

# Motherson Sumi

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
35,844	10,522

**CMP: INR104 TP: INR122 (+18%)**

**Buy**

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## Stock Info

Bloomberg	MSS IN
Equity Shares (m)	3,158
M.Cap.(INRb)/(USDb)	327.3 / 4.1
52-Week Range (INR)	151 / 49
1, 6, 12 Rel. Per (%)	-4/-17/-8
12M Avg Val (INR M)	1507
Free float (%)	38.3

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	635.4	587.1	687.4
EBITDA	52.0	45.8	70.9
Adj. PAT	11.7	6.9	17.4
EPS (INR)	3.7	2.2	5.5
EPS Gr. (%)	-27.5	-41.0	152.7
BV/Sh. (INR)	35.7	37.2	40.9
<b>Ratios</b>			
Net D:E	0.5	0.5	0.2
RoE (%)	10.5	6.0	14.1
RoCE (%)	6.4	4.9	11.1
Payout (%)	31.5	31.5	31.5
<b>Valuations</b>			
P/E (x)	28.0	47.4	18.8
P/BV (x)	2.9	2.8	2.5
Div. Yield (%)	1.0	0.6	1.4
FCF Yield (%)	9.7	1.5	10.3

**Mr Laksh Vaaman Sehgal, Director, MSS stated,** "This Transaction provides MSSL shareholders with the opportunity to participate in 100% value of SMRP BV and also brings all auto-related businesses under listed entities, which aligns interest of all stakeholders."

## To merge holdco, including other unlisted businesses

**Implied valuations for holdco (ex MSS & SMRPBV) – ~INR60b for FY19 PAT of ~INR1.8b**

In the follow-up to its Jan'20 proposal to demerge the Domestic Wiring Harness business and acquire 49% stake in SMRPBV, the board today approved the merger of SAMIL (holdco) with its unlisted businesses. At the proposed share-swap and benchmark valuation, the implied value of the other businesses of SAMIL is ~INR60b for FY19/FY20 derived PAT of the core business at ~INR1.8b/INR0.9b. This solution simplifies the structure well and aligns the interest of all the stakeholders. However, considering the limited understanding (as details are limited) of the core businesses of SAMIL, implied valuations seem to fully capture the medium-term growth potential of its key businesses. We believe this would drive a better value discovery of the Non-India Wiring Harness business, also giving the minority shareholder the option to invest in either or both of the businesses.

## Specifics of group's business reorganization proposal

- The Board of Directors of MSS granted in-principle approval for the re-organization of business with the group:
  - The demerger of the Domestic Wiring Harness (DWH) business of MSS into a new company that shall have mirror shareholding as MSS and shall be listed.
  - The Board of Directors today approved the merger of SAMIL into MSS. SAMIL is the promoter-owned entity owning 49% stake in SMRPBV and other auto component & allied businesses. In the original proposal, it was proposed to merge just 49% stake of SMRPBV into MSS.
- Post the demerger of the DWH business, SAMIL would be merged into MSS. The share-swap ratio is proposed at 51 share issues of MSS (of INR1 face value) for every 10 shares of SAMIL (of INR10 face value). This merged entity would be renamed Samvardhana Motherson International Ltd (SMIL).
- The demerger of the India Wiring Harness business would not include the 50% JV with Kyungshin Industrial Motherson, which manufactures wiring harnesses for Hyundai India.
- Effectively, the current listed entity (MSS) would be left with the global businesses (100% of SMRPBV and PKC) and remaining India business, including the JVs. The India Wiring Harness (DWH) business would be focused on the India business, as desired by Sumitomo.
- This entire restructuring is expected to be completed by 2QFY22, effective from 1<sup>st</sup> Apr'21. This restructuring would require majority approval of the minority shareholders.
- The merger is expected to be EPS-accretive in FY22 itself.
- Post the merger of SAMIL, the shareholding of the promoters would increase to 68.15% from 61.73% currently, with the Sehgal family controlling 50.4% and Sumitomo Wiring System owning 17.7%.

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**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.

### Analysis of the deal

- **What are the key businesses of SAMIL?** Apart from owning 33.43% stake in MSS and 49% stake in SMRPBV, it has a presence in areas such as Auto Lighting, Metal Products, Shock Absorbers, Air Conditioning Systems, IT, etc. Over 80% of SAMIL's business (ex SMRPBV) is derived from the Indian market.
- **How do SAMIL's financials look?** For the core business, revenue and EBITDA are at ~INR28b and INR3.6b, respectively (not on a pro-rata basis). SAMIL has net debt of ~INR11.1b.
- **What is the valuation for acquiring SAMIL?** The benchmark valuation of SAMIL works out to ~INR244b. Adjusted for its 33.43% stake in the listed entity (~INR129b at our fair value) and 49% stake in SMRPBV (~INR55b at 15x Jun'22 EPS), the implied core business valuation works out to ~INR60b. Core business implied PAT for FY19/FY20 was ~INR1.8b/INR0.9b.
- **What does the merged entity SMIL have to offer?** The merger of SAMIL into MSSL would create a strong listed entity with: a) a diversified product portfolio that would enhance the 3CX10 strategy and reinforce MSSL's position as a leading, globally diversified, preferred component supplier, b) a platform for future growth – through both the organic and inorganic routes, c) a powertrain neutral portfolio, favorably positioned for megatrends, d) significant technological capabilities in partnership with industry leaders, and e) participation in the 100% future growth of SMRPBV for the minority investors. This arrangement provides exposure to new business segments and aligns the pursuits of inorganic growth opportunities.

### Valuation and view

- We believe this reorganization would lead to better value discovery of the Non-India Wiring Harness business. However, MSS-2 would increasingly be benchmarked to its global peers in the automotive supply chain.
- Also, this organization would give the minority shareholder the option of investing in either or both of the businesses. This needs to be seen in the context of increasing exposure to the global automotive cycle in the current structure, which may not fit the mandate of many investors (with focus on India plays).
- Our fundamental view on MSS remains intact: the stabilization of SMP's greenfield plant is critical in driving earnings recovery for MSS, which we estimate would reflect in FY21. This, coupled with the execution of a strong order book and limited capex at SMPBV as well as the India business benefitting from the content increase in BS6, augurs well for MSS.
- Implied valuations for SAMIL's core business appear to fully capture medium-term potential. However, this arrangement does align the interest of the minority with that of the promoters and creates a platform for the next leg of growth for the group. We maintain **Buy** with TP of ~INR122.

