

Estimate change



TP change



Rating change



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Bloomberg	MSIL IN
Equity Shares (m)	302
M.Cap.(INRb)/(USDb)	1868.5 / 25.4
52-Week Range (INR)	7755 / 4002
1, 6, 12 Rel. Per (%)	0/-4/10
12M Avg Val (INR M)	8328

Financials & valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	756	650	786
EBITDA	73.0	54.2	91.7
Adj. PAT	56.5	45.6	72.0
EBIT Margin (%)	5.0	3.4	7.2
Cons. Adj. EPS (INR)	188.0	152.1	242.0
EPS Gr. (%)	-25.8	-19.1	59.1
BV/Sh. (INR)	1,603	1,646	1,758

Ratios

Net D:E	-23	-42	-42
RoE (%)	11.7	9.2	13.6
RoCE (%)	14.6	11.4	17.2
Payout (%)	51	72	53

Valuations

P/E (x)	32.9	40.7	25.6
P/BV (x)	3.9	3.8	3.5
Div. Yield (%)	1.3	1.5	1.7
FCF Yield (%)	0.0	1.8	2.6

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	56.3	56.3	56.2
DII	17.1	16.7	13.5
FII	21.5	21.6	23.2
Others	5.2	5.4	7.2

FII Includes depository receipts

CMP: INR6,186
TP: INR6,850 (+11%)
Buy

Operating results in line; Demand uncertainty remains

Demand back to 85-90% of retails, but situation dynamic due to COVID

- While MSIL's 1QFY21 performance was insignificant as normal operations were there only for two weeks in 1Q, commentary on demand recovery is positive. However, commentary on demand recovery is positive. Management has not given any demand outlook as the situation in dynamic and operating environment is changing frequently.
- We upgrade our FY21/FY22E EPS by ~13%/5% to factor in for cost cutting initiatives, higher other income and lower depreciation. Maintain **Buy**.

In-line operating performance, Higher other income restricts losses

- MSIL's 1QFY21 revenues declined 79% to ~INR41b; EBITDA/PAT loss was reported at ~INR8.6b/INR2.5b.
- MSIL's domestic PV market share declined sharply by 430bp YoY (700bp QoQ) to 47.3% in 1QFY21 due to supply side challenges.
- Net realization saw steep increase of 9.3% QoQ (+13.2% YoY) to ~INR536k (v/s est. ~INR471k) as non-vehicular revenue contribution was very high, though vehicle ASP were stable.
- Gross margin contracted ~120bp QoQ (140bp YoY) due to sharp decline in inventory levels (impact of INR1.1b or 3.5pp). Also, the Gujarat plant's operating deleverage impacted MSIL's gross margins. This coupled with operating deleverage resulted in EBITDA losses.
- Higher other income of ~INR13.2b (v/s est. INR8b) due to MTM gains on treasury restricted PAT loss to ~INR2.5b (v/s est. INR7.5b).

Highlights from management commentary

- Retail demand stood at 85-90% of pre-COVID levels with rural markets bouncing back stronger than urban.
- Entry-level cars demand increased to 65% v/s 55-56% earlier. Salaried customer share has gone up to 49% (from 45%), self-employed is stable and contribution of customers having business has come down.
- First-time buyers contribution has increased by 5.5pp (to 50-51%), whereas replacement is down to 16-17% (v/s 25-26%). Second car demand is also up.
- Status of operations:** Current production ramp-up is at run-rate of over 4,000/day. With Gujarat plant starting second shift from mid-Aug'20, it will add 900/day to current run-rate of 900/day.
- Due to new lockdowns, number of operational dealerships have come down from >90% in beginning of Jun'20 to 80-92%.
- Discounts were at INR25,000/unit (~INR14,000/unit on retail sales) as Wholesales (67k units) were substantially lower than Retails (119k units).
- Diesel models share for the industry declined to 20.6% (v/s 29.5% YoY).
- Inventory for MSIL stood at 80k units or 25 days.

Valuation and view

- MSIL would be the fastest to recover on account of its strong brand equity and strength in entry-and mid-segment PVs. Key monitorables are (a) normalization of operations, and (b) sustenance of demand recovery.
- The stock trades at 40.7x/25.6x FY21/FY22E consol. EPS. Maintain **Buy**, with TP of ~INR6,850 (~25x Sep'22E consol. EPS).

