

Mahindra & Mahindra

 Estimate change 

 TP change 

 Rating change 

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Bloomberg	MM IN
Equity Shares (m)	1,209
M.Cap.(INRb)/(USD\$)	746.7 / 10.1
52-Week Range (INR)	625 / 246
1, 6, 12 Rel. Per (%)	4/13/12
12M Avg Val (INR M)	2646

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	455	425	496
EBITDA	58.0	55.4	66.8
Adj. PAT (incl MVML)	35.8	33.7	42.1
Adj. EPS (incl MVML)	30.0	28.2	35.3
EPS Gr. (%)	-30.3	-5.8	25.0
BV/Sh. (INR)	290	313	339

Ratios

RoE (%)	9.7	9.0	10.4
RoCE (%)	5.9	8.3	9.6
Payout (%)	24	21	26

Valuations

P/E (x)	20.0	21.3	17.0
P/BV (x)	2.1	1.9	1.8
Div. Yield (%)	0.4	0.8	1.2
FCF Yield (incl MVML)	0.2	4.0	6.5

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	18.9	18.9	18.9
DII	28.5	26.9	23.1
FII	41.1	41.3	41.9
Others	11.5	12.9	16.1

FII Includes depository receipts

CMP: INR601
TP: INR720 (+20%)
Buy

Above est.; Strong performance in FES

- Mahindra & Mahindra's (MM) 1QFY21 earnings were driven by strong performance in the tractor business. Demand recovery was most prominent in tractors, which has led to supply constraints. While MM's core business would recover faster, the focus on tightening capital allocation could act as a re-rating catalyst. Hence, we see twin levers of EPS growth and re-rating.
- We upgrade FY21/FY22E EPS by 9%/3% to reflect the volume upgrade in tractors and UVs, as well as the improving mix. M&M is one of the few Auto stocks trading at a good discount to LPA. Maintain **Buy** with TP of INR720.

Good operating performance, supported by mix and lower other costs

- MM (incl. MVML)'s revenue/EBITDA/adj. PAT declined by 56%/68%/96%.
- Net realizations declined 1.2% QoQ (flat YoY) to ~INR586.5k (v/s est. INR598.4k). Net sales declined 56% to ~INR55.9b (v/s est. INR57b).
- Gross margins improved ~300bp YoY (-54bp QoQ) to 35.2% (v/s est. 36.5%), driven by favorable mix (tractors contributed 60% v/s 34% in 1QFY20).
- EBITDA margins declined 370bp YoY to 10.3% (v/s est. 7.4%), impacted by op. deleverage. Margin beat was driven by much lower other expenses.
- EBIT margins for tractors improved 110bp YoY to 20.4% (+280bp QoQ), while Autos reported EBIT loss (margins were -28.6% v/s +6.5% in 1QFY20).
- Lower other income restricted adj. PAT to ~INR390m (v/s est. loss of INR109m), implying decline of 96% YoY.

Highlights from management commentary

- **Update on capital allocation:** The company has decided to not bid for US Postal Services order through its US subsidiary, as it does not fit 18% RoI norms and would have required substantial investments of over USD0.5b.
- **Tractors:** FY21 would be a growth year, but supply side would influence demand. The market share loss in 1QFY21 is due to supply side issues.
- Auto demand is yet to be tested as supplies itself are at 50-60% of normal. Rural is doing much better (contribution at 62% v/s 50% normal). Challenge is currently ramping up supplies with demand not an immediate concern.
- **Status of operations:** Capacity utilization stood at FES: >90% and Autos >50%; Number of dealers opened – ~85% for both businesses.
- **Inventory:** Total system stock (company + dealer) for both businesses is at the lowest level over the last three years.
- **New launch pipeline:** *Thar* will be revealed on 15th Aug'20 with launch during Sep-Oct'20. The *W601 (XUV500)* will be launched during 1QFY22 and the *Z101 (Scorpio)* in 3QFY22.

Valuation and view

- Despite MM's recent outperformance, valuations are still at a substantial discount to its 5-year average (which captures both pain points of deterioration in the UV market share and the subsidiaries' performances).
- Implied Core P/E for MM is 16.1x/12.9x FY21/FY22E EPS and 1.5x/1.3x Core P/BV; this implies 19% discount to the 5-year average P/E and 29% discount to the 5-year average P/B. Maintain **Buy** with TP of INR720.

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

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Quarterly Perf. (incl MVML)										(INR Million)	
Y/E March	FY20				FY21E				FY20	FY21E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Total Volumes (nos)	218,039	191,390	216,816	151,713	95,308	169,562	222,713	217,485	777,958	705,068	
Growth YoY (%)	-9.5	-16.3	-7.3	-35.6	-56.3	-11.4	2.7	43.4	-17.2	-9.4	
Net Realization	587,302	571,349	559,012	593,536	586,460	593,656	596,569	599,148	576,833	595,297	
Growth YoY (%)	5.9	2.1	1.5	1.3	-0.1	3.9	6.7	0.9	2.5	3.2	
Net Op. Income	128,055	109,351	121,203	90,047	55,894	100,662	132,864	130,306	448,751	419,725	
Growth YoY (%)	-4.1	-14.5	-6.0	-34.8	-56.4	-7.9	9.6	44.7	-15.1	-6.5	
RM Cost (% of sales)	67.9	66.0	67.3	64.3	64.8	65.2	65.7	66.6	66.7	65.8	
Staff (% of sales)	6.8	7.4	6.8	7.9	13.8	8.1	6.6	6.5	7.1	7.9	
Oth. Exp. (% of Sales)	11.3	12.4	11.1	14.2	11.1	12.7	12.2	12.0	12.0	12.1	
EBITDA	17,936	15,408	17,888	12,275	5,732	14,045	20,591	19,470	63,839	59,839	
EBITDA Margins (%)	14.0	14.1	14.8	13.6	10.3	14.0	15.5	14.9	14.2	14.3	
Other income	1,919	8,225	2,092	3,155	1,338	5,800	2,500	3,515	15,678	13,153	
Interest	302	331	254	359	768	450	360	359	1,252	1,937	
Depreciation	5,839	5,721	5,900	6,172	5,813	6,350	6,740	7,227	23,676	26,129	
EO Income/(Exp)	13,671	0	-6,006	-35,776	288	0	0	0	-28,112	288	
PBT after EO	27,384	17,582	7,821	-26,877	777	13,045	15,991	15,400	26,477	45,213	
Effective Tax Rate (%)	17.5	22.9	51.4	-21.1	12.7	24.8	24.8	25.5	70.6	24.8	
Reported PAT	22,597	13,548	3,802	-32,550	678	9,804	12,018	11,479	7,793	33,978	
Adj PAT	9,180	13,548	9,810	3,230	390	9,804	12,018	11,479	35,770	33,690	
Change (%)	-25.9	-19.3	-15.8	-69.1	-95.8	-27.6	22.5	255.4	-30.3	-5.8	