**Exhibit 1: SAMIL – Deriving implied value of core business**

	Million	Remark
SAMIL O/S Shares (m)	473.6	
SAMIL valuation used (INR/Sh)	516.04	Valuation basis for the co.
SAMIL Valn (INR m)	244,397	
Less: Value of SAMIL's 33.43% stake in MSS listed	129,247	@30x FY23 PE
Less: Value of SAMIL's 49% stake in SMRPBV	54,999	@ 15x Jun-22 PE
<b>Implied value of SAMIL's core business</b>	<b>60,150</b>	

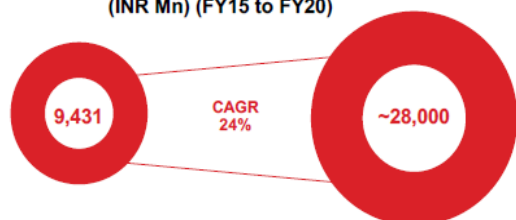
**Exhibit 2: SAMIL – Deriving implied PAT of core business**

INR m	FY19	FY20
PAT (Concern Share)	7,594	2,808
Less: Share of Profit in S/A	2,720	3,005
Less: Share of Profit in SMRPBV	3,107	-1,055
<b>Core PAT</b>	<b>1,767</b>	<b>858</b>

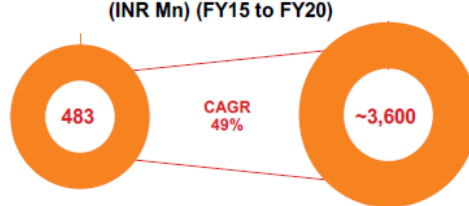
**Exhibit 3: SAMIL – Business profile**

Diversified Operations of SAMIL make it a unique entity	Product	Lighting, Modules & Tooling	Metal Products	Technology & Software	Retail, Services and Others
	Customer Segment	PV	PV/CV, B2B	PV, B2B	PV, B2B
	Markets	India, Europe	India, Middle East, US, Europe	India, US, Europe, Asia	India, Europe, Asia
	Key Customers	Maruti Suzuki, Tata Motors, FCA, Renault, Ford	Ashok Leyland, Mahindra, Renault Nissan, John Deere, Daimler	Daimler, Isuzu, Maruti Suzuki, Toyota	Maruti Suzuki, Denso, Honda, Tata Motors
	Revenue % FY 20	38%	36%	16%	10%

**Proforma Revenue<sup>1</sup> (INR Mn) (FY15 to FY20)**

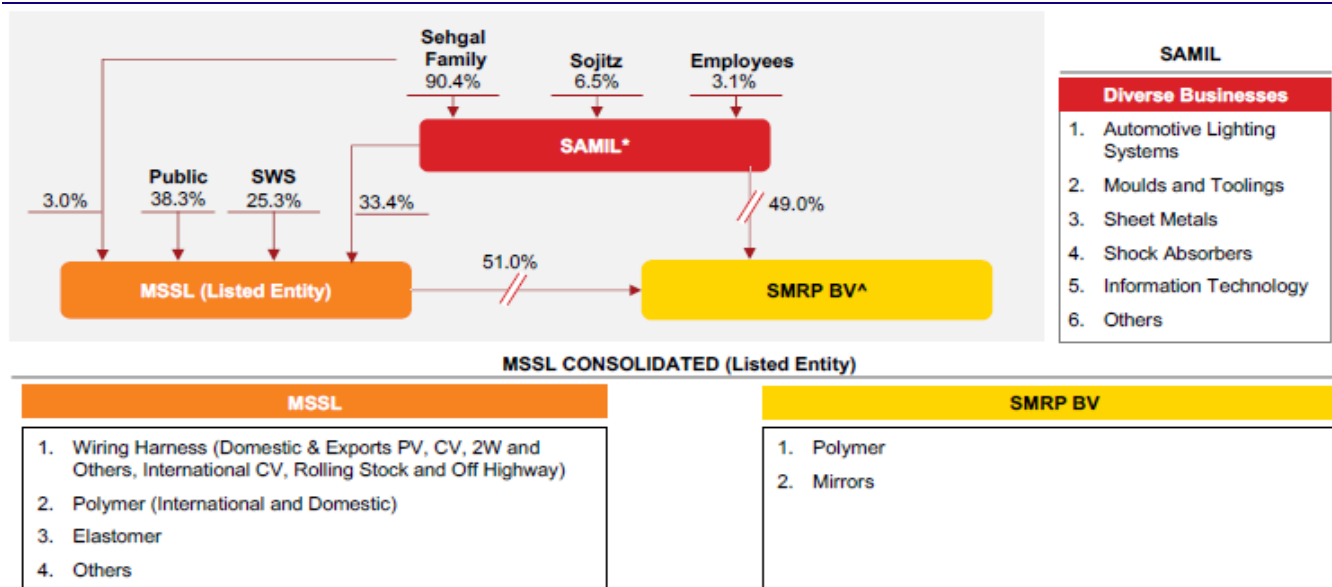


**Proforma EBITDA<sup>1</sup> (INR Mn) (FY15 to FY20)**



<sup>1</sup> # Refers to current SAMIL ; 1. Basis SAMIL\* standalone, 100% share in subsidiaries as well as JVs / Associates including acquisitions, does not include share in SMRP BV and MSSL; FY 15 numbers based on I-GAAP and FY 20 based on Ind AS 116