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S/A Quarterly Performance

(INR Million)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Net operating revenues	197,198	169,853	207,068	181,987	41,065	161,687	217,066	229,740	756,106	649,558	36,087
Change (%)	-12.2	-23.6	5.3	-15.2	-79.2	-4.8	4.8	26.2	-12.1	-14.1	-81.7
EBITDA	20,478	16,063	21,021	15,464	-8,634	15,147	22,319	25,366	73,026	54,197	-8,698
EBITDA Margins (%)	10.4	9.5	10.2	8.5	-21.0	9.4	10.3	11.0	9.7	8.3	-24.1
Depreciation	9,186	9,261	8,580	8,230	7,833	7,900	8,100	8,333	35,257	32,166	8,300
EBIT	11,292	6,802	12,441	7,234	-16,467	7,247	14,219	17,033	37,769	22,032	-16,998
EBIT Margins (%)	5.7	4.0	6.0	4.0	-40.1	4.5	6.6	7.4	5.0	3.4	-47.1
Interest	547	282	217	283	173	240	230	207	1,329	850	300
Non-Operating Income	8,364	9,200	7,840	8,804	13,183	7,500	7,250	7,472	34,208	35,405	8,000
PBT	19,109	15,720	20,064	15,755	-3,457	14,507	21,239	24,298	70,648	56,587	-9,298
Effective Tax Rate (%)	24.9	13.6	22.0	18.0	27.9	19.5	19.5	20.7	20.0	19.5	19.3
Adjusted PAT	14,355	13,586	15,648	12,917	-2,494	11,683	17,105	19,279	56,506	45,573	-7,501
Change (%)	-27.3	-35.3	5.1	-28.1	-117.4	-14.0	9.3	49.3	-23.2	-19.3	-152.3

Key Performance Indicators

Y/E March	FY20				FY21E				FY20	FY21E	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Dom. PV Market Sh (%)	51.6	49.5	51.9	54.4	47.3				51.9		
Volumes ('000 units)	402.6	338.3	437.4	384.4	76.6	337.3	453.9	477.5	1,562.6	1,345.3	76.6
Change (%)	-17.9	-30.2	2.0	-16.2	-81.0	-0.3	3.8	24.2	-16.1	-13.9	-81.0
Discounts (INR '000/car)	16.9	25.8	33.0	19.1	25.0				23.9		
% of Net Realn	3.5	5.1	7.0	4.0	4.7				4.9		
Net Realizations (INR '000/car)	489.8	502.1	473.4	473.5	536.1	479.4	478.2	481.1	483.9	482.8	471.1
Change (%)	7.0	9.5	3.2	1.2	9.4	-4.5	1.0	1.6	4.8	-0.2	-3.8
Cost Break-up											
RM Cost (% of sales)	70.1	71.2	70.9	70.3	71.5	70.0	71.0	71.0	70.3	70.8	71.0
Staff Cost (% of sales)	4.4	4.9	4.2	4.5	17.8	4.8	4.0	3.9	4.5	5.0	20.2
Other Cost (% of sales)	15.2	14.4	14.8	16.7	31.7	15.8	14.7	14.1	15.6	15.9	32.9
Gross Margins (%)	29.9	28.8	29.1	29.7	28.5	30.0	29.0	29.0	29.7	29.2	29.0
EBITDA Margins (%)	10.4	9.5	10.2	8.5	-21.0	9.4	10.3	11.0	9.7	8.3	-24
EBIT Margins (%)	5.7	4.0	6.0	4.0	-40.1	4.5	6.6	7.4	5.0	3.4	-47.1

E:MOFSL Estimates

Earnings call highlights

- **Demand post lockdown:** Retail demand stood at 85-90% of pre-COVID levels. In some states, retail was higher than last year. Kerala, Maharashtra and TN were the worst hit. Rural markets are bouncing back stronger than urban.
- Entry-level car demand has increased to 65% share v/s 55-56% earlier.
- Salaried customer share has gone up to 49% (from 45%), self-employed is stable and business has come down.
- First-time buyers' contribution has increased by 5.5pp (to 50-51%), whereas replacement is down to 16-17% (v/s 25-26%). Second car demand is also up.
- **Status of operations:** Current production ramp-up is at run-rate of over 4,000/day as Gujarat is still operating at single shift. Gujarat plant is expected to start second shift from mid-Aug'20. It will add 900/day to current run-rate of 900/day. Currently, it is restricted by supply as vendors are located in 46 districts across 9 states.
- **Dealerships:** Earlier 91-92% of outlets were open, but due to the new lockdowns in sporadic manner, 80-92% outlets are open at any given point in time. Additionally, 10 states have levied lockdowns on the weekend.
- RM cost was exceptionally high due to sharp decline in inventory levels (impact of INR1.1b or 3.5pp).