Segmental performance

Y/E March	FY20				FY21				FY20	FY21E
Segmental (M&M + MVML)	1Q	2Q	3Q	4Q	1Q					
Segment Revenues										
Auto	79,858	68,928	74,238	55,058	20,395			278,083	236,853	
Farm Equipments	43,822	36,315	42,778	31,110	33,408			154,025	167,317	
Others	5,229	4,873	4,757	4,518	2,205			19,377	15,555	
Total Sales	128,909	110,116	121,773	90,686	56,008			451,484	419,725	
Less: Inter-segment	854	766	571	639	114			2,829		
Net Sales	128,055	109,351	121,203	90,047	55,894			448,655	419,725	
Realizations (INR '000/unit)										
Auto	606	576	561	596	688			584	631	
Farm Equipments	507	506	507	525	509			510	520	
Blended	587	571	559	594	586			577	595	
Segment PBIT										
Auto	5,180	3,973	5,417	2,253	-5,837			16,824	7,589	
Farm Equipments	8,447	7,019	8,309	5,488	6,823			29,262	31,790	
Others	285	183	168	89	-54			726	233	
Total	13,913	11,175	13,894	7,831	932			46,812	39,612	
Segment PBIT Margins (%)										
Auto - PBIT Margins (%)	6.5	5.8	7.3	4.1	-28.6			6.1	3.2	
FES - PBIT Margins (%)	19.3	19.3	19.4	17.6	20.4			19.0	19.0	
Others	5.5	3.8	3.5	2.0	-2.4			3.7	1.5	
Total	10.8	10.1	11.4	8.6	1.7			10.4	9.4	

Key Performance Indicators	FY20				FY21E				FY20	FY21E
Y/E March	1Q	2Q	3Q	4QE	1Q	2QE	3QE	4QE		
Tractors (incl Exports)	86,350	71,820	84,455	59,290	65,657	85,514	95,864	74,504	301,915	321,539
Change (%)	-14.3	-8.0	-6.9	-2.6	-24.0	19.1	13.5	25.7	-8.6	6.5
Total UV ('000 units)	106,868	91,398	103,392	73,179	27,395	80,691	113,106	117,464	367,264	318,611
Change (%)	-4.7	-22.9	-8.2	-48.0	-74.4	-11.7	9.4	60.5	-21.3	-13.2
Other Autos ('000 units)	24,821	28,172	28,969	19,244	2,256	3,357	13,743	25,516	108,779	64,917
Change (%)	-11.2	-12.0	-5.6	-43.2	-90.9	-88.1	-52.6	32.6	-23.3	-40.3
Cost Break-up										
RM Cost (% of sales)	67.9	66.0	67.3	64.3	64.8	65.2	65.7	66.6	66.7	65.8
Staff Cost (% of sales)	6.8	7.4	6.8	7.9	13.8	8.1	6.6	6.5	7.1	7.9
Other Cost (% of sales)	11.3	12.4	11.1	14.2	11.1	12.7	12.2	12.0	12.0	12.1
Gross Margins (%)	32.1	34.0	32.7	35.7	35.2	34.8	34.3	33.4	33.3	34.2
EBITDA Margins (%)	14.0	14.1	14.8	13.6	10.3	14.0	15.5	14.9	14.2	14.3
EBIT Margins (%)	9.4	8.9	9.9	6.8	-0.1	7.6	10.4	9.4	8.9	8.0