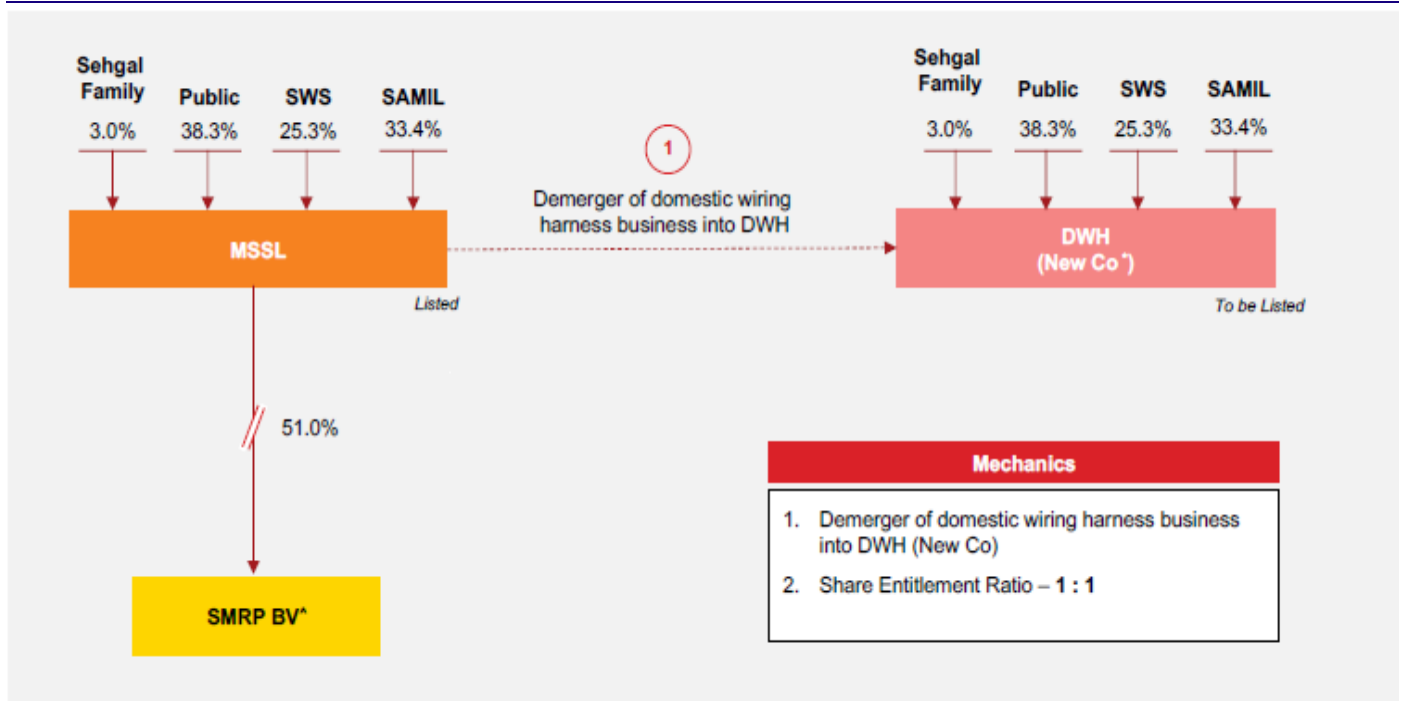
**Exhibit 4: MSS – Current structuring of the businesses**



<sup>1</sup> \* In addition to holding stake in MSSL (33.4%) and SMRP BV (49%), SAMIL directly holds investments in 15 Joint Ventures / Associate Companies and 13 Subsidiaries as at 31 March 2020. ; ^SMRP BV includes SMP, SMRC and SMR

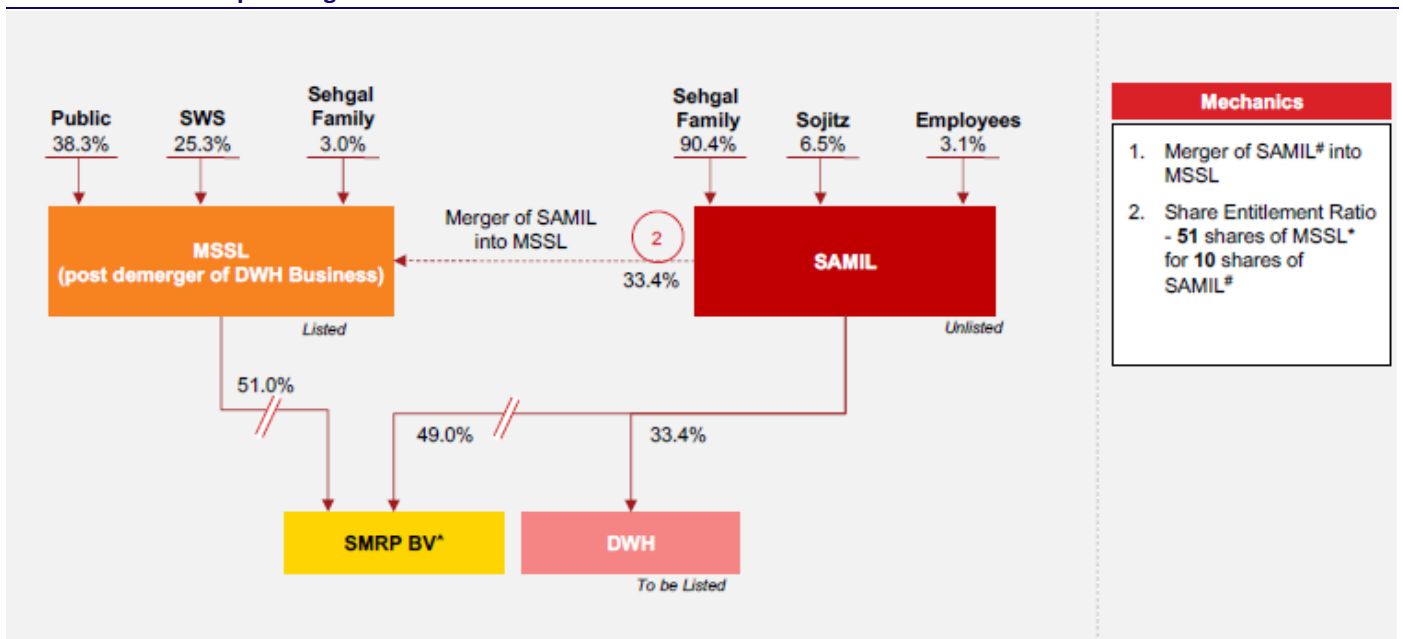
Source: Company, MOFSL

Exhibit 5: First step – Vertical demerger of Domestic Wiring Harness business into separate company