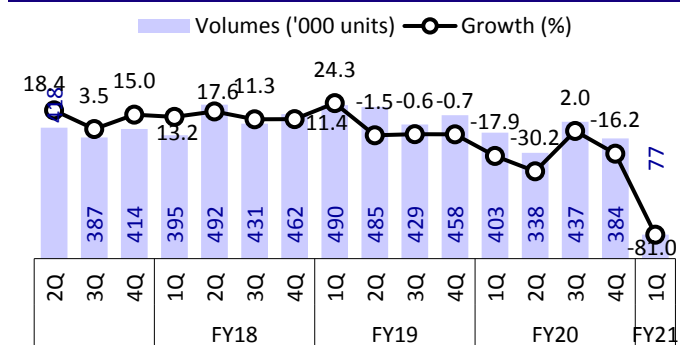
- Discounts were at INR25,000/unit (~Rs14,000/unit on retail sales) as Wholesales (67k units) were substantially lower than Retails (119k units). Model level discounts have come down in 1QFY21. Given production constraints, discounts in Jul'20 should be lower than 1QFY21.
- Diesel models' share for the industry declined to 20.6% (v/s 29.5% YoY). Ex-MSIL, diesel model share stood at 26%. Given very low pricing disparity, running cost of petrol and diesel is similar at ~INR4/km.
- Inventory for MSIL stood at 80k units or 25 days.

Key exhibits

Exhibit 1: MSIL's segment-wise growth and market share movement

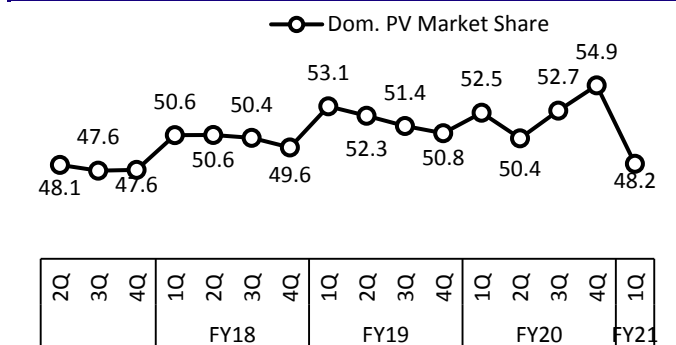
('000 units)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY20	FY19	YoY (%)
Mini	12.5	57.9	-78.5	69.4	-82.0	247.8	379.0	-34.6
% of total	16.3	14.4		18.0		15.9	20.4	
MPV+LCVs	6.6	39.2	-83.2	33.1	-80.0	140.2	202.5	-30.8
% of total	8.6	9.7		8.6		9.0	10.9	
Compact incl Dzire tour	33.8	209.7	-83.9	201.1	-83.2	812.0	861.8	-5.8
% of total	44.2	52.1		52.3		52.0	46.3	
Mid-size	0.7	8.7	-91.4	5.2	-85.8	25.3	46.2	-45.3
% of total	1.0	2.2		1.4		1.6	2.5	
UV	13.4	59.0	-77.3	51.0	-73.7	235.3	264.2	-10.9
% of total	17.5	14.7		13.3		15.1	14.2	
Exports	9.6	28.1	-66.0	24.6	-61.1	102.2	108.7	-6.1
% of total	12.5	7.0		6.4		6.5	5.8	
Total Sales	76.6	402.6	-81.0	384.4	-80.1	1,562.6	1,862.4	-16.1
Total PV (Incl Exports) MS (%)	41.9	45.5	-360bp	48.5	-660bp	45.3	45.9	-70bp
Total Dom. Car MS (%)	60.5	61.7	-120bp	68.2	-770bp	65.2	59.0	620bp
Total Dom. PV MS (%)	47.3	51.6	-430bp	54.4	-710bp	51.9	51.2	70bp

Exhibit 2: Trend in MSIL's volumes



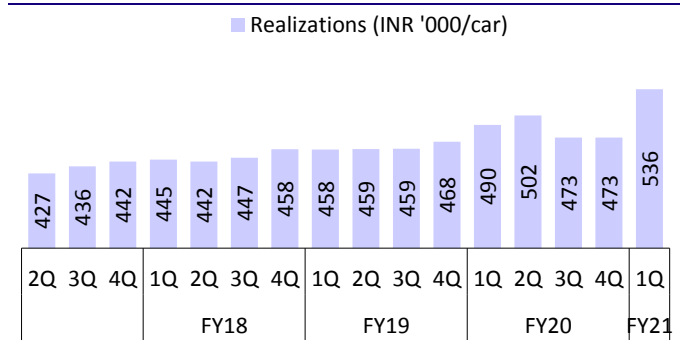
Source: Company, MOFSL

Exhibit 3: Domestic PV market share trend (%)