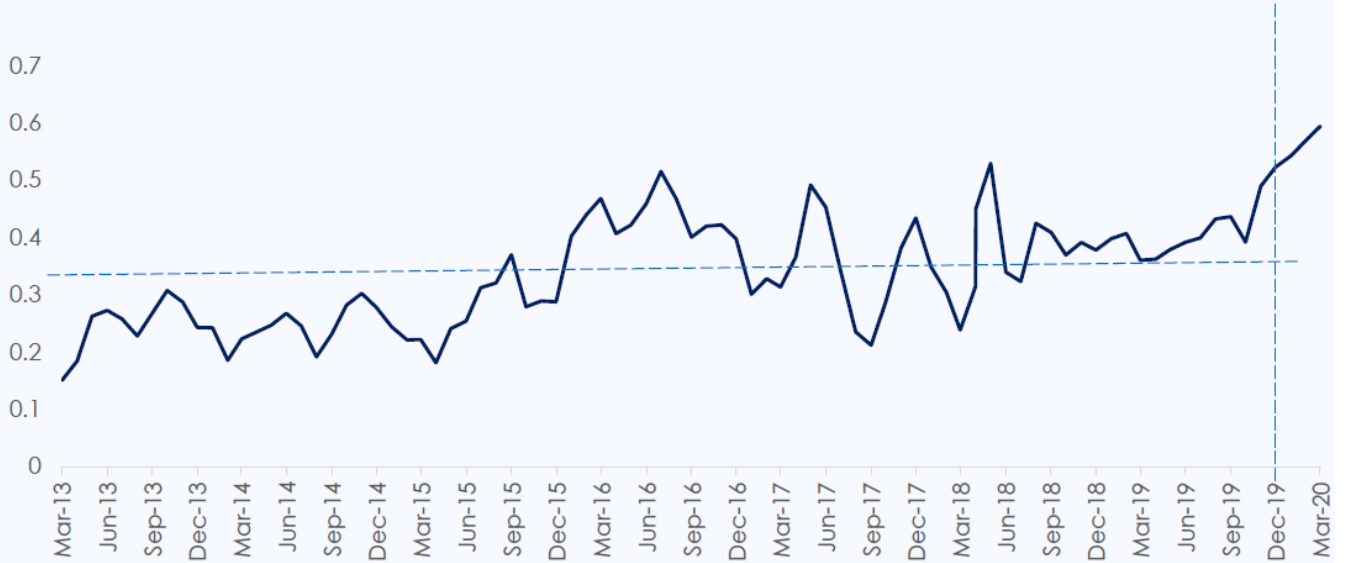


Management call highlights

- **Status of operations:** Capacity utilization stood at FES: >90% and autos >50%; Number of dealers opened – ~85% for both businesses and 100% suppliers are operational.
- **Inventory:** Total system stock for both businesses (company + dealer) is at the lowest level in the last three years. In tractors, there was nothing much left to bill by end-Jun'20.
- **Tractors:** FY21 would be a growth year with supply side uncertainties. Tractors' market share declined 39.1% in 1QFY21 (v/s 41.2% in FY20) due to supply side issues.
- **Auto:** Current demand is 50-60% of normal; however, a clearer picture would emerge over the next 3-4 months. Rural is doing much better (contribution at 62% v/s 50% normal). Current challenge is to ramp up supplies with demand not being an immediate concern.
- **Key management concerns currently are:** Any supply chain disruption due to local lockdowns and COVID spreading to rural areas, which could impact demand in rural markets.
- **Update on Capital allocation:** It decided to not bid for the US Postal Services order through its North American subsidiary, as it does not fit the 18% RoI norms and would have required substantial investments of over USD0.5b. It has written-off preparatory cost in this quarter. Further, it reiterated its decision of not funding losses of SYMC as well as Mar'21 timeline for deciding on all the loss making subs. The management team would be accountable for 3 variables i.e. EPS growth, RoE and FCF.
- It added **Bristlecone** as the 10th Gem to its businesses: Bristlecone is a profitable company providing specialized technology for supply chain and serves Fortune 500 companies.
- 1QFY21 EBITDA margins got a boost from reduction in several expenses, which should normalize. Also, net variable margin has improved in both businesses and a large part of it is sustainable.
- Diesel model share in UVs declined to 44% in 1QFY21 (v/s 50% in 4QFY20).
- **US Tractor:** It saw positive retail momentum with 1QFY21 growth at 15% and 22% growth in FY21YTD. It is taking this opportunity to correct its stocks as well as reduce cost. It is targeting to reduce losses at least by half in FY21.
- **Jawa:** Demand is very strong; however, it took longer for BS6 transition. It faced supply side issues from suppliers from Pune. The situation is normal now.
- **New Launches pipeline:** *Thar* will be revealed on 15th Aug and launched during Sep-Oct'20. *W601 (XUV500)* would be launched during 1QFY22 and the *Z101 (Scorpio)* in 3QFY22. K2 Tractor platform launch would be in two years.
- **EV partnership:** MM is looking for external partners for investment of USD100m for business needs (including product development), which would be funded through stake sale.
- **Capex:** FY22-24 capex target stands at INR90b (v/s INR120b earlier).

Exhibit 1: Rural growth is buoyant

Rural - Govt Spend Index*: Gov spending on Agriculture & Rural Development improved significantly towards Q4 F20

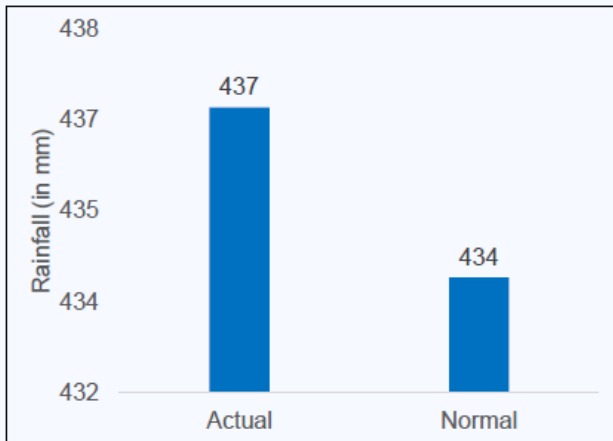


* M&M internal index to measure Government spending on Agriculture & Rural Development

Source: Company

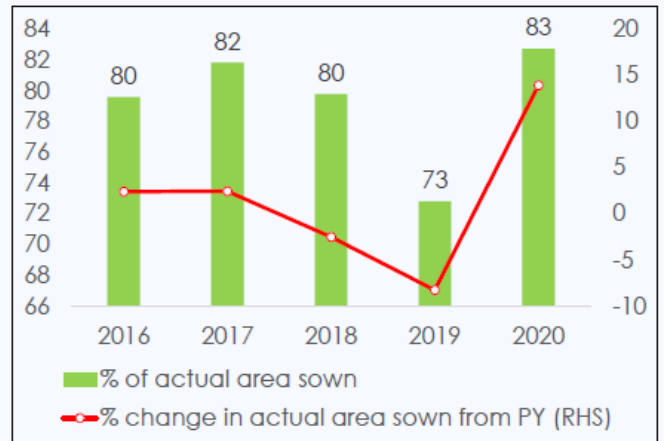
Exhibit 2: Initial Agri-indicators are very positive

Cumulative rainfall **higher than LPA by 1%**



Note: As on 29th July, 2020

Kharif acreage so far – highest in 5 years
higher than PY by 19%













Note: As on 31st July, 2020

Source: Company

Exhibit 3: Bristlecone added as 10th GEM in MM’s billion-dollar candidates group

GROWTH DRIVERS ... OUR GEMS




	Susten	Technology led utility scale solar dev-co w/ intl EPC experience
	Rural Housing Finance	Small ticket rural housing loans, large field force & customer-oriented products
	Powerol	Telecom genset provider w/ strong distribution; Scaling up thro' high KVA gensets
	Accelo	India's leading steel solution provider with foray into auto re-cycling through Cero
	Agri	Trusted provider of Agri inputs (seeds, crop care, irrigation) and high-quality fruits
	Aftermarket	Used car sales w/ strong strength in enterprise, large franchisee network & online presence
	Classic Legends	Launched historic brands in premium motorcycle segment; Strong start in market
	Electric	Making EVs since 2010, ME will build scale with EV technology for PVs and 3 wheelers.
	Mobility	High quality service for corporate employees with focus on EVs
	Bristlecone	Specialist technology provider for supply chain, serving Fortune 500 customers

RIGHT to WIN ...