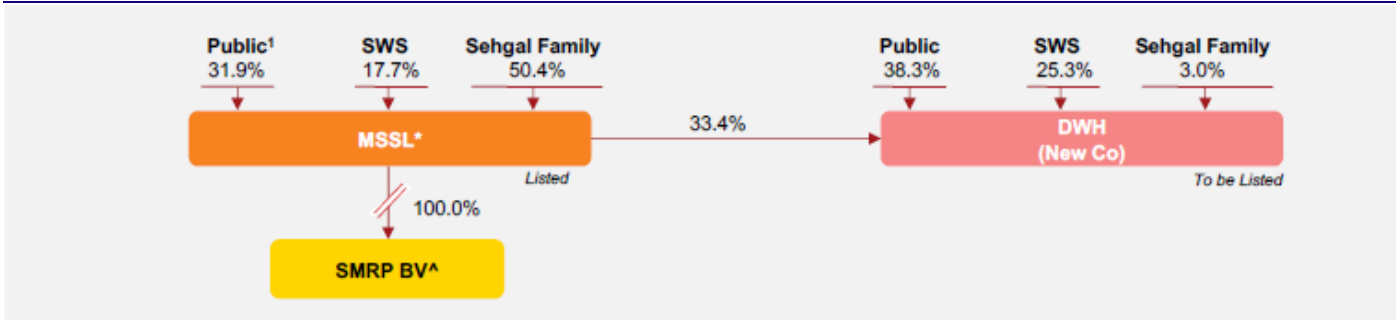
Source: Company, MOFSL

Exhibit 6: Second step – Merger of SAMIL into MSS



Source: Company, MOFSL

Exhibit 7: Resultant holding structure and business segments



MSSL*		DWH
<ol style="list-style-type: none"> <li>1. Wiring Harness (Exports - PV, CV, 2W and Others, International CV, Rolling Stock and Off Highway)</li> <li>2. Polymer (International and Domestic)</li> <li>3. Mirrors</li> <li>4. Elastomer</li> <li>5. Automotive Lighting</li> </ol>	<ol style="list-style-type: none"> <li>6. Moulds and Toolings</li> <li>7. Sheet Metal</li> <li>8. Shock Absorbers</li> <li>9. Information Technology and Others</li> </ol>	<ol style="list-style-type: none"> <li>1. Wiring Harness (Domestic - PV, CV, 2W and Others)</li> </ol>

**Proposed reorganization creates focused entities with fully aligned shareholder interests**

\*Name of MSSL will be changed to SAMIL ; 1. Public includes Sojitz and employees of SAMIL ; ^ SMRP BV includes SMP, SMRC and SMR

Source: Company, MOFSL

Exhibit 8: Benefits of proposed structure

<b>Simplification of Group Structure</b>	<ul style="list-style-type: none"> <li>✓ Consolidation of 100% shareholding in SMRP BV under MSSL*                             <ul style="list-style-type: none"> <li>• Value creation from future growth of SMRP BV to fully accrue to MSSL* shareholders</li> </ul> </li> <li>✓ MSSL* to retain stake in DWH to ensure continuity of benefits                             <ul style="list-style-type: none"> <li>• MSSL* retains exposure to the fast-growing India auto market and share of cash flow</li> </ul> </li> </ul>
<b>Aligns Interest of All Stakeholders</b>	<ul style="list-style-type: none"> <li>✓ All auto-component businesses under one Motherson umbrella i.e. MSSL*</li> <li>✓ Meets SWS' objective of focused participation in the Domestic Wiring Harness business while MSSL* consolidates its shareholding in SMRP BV to 100%</li> <li>✓ Partnership with SWS to continue unabated – Sehgal Family and SWS intend to undertake a voluntary lock in of shares of MSSL* and DWH for 1 year post completion of merger</li> </ul>
<b>Create strong platforms for growth</b>	<ul style="list-style-type: none"> <li>✓ Diversification of revenue mix (products/customers/geography) – in line with stated 3CX10 strategy</li> <li>✓ Brings support functions (like logistics, travel, IT etc.) in-house – helps in being self sufficient</li> <li>✓ Flexibility to raise capital (debt and equity) at MSSL*</li> </ul>

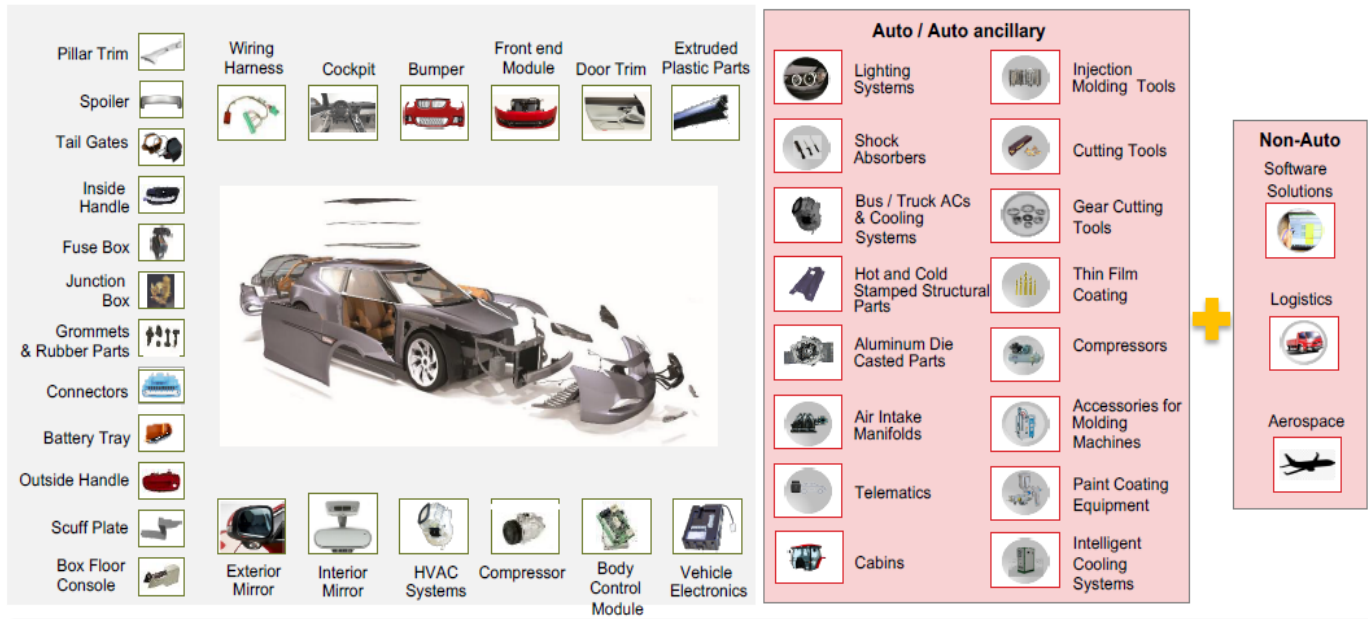
**We expect the merger of SAMIL\* to be EPS accretive for MSSL\* shareholders in the 1<sup>st</sup> year of merger**