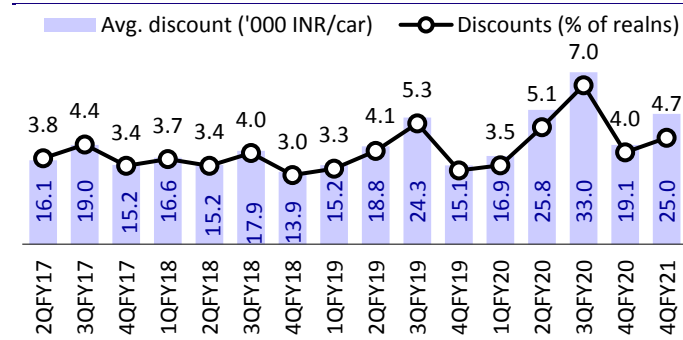
Source: Company, MOFSL

Exhibit 4: Trend in realizations per unit

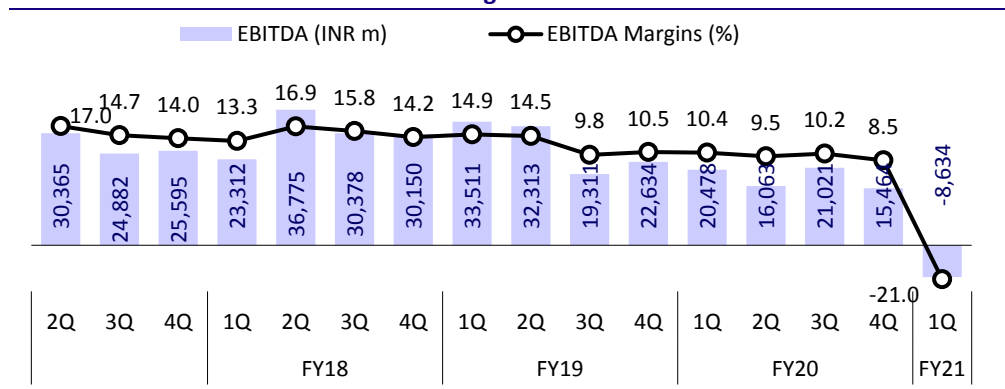


Source: Company, MOFSL

Exhibit 5: Trend in average discounts per unit



Source: Company, MOFSL

Exhibit 6: Trend in EBITDA and EBITDA margins

Source: Company, MOFSL

Valuation and view

Long-term view on PV industry remains intact: The Indian passenger vehicle industry's growth has undershot expectations for the past five years (FY15–20: ~1.3% CAGR in volumes). This is attributed to several factors, including weaker economic growth, stringent financing, regulatory impact on cost in FY19/FY20, and now COVID-19. We expect industry volumes to recover from the low base of FY21, driven by high aspirations, improving affordability, and low penetration (<30 cars per 1,000 population). We believe the PV industry would reach an inflection point at USD3,000–4,000 PCI, driving strong sustainable demand for passenger vehicles. Hence, we estimate the PV industry's volume CAGR at 6% over FY20–25 (on a low base of ~7.7% CAGR decline over FY18–20).

- **Strong product portfolio, with several launches lined up over next few years:** We believe MSIL could emerge as the biggest beneficiary of demand recovery in the post-COVID era, considering its stronghold in the entry-level segment and a favorable product life cycle. MSIL's new launches, targeted at filling the gaps in its portfolio, are likely to improve the overall product mix. We believe MSIL would gain further market share, driven by an expected shift toward petrol vehicles, resulting in a ~4.3% volume CAGR over FY20–23E. This, coupled with an improved mix and reduced discounts, would drive a revenue CAGR of ~6% over FY20–23E.
- **Operating performance recovery postponed to FY22E:** While 1QFY21 was a complete washout, we expect some demand recovery toward September during the festive season. Volume decline and recently added production capacities have further decreased capacity utilization and worsened operating performance. We believe initial demand recovery would be supported by a refreshed product portfolio in hatchbacks as well as faster rural recovery (~40% of sales for MSIL). FY21 EBITDA margins would decline to a decade low of 8%, impacted by higher discounts, weak Fx, and operating deleverage. With improvement in volumes, we expect EBITDA margins to rebound to ~11.7% in FY22E. This would be led by: a) the normalization of the product life cycle, b) lower discounts owing to a higher share of new products, c) cost-saving initiatives, d) reducing JPY exposure and e) operating leverage.
- **Strong margins, asset-light model to result in strong FCF generation and RoE improvement:** The Gujarat plant's arrangement with its parent Suzuki would make MSIL's business asset-light, allowing the management to focus more on marketing. We expect FCF generation to improve to INR141b over FY21–23E (v/s

~INR98b in FY18-20E), after budgeting for cumulative annual capex of ~INR104b. RoCE is estimated to improve gradually to ~17.2% by FY22E from 14.6% in FY20.