Source: Company

Exhibit 4: Actions till date on capital allocation

PATH TO 18% ROE

	SYMC ...	No further investment
	GENZE ... (Mahindra Tractor Assembly)	Exit announced
	MANA ... (Mahindra Automotive NA)	No USPS Bid

Source: Company

Exhibit 5: Trend in passenger UV volumes

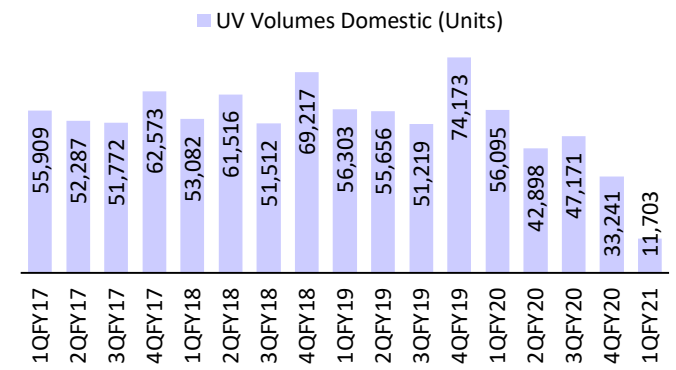


Exhibit 6: Trend in passenger UV market share

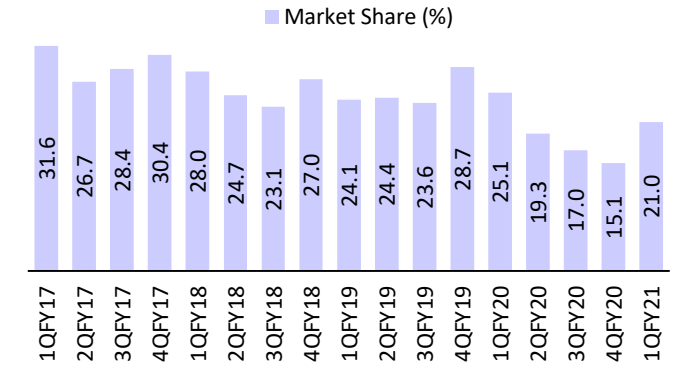


Exhibit 7: Trend in tractor volumes

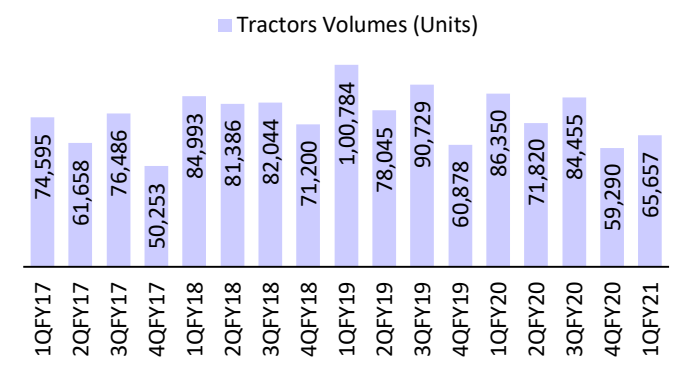


Exhibit 8: Trend in tractor market share

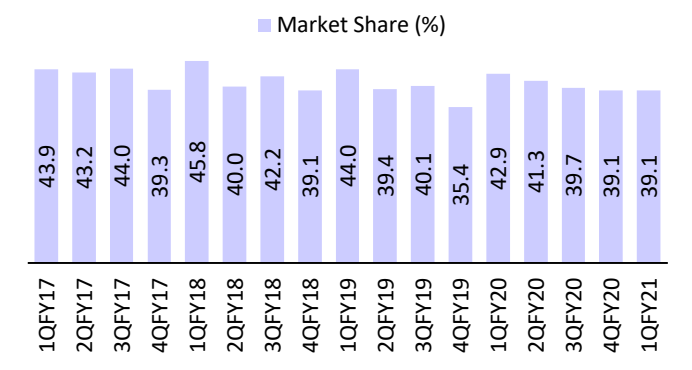


Exhibit 9: Trend in Auto realization

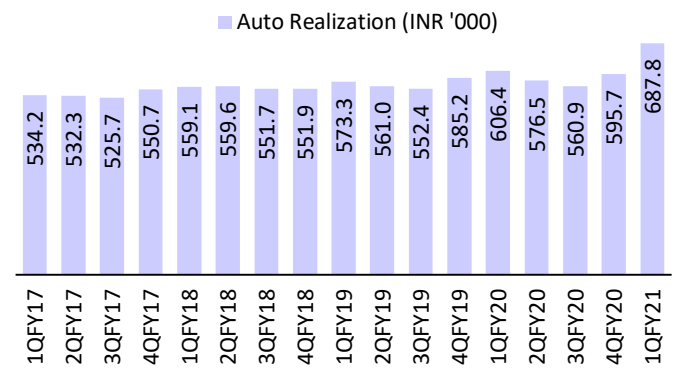


Exhibit 10: Trend in FES realization

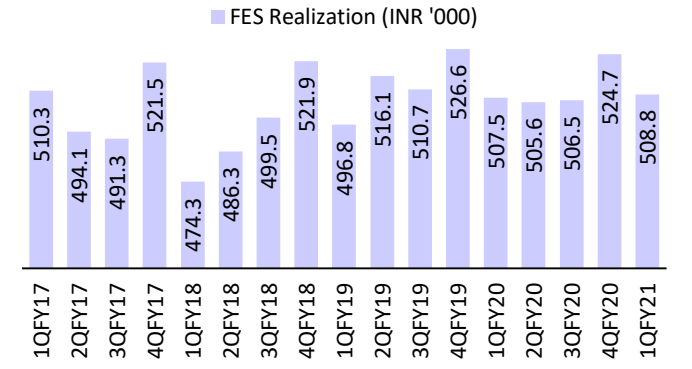


Exhibit 11: Trend in EBITDA margin

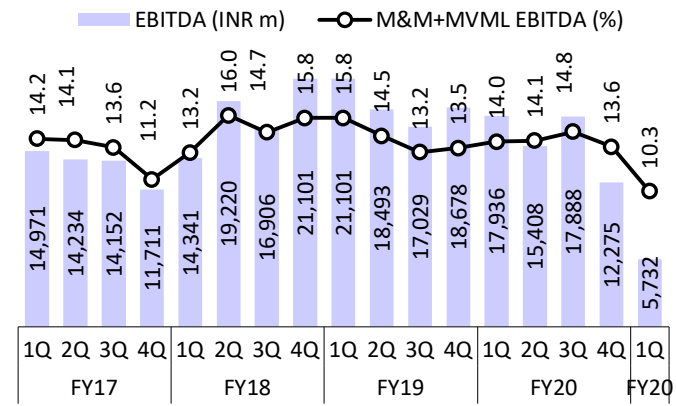
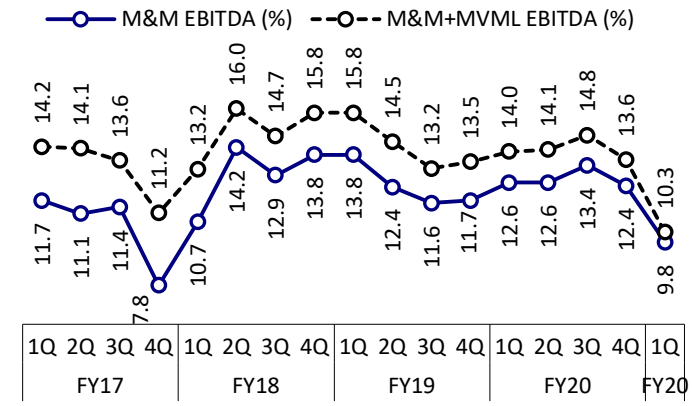


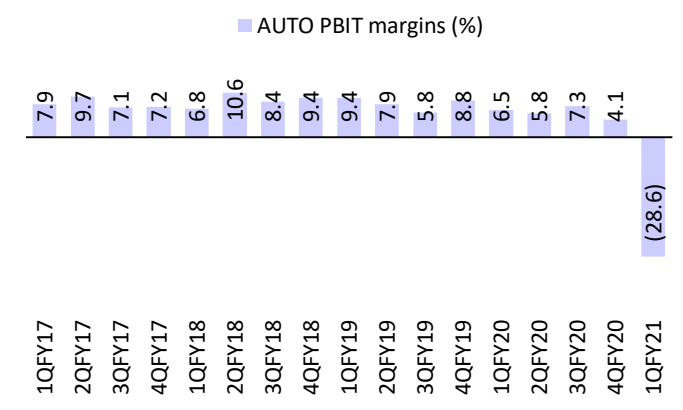
Exhibit 12: Trend in S/A and MM (incl. MVML) margins



Source: Company, MOFSL

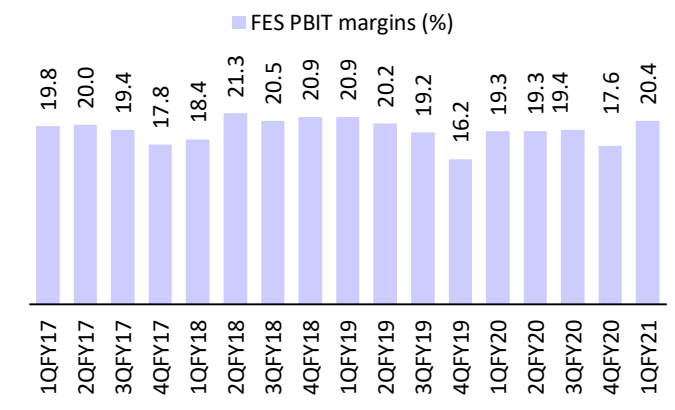
Source: Company, MOFSL

Exhibit 13: Trend in Auto PBIT margins



Source: Company, MOFSL

Exhibit 14: Trend in FES PBIT margins



Source: Company, MOFSL

Valuation and view

- Management change – a generational shift underway:** After a gap of almost 24 years, MM would see a leadership change, with both the Executive Chairman (Mr. Anand Mahindra) and MD & CEO (Dr. Pawan Goenka) retiring in 2021. Dr. Anish Shah would take over as MD & CEO from 2nd Apr'21, in turn becoming the 5th MD of MM over the last 40 years. Dr. Shah's priorities seem to be clearly set out for the next few years. This includes: (a) revisiting capital allocation in subsidiaries (over the next 12 months), (b) funding other group businesses, and (c) evaluating the segregation of the Auto and FES businesses (over the next 3-5 years). We believe there are several low-hanging fruits in the form of loss-making, non-core businesses (Aerospace, Global 2Ws, Retail, etc.), which could be divested or closed.