Source: Company, MOFSL



**Exhibit 9: Diversified portfolio of merged entity**

Delivering full system solutions globally



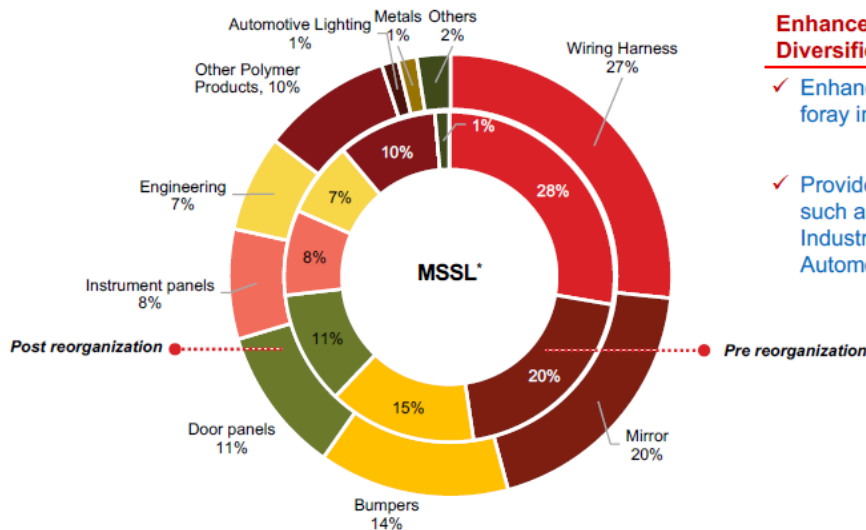
**Reinforces MSSL's\* position as a leading, globally diversified and preferred component supplier**

19 \*Name of MSSL will be changed to SAMIL MSSL portfolio SAMIL\* portfolio ; # Refers to current SAMIL

Source: Company, MOFSL

**Exhibit 10: Diversified portfolio of group**

COMPONENT MIX^,##



**Enhances Product and Technology Diversification**

- ✓ Enhances offerings in auto and enables foray in the non-automotive space
- ✓ Provides access to newer technologies such as Hot Stamping, Vehicle Telematics, Industry 4.0 Solutions, LED based Automotive Lighting etc.

\*For FY 20, including 100% share of revenues in DWH, CKM, KIML, SMR NBHX, PKC SY and subsidiaries as well as Joint Ventures / Associates of SAMIL\*

22 ##Outer chart is post reorganization and inner chart is pre reorganization ; \*Name of MSSL will be changed to SAMIL ; Text in blue shows addition on account of reorganization ; # Refers to current SAMIL

Source: Company, MOFSL

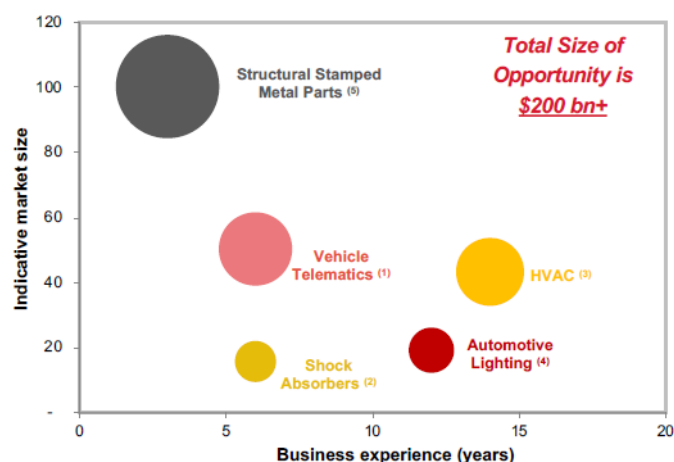
## Exhibit 11: SMIL to be the platform for future growth

## 2 Platform for Future Growth Through Organic and Inorganic Route



Business Segments	Revenues (INR bn)	# of Plants	# of Countries	# of Acquisitions
Between 2000 - 2020				
Wiring Harness <sup>^^</sup>	1.8 → 183 ~100x growth	14 → 87	2 → 22	5
Polymers	0.1 → 352 > 3,000x growth	1 → 103	1 → 23	9
Mirrors <sup>^^</sup>	0.1 → 137 > 1,000x growth	1 → 29	1 → 15	1

Established market leadership over time through organic and inorganic growth

Indicative Global Opportunity Size<sup>^</sup> (\$ bn)

Merger of SAMIL<sup>#</sup> provides exposure to new business segments and aligns pursuits of inorganic growth opportunities

<sup>#</sup>Refers to current SAMIL ; <sup>^</sup>Size of the bubble indicates market size; Source: (1) Allied Market Research (2018) (2) <https://www.absolutereports.com/13909248> (2019) (3) Allied Market Research (2019) (4) Automotive Lighting: Technology, Industry and Market Trends 2018 report, Yole Développement; (5) Global Automotive Stamping Study, Roland Berger (2017);  
<sup>^^</sup> Includes unconsolidated JVs

