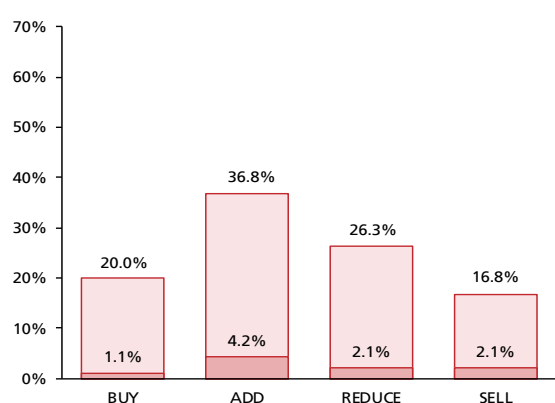
	2012	2013	2014	2015	2016	2017E	2018E	2019E
Profit model (Rs mn)								
Net sales	1,656,545	1,888,176	2,328,337	2,627,963	2,755,611	2,760,519	2,997,509	3,258,220
EBITDA	223,112	245,473	348,377	392,387	367,562	288,327	405,574	484,184
Other income	6,618	8,115	8,286	8,987	9,817	7,854	8,246	8,659
Interest	(29,822)	(35,533)	(47,338)	(48,615)	(46,234)	(42,454)	(46,338)	(49,900)
Depreciation	(56,254)	(75,693)	(110,782)	(133,886)	(170,142)	(175,805)	(195,111)	(219,271)
Profit before tax	143,654	142,362	198,544	218,873	161,004	77,923	172,372	223,671
Extra ordinary income/(expenses)	(8,315)	(6,027)	(9,854)	(1,847)	(21,196)	—	—	—
Tax	400	(37,710)	(47,648)	(76,429)	(28,726)	(17,624)	(42,581)	(53,469)
Minority Interest + Associate income	(574)	301	(1,132)	(734)	(845)	10,133	11,369	12,624
Net profit	135,165	98,926	139,910	139,863	110,238	70,431	141,160	182,826
EPS (Rs)	39.8	29.1	41.2	41.2	32.5	20.7	41.6	53.8
Balance sheet (Rs mn)								
Equity	6,348	6,381	6,438	6,438	6,792	6,792	6,792	6,792
Reserves and Surplus	325,152	381,331	649,597	556,181	801,035	871,466	1,012,626	1,195,451
Deferred tax liability	21,651	20,195	15,723	13,432	31,661	31,661	31,661	31,661
Minority Interest	3,071	3,705	4,207	4,333	8,883	9,728	10,573	11,418
Total borrowings	471,490	535,914	606,423	736,104	704,685	724,766	748,747	786,840
Current liabilities	626,116	764,078	917,596	1,070,091	1,139,921	1,134,460	1,166,154	1,205,095
Total liabilities	1,453,826	1,711,603	2,199,983	2,386,580	2,692,976	2,778,872	2,976,552	3,237,257
Net fixed assets	562,125	694,836	973,754	1,124,226	1,288,507	1,417,182	1,551,031	1,660,721
Goodwill	40,937	41,024	49,788	46,970	48,365	48,365	48,365	48,365
Investments	89,177	90,577	106,867	153,367	12,532	12,532	12,532	12,532
Cash	182,381	211,127	297,118	321,158	520,929	456,704	441,873	520,060
Other current assets	574,691	662,701	748,986	717,389	795,379	816,824	895,487	968,316
Miscellaneous expenditure	4,514	11,339	23,471	23,471	27,264	27,264	27,264	27,264
Total assets	1,453,826	1,711,603	2,199,983	2,386,580	2,692,976	2,778,872	2,976,552	3,237,257
Free cash flow (Rs mn)								
Operating cash flow excl. working capital	206,644	221,302	303,768	388,547	366,152	289,535	383,454	452,842
Working capital changes	(22,801)	(680)	57,744	(36,718)	25,515	(26,906)	(46,969)	(33,887)
Capital expenditure	(138,756)	(187,570)	(269,252)	(315,396)	(326,232)	(304,480)	(328,960)	(328,960)
Free cash flow (including finance business debt)	11,351	(13,508)	30,554	(26,637)	8,396	(84,305)	(38,813)	40,094
Ratios								
EBITDA margin (%)	13.5	13.0	15.0	14.9	13.3	10.4	13.5	14.9
Debt/equity (X)	1.4	1.4	0.9	1.3	0.9	0.8	0.7	0.7
Net debt/equity (X)	0.9	0.8	0.5	0.7	0.2	0.3	0.3	0.2
Book value (Rs per share)	84	99	172	145	216	236	278	332
ROAE (%)	54.8	29.2	28.7	23.3	19.2	8.4	14.9	16.5

Source: Company, Kotak Institutional Equities estimates

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Source: Kotak Institutional Equities

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