- Best rural proxy, with two of three core businesses on strong footing:** MM has one of the highest exposures to the rural markets (~65% of volumes), which are expected to be less impacted by the on-going impact of COVID-19. According to our estimates, rural markets should contribute ~62% to revenues, 81% to core PAT, and ~70% to SOTP in FY22E. We have slotted MM's core business into three buckets: Tractors, Pick-up UVs, and Passenger UVs. Tractors and Pick-up UVs are on a strong footing in terms of outlook, MM's competitive positioning, and industry-level consolidation. However, MM's SUVs business is severely challenged, and we do not see any respite for the company in this category in the foreseeable future.
- Tractors primed for fastest recovery in Auto; reforms to potentially drive next phase of farm mechanization:** The Tractors segment has been seeing volume recovery since Dec'19, driven by improvement in farm-level indicators such as output prices, lower input prices, higher government spend in rural areas, and unusually strong water reservoir levels. Furthermore, a good rabi crop and expected normal monsoons have further improved the outlook for farm income. The supply side is getting back in shape post the lifting of restrictions (expect normalized production by Aug'20). This also augurs well for the Tractors segment's volume recovery from Sep'20. We estimate Tractor industry volumes to grow 8-10% in FY21E (supply-side disruption is the key risk) and grow 12-14% in FY22E, with MM also growing in line.
- MM's positioning in LCVs to further strengthen under BS6:** Looking beyond the cyclical downturn, we believe the fundamentals of the LCV segment are strong.

Also, LCVs should continue to benefit from the increasing emergence of the 'Hub and Spoke' model. We estimate the LCV industry to deliver an 8-10% CAGR over the next five years. MM enjoys market share of ~42.5% in the overall LCV segment and ~65% in the 2-3.5 ton LCV segment. Under BS6, MM's pick-up business' competitive positioning should improve v/s SCVs/LCVs due to lower price inflation. While near-term volumes would be impacted due to COVID-19 and the BS6 transition, we estimate volume CAGR of 8% over FY20–23E.