Source: Company, MOFSL

## Exhibit 12: SMIL's proforma financials

Financials (INR Mn)	MSSL -		MSSL -		SAMIL <sup>(c)</sup>		Combined (b+c)	
	Standalone ex DWH (a)		Consolidated ex DWH(b)					
Year	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20
Net Revenue	43,694	40,088	604,206	607,529	13,907	12,863	614,906	616,248
EBITDA	6,747	6,898	52,540	49,173	1,800	1,263	54,340	50,434
EBITDA Margin (%)	15.4%	17.2%	8.7%	8.1%	12.9%	9.8%	8.8%	8.2%
EBIT	4,846	4,585	28,802	21,963	1,021	324	29,823	22,285
EBIT Margin (%)	11.1%	11.4%	4.8%	3.6%	7.3%	2.5%	4.9%	3.6%
Profit of associates	NA	NA	2,441	1,530	7,863	3,603	2,822	2,153
Less: Minority Interest	NA	NA	-4,850	-1,244	-306	-80	-2,537	-2,213
PAT (concern share)	3,983	5,943	12,888	9,611	7,594	2,808	15,619	8,548
PAT Margin (%)	9.1%	14.8%	2.1%	1.6%	54.6%	21.8%	2.5%	1.4%
Gross Debt (excl. lease liability)	11,294	13,861	115,279	117,368	19,282	22,381	128,858	137,533
Cash	1,136	1,988	35,223	48,411	6,404 <sup>1</sup>	11,234 <sup>1</sup>	35,924	57,520
<b>Net Debt</b>	<b>10,158</b>	<b>11,873</b>	<b>80,056</b>	<b>68,957</b>	<b>12,878<sup>1</sup></b>	<b>11,147<sup>1</sup></b>	<b>92,934</b>	<b>80,013</b>
Lease liability (under Ind AS116)	781	780	13,500	13,515	721	887	14,221	14,402
<b>Net Leverage (with Ind AS116)<sup>2</sup></b>				<b>1.7x</b>				<b>1.9x</b>
<b>Net Leverage (Ex Ind AS116)<sup>2</sup></b>				<b>1.5x</b>				<b>1.7x</b>

Proforma financials represent the reorganization impact across each of the entities  
Adjustments are undertaken historically to make the numbers comparable across the financial years

<sup>#</sup>Name of MSSL will be changed to SAMIL ; <sup>^</sup> For details on the procedures followed to compute the proforma financials, refer to Appendix VII ; <sup>#</sup> Refers to current SAMIL ; 1. Adjusted for intercompany deposit of EUR 25.5 MN in FY 20 and EUR 73.5 MN in FY 19 given to SMGHL ; 2. Leverage to decrease by ~0.1x if proportionate EBITDA and net debt from unconsolidated JVs are considered

Source: Company, MOFSL

## Exhibit 13: DWH financials

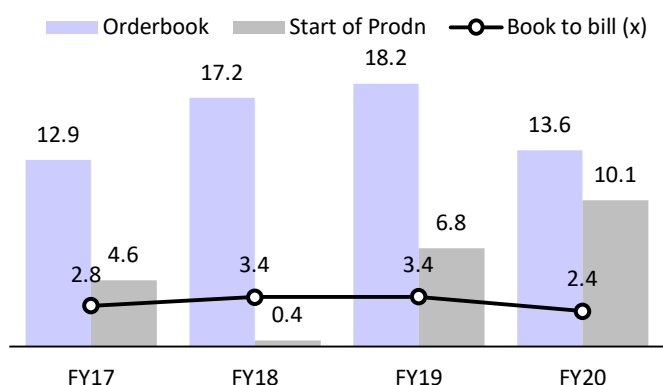
Financials (INR Mn)	DWH	
	FY19	FY20
Year		
Net Revenue	44,838	39,439
EBITDA	7,399	5,294
<i>EBITDA Margin (%)</i>	16.5%	13.4%
EBIT	6,426	4,294
<i>EBIT Margin (%)</i>	14.3%	10.9%
PAT	3,923	2,860
<i>PAT Margin (%)</i>	8.7%	7.3%
Gross Debt (excl. lease liability)	63	333
Cash	202	317
Net Debt	(140)	16
Lease liability (under Ind AS116)	3,346	3,342

Source: Company, MOFSL



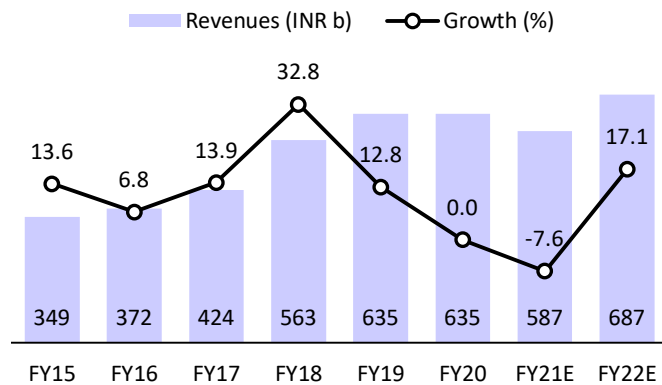
Stories in chart

Exhibit 1: SMRPBV order book trend (EUR b)