- **Competitive intensity in fast-growing SUV segment to remain high; MM remains vulnerable:** While MM is trying to catch up with competition on the products side we see limited visibility for MM making a comeback. Over the next 12–18 months, the company has several upgrades and new launches lined-up: (a) *e-KUV100*, (b) *new Thar*, (c) *new XUV500*, (d) *new Scorpio*, and (e) *e-XUV300*. We have not built-in benefits from any imminent launches or material benefit on product development from MM's recent JV with Ford India. We estimate Passenger UV volumes to be flat over FY20-23E.
- **Valuation and view:** We upgrade FY21/FY22E EPS by 9%/3% to reflect the volume upgrade in tractors and UVs, as well as the improving mix. Despite MM's recent outperformance, valuations are still at a substantial discount to its five-year average (which captures both pain points of deterioration in the UV market share and the subsidiaries' performance). Implied Core P/E for MM is 16.1x/12.9x FY21/FY22E EPS and 1.5x/1.3x Core P/BV; this implies a 19% discount to the 5-year average P/E and 29% discount to the 5-year average P/B. Maintain Buy with TP of INR720. Our Sep'22E-based SOTP TP is ~INR720/share, implying core P/E of ~15.3x (v/s five-year average core P/E of ~15.9x and 10-year average of ~14.3x). Maintain **Buy**.

Exhibit 15: Revised estimates

	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	705	686	2.7	815	790	3.2
Net Sales	425	417	1.8	496	490	1.2
EBITDA (% incl MVML)	14.3	13.8	50bp	14.8	14.8	0bp
Net Profit	32	29	10.7	40	38	4.2
EPS (INR)	27.0	24.4	10.7	33.5	32.2	4.2
EPS (INR, incl MVML)	28.2	25.9	9.1	35.3	34.3	3.0

Source: MOFSL

Exhibit 16: MM: Sum-of-the-parts (INR/share)

INR/sh	Target P/E (x)	FY21E	FY22E	FY23E
Tractors	18	364	417	454
Autos	12	44	83	92
Others	8	38	45	57
Value of Core Business		446	544	603
Value of subs post hold-co	40% Hold-Co	146	146	146
- Tech Mahindra		84	84	84
- MMFSL		21	21	21
- Mah. Lifespaces		3	3	3
- Mah. Holidays		7	7	7
- SYMC		13	13	13
- Mah. Logistics		9	9	9
- Others		8	8	8
Fair Value (INR/sh)		591	690	749

Source: MOFSL

Exhibit 17: MM: Core P/E trend

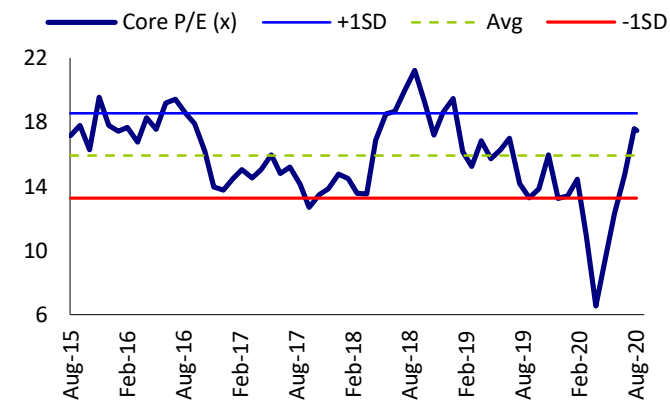
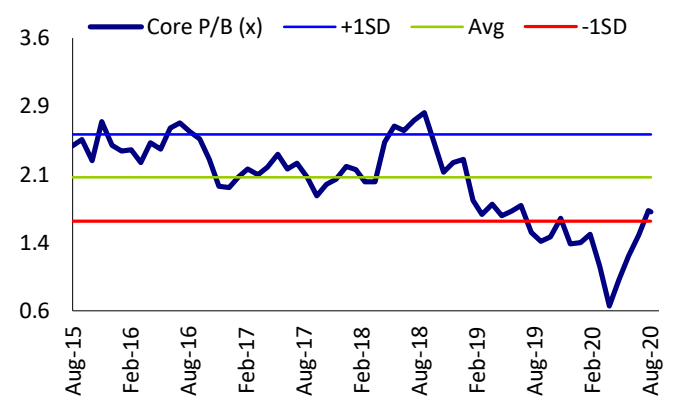


Exhibit 18: MM: Core P/B trend



Source: Bloomberg, MOFSL

Operating metrics

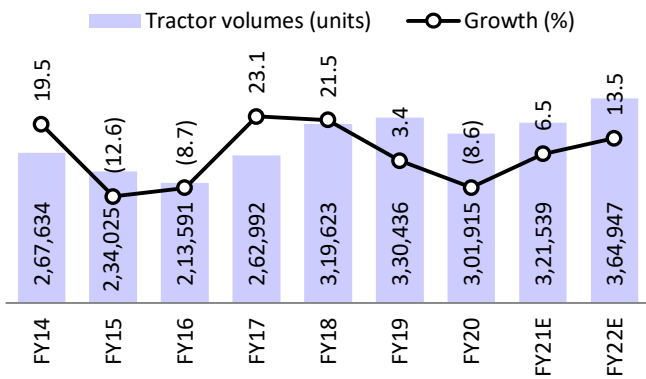
Exhibit 19: Snapshot of Revenue model (Standalone)

000 units	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Tractors	214	263	320	330	302	322	365
Growth (%)	-8.7	23.1	21.5	3.4	-8.6	6.5	13.5
% of total volumes	30.3	34.3	36.8	35.2	38.8	45.6	44.8
Autos							
Pick-up/LCVs (<3.5t)	156	168	200	229	188	165	207
Growth (%)	6.7	7.7	19.1	14.9	-18.1	-12.0	25.0
SUVs	233	223	235	237	179	153	171
Growth (%)	-41.4	-4.4	5.7	0.9	-24.4	-14.6	11.7
3-Ws	55	52	55	67	62	35	38
Growth (%)	-3.2	-4.9	4.4	22.1	-6.8	-44.0	10.0
LCVs (>3.5t)	6	8	8	8	6	4	5
Growth (%)	20.6	18.7	1.6	8.6	-26.5	-40.0	30.0
M&HCVs (MTBL)	6	7	9	11	5	3	4
Growth (%)	63.1	17.7	41.2	14.3	-53.0	-45.0	25.0
Others & Exports	36	47	42	56	35	24	26
Growth (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Autos	492	504	549	609	476	384	450
Growth (%)	6.1	2.5	8.9	10.8	-21.8	-19.4	17.4
% of total volumes	69.7	65.7	63.2	64.8	61.2	54.4	55.2
Total volumes ('000 units)	705	767	869	939	778	705	815
Growth (%)	1.3	8.8	12.9	8.1	-17.2	-9.4	15.6
ASP (INR '000/Unit)	571	572	560	571	585	602	608
Growth (%)	5.2	0.3	-2.1	1.9	2.4	3.0	1.0
Net Sales (INR b)	404	441	487	536	455	425	496
Growth (%)	6.6	9.1	10.5	10.1	-15.2	-6.7	16.8

Source: Company, MOFSL

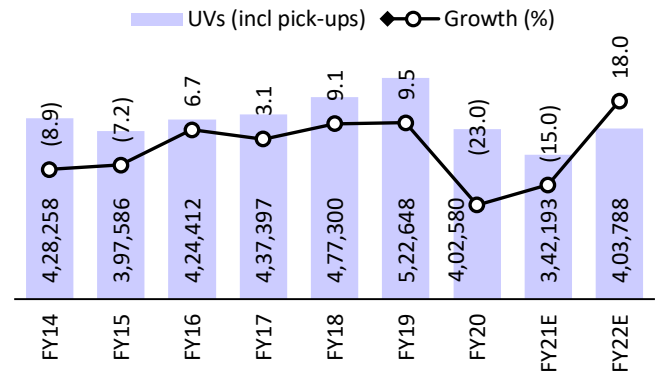
Story in charts

Exhibit 20: Trend in Tractors volumes



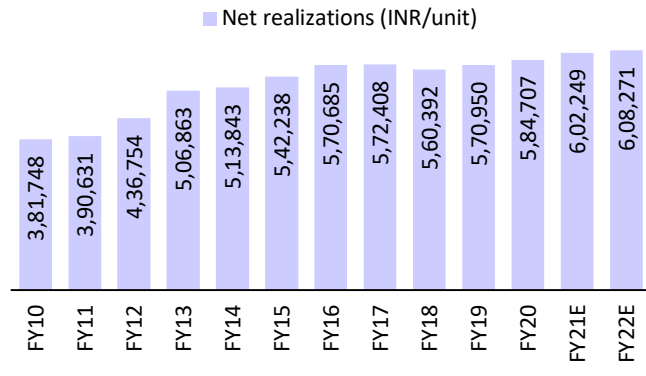
Source: Company, MOFSL

Exhibit 21: New product launches to drive UV sales



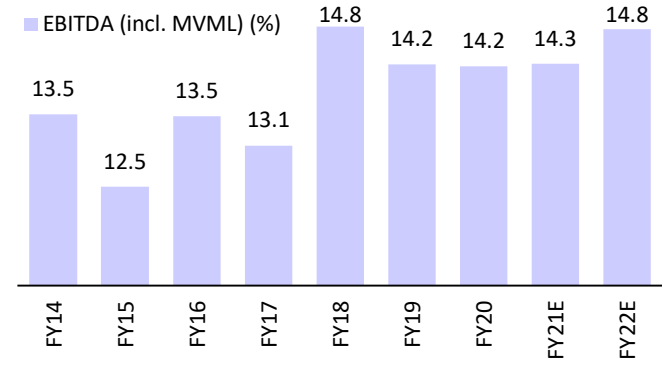
Source: Company, MOFSL

Exhibit 22: Realization trend



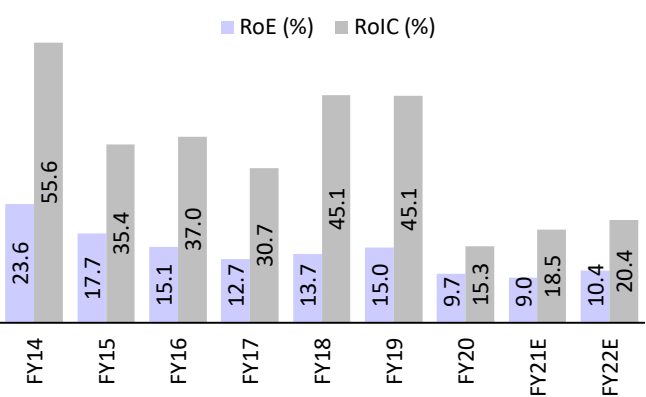
Source: Company, MOFSL

Exhibit 23: Trend in EBITDA margins



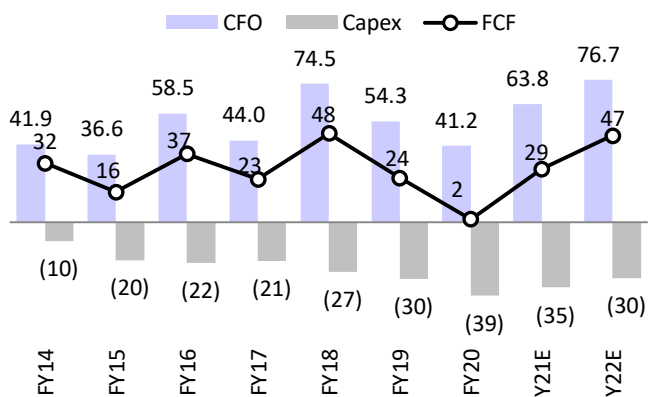
Source: Company, MOFSL

Exhibit 24: Trend in return profile



Source: Company, MOFSL

Exhibit 25: FCF to improve despite high capex plans



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
Net Op. Income	408,751	440,535	486,856	536,140	454,878	424,626	495,964	
Change (%)	6.3	7.8	10.5	10.1	-15.2	-6.7	16.8	
Total Expenditure	362,551	395,388	424,615	469,744	396,897	369,214	429,136	
EBITDA	46,199	45,147	62,240	66,396	57,981	55,412	66,828	
Margins (%)	11.3	10.2	12.8	12.4	12.7	13.0	13.5	
Margins (% incl MVML)	13.5	13.1	14.8	14.2	14.2	14.3	14.8	
Depreciation	10,681	15,264	14,794	18,604	22,226	24,649	28,474	
EBIT	35,518	29,883	47,446	47,792	35,754	30,762	38,354	
Deferred Revenue Exp.	0	0	0	0	0	0	0	
Int. & Finance Charges	1,861	1,596	1,122	1,134	1,132	1,687	1,632	
Other Income	8,499	13,455	10,364	16,890	16,678	13,953	16,569	
Non-recurring Income	687	5,485	4,336	-297	-20,140	0	0	
Profit before Tax	42,845	47,226	61,024	63,250	31,160	43,028	53,290	
Eff. Tax Rate (%)	25.2	22.9	28.6	24.2	57.3	25.0	25.0	
Profit after Tax	32,046	36,434	43,560	47,960	13,306	32,271	39,967	
Adj. Profit after Tax	31,532	31,130	39,220	48,260	33,450	32,271	39,967	
Change (%)	(1.2)	(1.3)	26.0	23.0	(30.7)	(3.5)	23.8	
Adj. PAT (incl MVML)	33,394	35,133	43,202	51,288	35,770	33,690	42,103	
Balance Sheet							(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
Share Capital	2,963	2,968	5,950	5,958	5,965	5,965	5,965	
Reserves	221,269	264,888	296,991	336,135	338,713	364,053	393,623	
Net Worth	224,232	267,856	302,941	342,093	344,679	370,018	399,588	
Deferred tax	-54	2,548	2,772	6,341	14,082	14,082	14,082	
Loans	18,436	27,729	28,644	25,713	30,680	30,680	28,680	
Capital Employed	242,614	298,134	334,357	374,147	389,440	414,779	442,349	
Application of Funds								
Gross Fixed Assets	139,386	154,778	182,295	223,122	248,477	308,571	338,571	
Less: Depreciation	63,426	77,068	103,700	122,304	144,531	169,180	197,654	
Net Fixed Assets	75,960	77,710	78,594	100,818	103,946	139,391	140,917	
Capital WIP	15,622	20,404	31,287	24,198	40,095	15,000	15,000	
Investments	135,474	179,084	205,830	220,160	199,381	207,029	219,029	
Curr.Assets, L & Adv.	123,286	125,034	158,457	181,795	161,599	167,332	195,057	
Inventory	26,879	27,580	27,017	38,393	34,009	30,407	35,516	
Sundry Debtors	25,116	29,388	31,730	39,463	29,990	27,921	32,611	
Cash & Bank Bal.	22,870	16,875	28,937	37,317	42,365	51,553	68,013	
Loans & Advances	17,103	5,406	10,182	7,110	6,509	8,725	10,191	
Others	31,317	45,784	60,591	59,513	48,726	48,726	48,726	
Current Liab. & Prov.	107,728	104,098	139,811	152,824	115,581	113,972	127,654	