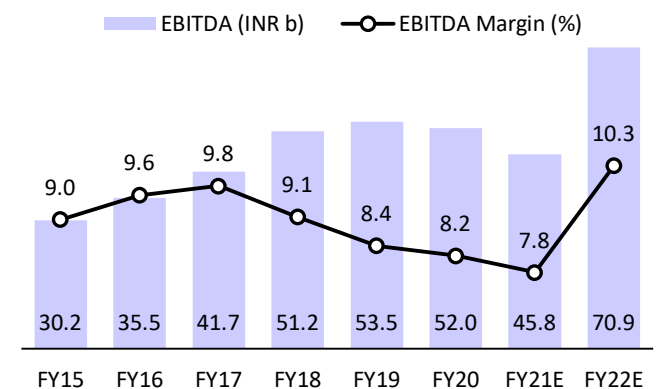
Source: Company, MOFSL

Exhibit 2: Revenues and growth trend



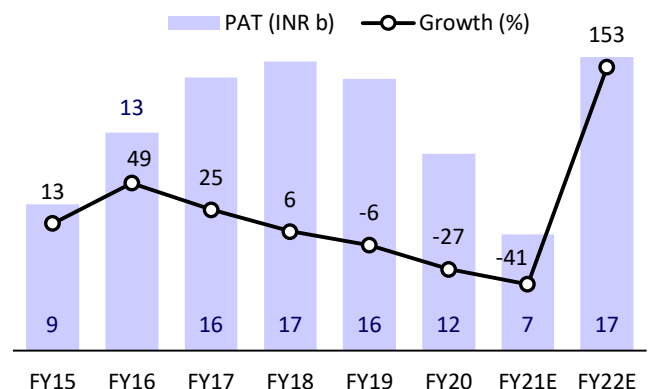
Source: Company, MOFSL

Exhibit 3: Consol EBITDA and margin trend



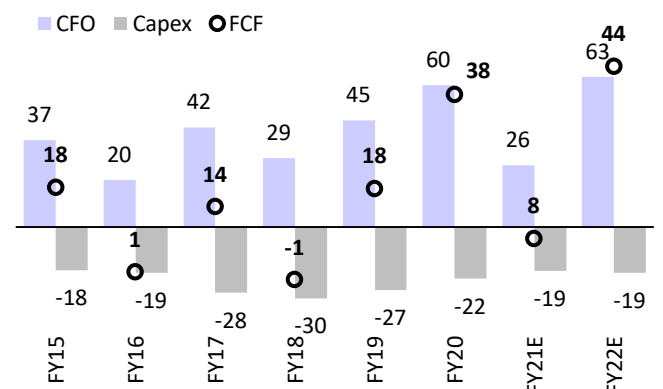
Source: Company, MOFSL

Exhibit 4: Consolidated PAT growth trend



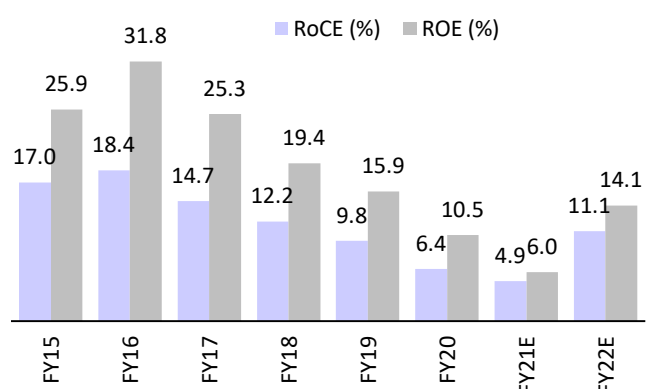
Source: Company, MOFSL

Exhibit 5: FCF generation to improve



Source: Company, MOFSL

Exhibit 6: Trend in return profile



Source: Company, MOFSL

## Financials and Valuations

Consolidated - Income Statement							(INR M)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
<b>Total Income from Operations</b>	<b>372,163</b>	<b>423,755</b>	<b>562,933</b>	<b>635,229</b>	<b>635,369</b>	<b>587,101</b>	<b>687,442</b>	
Change (%)	6.8	13.9	32.8	12.8	0.0	-7.6	17.1	
Raw Materials	223,737	257,507	343,121	367,383	362,715	281,353	315,147	
Employees Cost	71,573	80,909	110,678	141,694	150,769	173,384	199,392	
Other Expenses	41,372	43,671	57,908	72,668	69,872	86,605	102,017	
<b>Total Expenditure</b>	<b>336,682</b>	<b>382,087</b>	<b>511,707</b>	<b>581,745</b>	<b>583,355</b>	<b>541,342</b>	<b>616,556</b>	
% of Sales	90.5	90.2	90.9	91.6	91.8	92.2	89.7	
<b>EBITDA</b>	<b>35,481</b>	<b>41,668</b>	<b>51,226</b>	<b>53,484</b>	<b>52,014</b>	<b>45,759</b>	<b>70,886</b>	
Margin (%)	9.5	9.8	9.1	8.4	8.2	7.8	10.3	
Depreciation	10,872	10,590	15,752	20,582	27,780	30,203	31,407	
<b>EBIT</b>	<b>24,609</b>	<b>31,078</b>	<b>35,474</b>	<b>32,902</b>	<b>24,234</b>	<b>15,555</b>	<b>39,479</b>	
Interest Charges	3,450	3,749	4,108	4,232	5,986	6,958	6,952	
Other Income	393	2,642	1,701	2,202	2,307	2,450	2,550	
<b>PBT after EO Exp.</b>	<b>21,552</b>	<b>28,997</b>	<b>31,290</b>	<b>30,872</b>	<b>20,554</b>	<b>11,047</b>	<b>35,077</b>	
Total Tax	5,192	9,103	10,072	11,022	8,184	3,425	10,874	
Tax Rate (%)	24.1	31.4	32.2	35.7	39.8	31.0	31.0	
Minority Interest	3,437	4,350	5,249	3,719	669	724	6,770	
<b>Reported PAT</b>	<b>12,923</b>	<b>15,543</b>	<b>15,970</b>	<b>16,132</b>	<b>11,700</b>	<b>6,899</b>	<b>17,433</b>	
<b>Adjusted PAT</b>	<b>12,923</b>	<b>16,058</b>	<b>17,024</b>	<b>16,132</b>	<b>11,700</b>	<b>6,899</b>	<b>17,433</b>	
Change (%)	49.2	24.3	6.0	-5.2	-27.5	-41.0	152.7	
Margin (%)	3.5	3.8	3.0	2.5	1.8	1.2	2.5	

Consolidated - Balance Sheet							(INR M)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
Equity Share Capital	1,323	1,404	2,105	3,158	3,158	3,158	3,158	
Total Reserves	39,786	53,265	63,015	78,412	81,394	86,122	98,071	
<b>Net Worth</b>	<b>43,971</b>	<b>82,727</b>	<b>93,178</b>	<b>109,627</b>	<b>112,609</b>	<b>117,338</b>	<b>129,287</b>	
Minority Interest	15,123	22,322	29,600	34,797	35,650	37,674	45,944	
Total Loans	57,415	101,418	94,770	109,428	106,428	103,428	100,428	
Deferred Tax Liabilities	-3,604	-5,024	-6,266	-6,123	-5,030	-5,030	-5,030	
<b>Capital Employed</b>	<b>112,905</b>	<b>201,443</b>	<b>211,282</b>	<b>247,730</b>	<b>249,659</b>	<b>253,411</b>	<b>270,631</b>	
Gross Block	80,462	135,237	174,332	191,445	239,371	257,912	277,285	
Less: Accum. Deprn.	11,924	33,590	51,138	71,720	99,500	129,704	161,111	
<b>Net Fixed Assets</b>	<b>68,538</b>	<b>101,647</b>	<b>123,194</b>	<b>119,725</b>	<b>139,870</b>	<b>128,209</b>	<b>116,174</b>	
Goodwill	2,931	19,379	22,646	22,118	24,060	24,060	24,060	
Capital WIP	13,970	19,348	25,849	10,463	8,154	8,154	8,154	
<b>Total Investments</b>	<b>591</b>	<b>684</b>	<b>2,467</b>	<b>2,389</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>97,766</b>	<b>137,061</b>	<b>133,905</b>	<b>157,377</b>	<b>163,943</b>	<b>147,367</b>	<b>194,905</b>	
Inventory	22,850	30,716	40,132	46,635	51,566	36,995	43,318	
Account Receivables	46,537	46,552	56,236	61,663	51,784	53,080	62,152	
Cash and Bank Balance	17,717	48,866	27,816	35,469	48,789	45,549	75,686	
Loans and Advances	10,662	10,927	9,722	13,610	11,804	11,742	13,749	
<b>Curr. Liability &amp; Prov.</b>	<b>82,531</b>	<b>117,230</b>	<b>157,430</b>	<b>179,449</b>	<b>200,270</b>	<b>168,279</b>	<b>186,564</b>	
Account Payables	51,627	73,003	90,640	106,613	103,091	115,462	129,317	
Other Current Liabilities	29,478	42,600	65,168	70,371	94,374	50,382	54,395	
Provisions	1,426	1,628	1,622	2,465	2,805	2,435	2,851	
<b>Net Current Assets</b>	<b>15,235</b>	<b>19,831</b>	<b>-23,525</b>	<b>-22,072</b>	<b>-36,326</b>	<b>-20,912</b>	<b>8,342</b>	
Misc Expenditure	11,640	40,554	60,652	115,107	112,287	112,287	112,287	
<b>Appl. of Funds</b>	<b>112,905</b>	<b>201,443</b>	<b>211,282</b>	<b>247,730</b>	<b>249,659</b>	<b>253,411</b>	<b>270,631</b>	