Sundry Creditors	66,780	68,811	86,034	96,782	67,858	69,802	81,528	
Other Liabilities	30,300	21,388	38,485	40,326	32,537	32,537	32,537	
Provisions	10,648	13,899	15,292	15,716	15,185	11,634	13,588	
Net Current Assets	15,558	20,935	18,646	28,971	46,018	53,359	67,404	
Application of Funds	242,614	298,134	334,357	374,147	389,440	414,779	442,349	

E: MOFSL Estimates

Financials and valuations

Ratios							
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
Fully diluted EPS	26.6	26.2	33.0	40.5	28.0	27.0	33.5
FD EPS (incl MVML)	28.2	29.6	36.3	43.0	30.0	28.2	35.3
Cash EPS	35.6	39.1	45.4	56.1	46.7	47.7	57.4
Book Value per Share	195.0	225.1	256.2	293.7	290.3	312.7	339.3
DPS	6.0	6.5	7.5	8.5	2.4	5.0	7.5
Payout (Incl. Div. Tax) %	26.3	12.3	23.8	24.5	24.5	21.5	26.0
Valuation (x)							
P/E	21.3	20.3	16.5	14.0	20.0	21.3	17.0
Cash P/E	16.9	15.4	13.2	10.7	12.9	12.6	10.5
EV/EBITDA	7.1	7.3	10.8	10.2	11.7	12.1	9.8
EV/Sales	0.8	0.8	1.4	1.3	1.5	1.6	1.3
Price to Book Value	3.1	2.7	2.3	2.0	2.1	1.9	1.8
Dividend Yield (%)	1.0	1.1	1.2	1.4	0.4	0.8	1.2
Profitability Ratios (%)							
RoE	15.1	12.7	13.7	15.0	9.7	9.0	10.4
RoCE	13.4	12.4	13.0	13.8	5.9	8.3	9.6
ROIC	37.0	30.7	45.1	45.1	15.3	18.5	20.4
Turnover Ratios							
Debtors (Days)	23	24	24	27	24	24	24
Inventory (Days)	24	23	20	26	27	26	26
Creditors (Days)	60	57	65	66	54	60	60
Working Capital (Days)	14	17	14	20	37	46	50
Asset Turnover (x)	1.7	1.5	1.5	1.4	1.2	1.0	1.1
Leverage Ratio							
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2

Cash Flow Statement							(INR Million)
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
OP/(Loss) before Tax	41,612	41,742	56,688	63,547	51,300	30,762	38,354
Int./Dividends Received	-3,027	-9,800	-8,084	-13,184	-14,327	13,953	16,569
Depreciation & Amort.	11,086	15,264	14,794	18,604	22,226	24,649	28,474
Direct Taxes Paid	-9,279	-9,929	-12,887	-14,341	-10,823	-10,757	-13,322
(Inc)/Dec in Wkg. Capital	14,393	-508	17,803	-5,060	-13,260	1,846	2,416
Other Items		332	1,957	-327	1,662		
CF from Oper. Activity	54,785	37,100	70,271	49,239	36,778	60,454	72,490
(Inc)/Dec in FA+CWIP	-21,597	-20,743	-26,688	-30,316	-39,437	-35,000	-30,000
Free Cash Flow	33,189	16,358	43,583	18,923	-2,658	25,454	42,490
(Pur)/Sale of Invest.	-13,865	-7,076	-24,416	4,826	13,672	-7,648	-12,000
CF from Inv. Activity	-35,461	-27,818	-51,104	-25,490	-25,764	-42,648	-42,000
Change in Net Worth	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-9,500	-1,742	592	-3,725	3,289	0	-2,000
Interest Paid	-2,110	-1,482	-1,695	-1,710	-1,570	-1,687	-1,632
Dividends Paid	-8,461	-8,391	-9,230	-10,117	-11,874	-6,133	-9,116
CF from Fin. Activity	-20,071	-11,615	-10,333	-15,552	-10,155	-7,821	-12,748
Inc/(Dec) in Cash	-747	-2,333	8,834	8,196	859	9,986	17,742
Add: Beginning Balance	20,648	22,870	16,875	14,180	22,376	42,365	51,553
Closing Balance	20,069	20,705	25,876	22,376	23,235	52,351	69,295

E: MOFSL Estimates

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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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