## Financials and Valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>							
<b>EPS</b>	4.3	5.1	5.4	<b>5.1</b>	<b>3.7</b>	<b>2.2</b>	<b>5.5</b>
Cash EPS	6.5	7.1	9.1	9.7	9.6	8.7	12.3
BV/Share	14.8	26.2	29.5	34.7	35.7	37.2	40.9
DPS	1.0	0.9	1.5	1.5	1.0	0.6	1.5
Payout (%)	29.2	23.6	34.6	34.2	31.5	31.5	31.5
<b>Valuation (x)</b>							
P/E	23.5	20.0	18.9	19.9	28.0	47.4	18.8
P/BV	6.9	3.9	3.5	2.9	2.9	2.8	2.5
EV/Sales	0.7	0.7	0.7	0.9	0.9	0.9	0.7
EV/EBITDA	6.2	6.2	6.9	9.3	9.1	10.9	6.8
Dividend Yield (%)	1.0	0.9	1.5	1.5	1.0	0.6	1.4
FCF per share	3.8	5.5	2.8	4.8	10.1	1.6	10.7
<b>Return Ratios (%)</b>							
RoE	31.8	25.3	19.4	15.9	10.5	6.0	14.1
RoCE (post-tax)	18.4	14.7	12.2	9.8	6.4	4.9	11.1
RoIC	25.6	20.0	16.7	11.9	7.5	5.5	14.2
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	4.6	3.1	3.2	3.3	2.7	2.3	2.5
Asset Turnover (x)	3.3	2.1	2.7	2.6	2.5	2.3	2.5
Inventory (Days)	22	26	26	27	30	23	23
Debtor (Days)	46	40	36	35	30	33	33
Creditor (Days)	51	63	59	61	59	72	69
<b>Leverage Ratio (x)</b>							
Current Ratio	1.2	1.2	0.9	0.9	0.8	0.9	1.0
Interest Cover Ratio	7.1	8.3	8.6	7.8	4.0	2.2	5.7
Net Debt/Equity	0.9	0.6	0.7	0.7	0.5	0.5	0.2

### Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	22,929	31,801	34,448	32,003	21,129	11,047	35,077
Depreciation	10,872	10,591	15,752	20,582	27,780	30,203	31,407
Interest & Finance Charges	3,211	3,324	3,777	3,878	5,626	6,958	6,952
Direct Taxes Paid	-6,899	-8,433	-10,048	-10,498	-10,776	-3,425	-10,874
(Inc)/Dec in WC	-10,278	4,813	-14,820	-958	16,202	-18,654	884
<b>CF from Operations</b>	<b>19,835</b>	<b>42,096</b>	<b>29,109</b>	<b>45,007</b>	<b>59,959</b>	<b>26,130</b>	<b>63,445</b>
Others	2,049	-4,099	3,531	-1,883	3,561	1,300	1,500
<b>CF from Operating incl EO</b>	<b>21,884</b>	<b>37,997</b>	<b>32,640</b>	<b>43,124</b>	<b>63,521</b>	<b>27,430</b>	<b>64,945</b>
(Inc)/Dec in FA	-19,306	-27,789	-30,308	-26,853	-21,943	-18,542	-19,373
<b>Free Cash Flow</b>	<b>2,578</b>	<b>10,208</b>	<b>2,332</b>	<b>16,271</b>	<b>41,578</b>	<b>8,888</b>	<b>45,573</b>
(Pur)/Sale of Investments	-151	-39,675	-2,876	-7,230	-1,210	0	0
Others	396	203	1,243	978	753	0	0
<b>CF from Investments</b>	<b>-19,061</b>	<b>-67,261</b>	<b>-31,941</b>	<b>-33,105</b>	<b>-22,399</b>	<b>-18,542</b>	<b>-19,373</b>
Issue of Shares	0	25,277	0	0	0	0	0
Inc/(Dec) in Debt	7,150	34,092	-9,471	8,147	-6,214	-3,000	-3,000
Interest Paid	-3,227	-3,471	-3,944	-4,159	-5,667	-6,958	-6,952
Dividend Paid	-6,675	-826	-6,332	-6,395	-12,794	-2,170	-5,483
Others	120	104	-2,467	81	-3,157	0	0
CF from Fin. Activity	-2,632	55,176	-22,214	-2,326	-27,832	-12,128	-15,435
<b>Inc/Dec of Cash</b>	<b>191</b>	<b>25,912</b>	<b>-21,515</b>	<b>7,693</b>	<b>13,290</b>	<b>-3,240</b>	<b>30,137</b>
Opening Balance	17,467	17,717	48,866	27,816	35,469	48,789	45,549
<b>Closing Balance</b>	<b>17,658</b>	<b>43,629</b>	<b>27,351</b>	<b>35,509</b>	<b>48,758</b>	<b>45,549</b>	<b>75,686</b>

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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

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