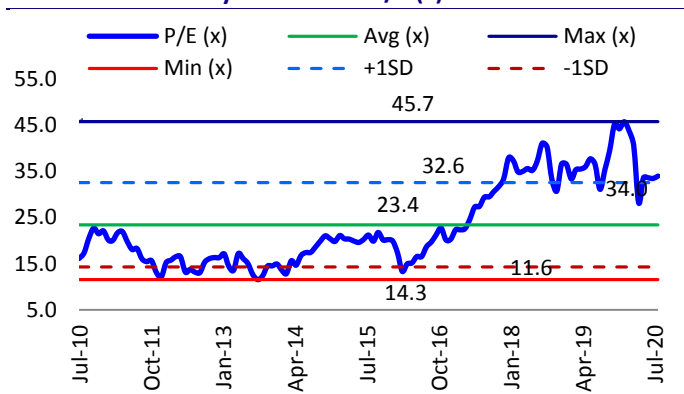
- **Structural improvement in business to support valuations:** All business parameters such as industry consolidation, market share improvement, reduced JPY exposure, and improving share of premium products, have improved MSIL's positioning considerably. We see headroom for further improvement in dividend payouts owing to cash of over ~INR350b. Consequently, we expect financial parameters to improve over the next five years. In conclusion, the moat for MSIL is expected to strengthen further, which should support the narrowing of the valuation gap, with five-year average PE of 28.8x.
- **Buy, with TP of ~INR6,850:** We upgrade our FY20/FY21 EPS by ~12.6%/4.6% to factor in for cost cutting initiatives, higher other income and lower depreciation. While near-term uncertainty has been witnessed in volume recovery, we expect MSIL to fare better in an uncertain environment on account of its strong brand equity and apt product portfolio. MSIL's ecosystem is best positioned to withstand such a demand shock, and we expect it to emerge stronger from this. An increase in market share in FY20 in a heightened competitive environment validates this. Strong volume recovery in 2HFY21/FY22 is critical to the stock's performance from hereon. The stock trades at 40.7x/25.6x FY21E/22E consol EPS. We value MSIL at 25x Sep'22E consol EPS (at ~15% discount to the five-year average PE). Maintain **Buy**, with a TP of INR6,850 (25x Sep-22 EPS).

Exhibit 7: Revised forecast

(INR B)	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Total Volumes ('000)	1,345	1,314	2.3	1,600	1,589	0.7
Net Sales	650	637	2.0	786	782	0.6
EBITDA	54	52	3.6	92	92	-0.1
EBITDA Margin (%)	8.3	8.2	10bp	11.7	11.7	-10bp
PAT	45.6	38.7	17.8	72.0	67.6	6.5
Consol. EPS (INR)	152.1	135.1	12.6	242.0	231.3	4.6
JPY/INR	0.70	0.70	0.0	0.69	0.70	-0.9

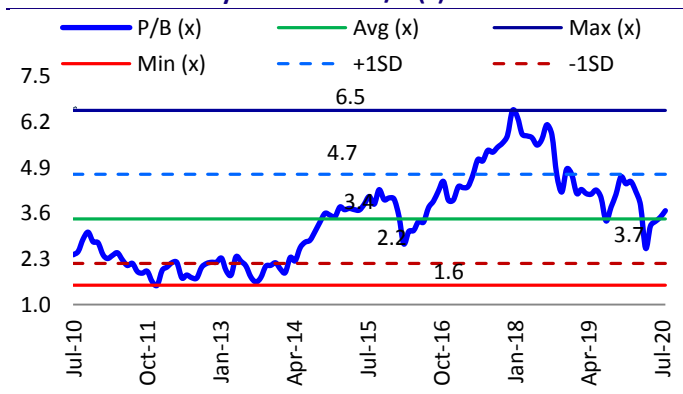
Source: Company, MOFSL

Exhibit 8: MSIL's 1-year forward P/E (x) band



Source: MOFSL

Exhibit 9: MSIL's 1-year forward P/B (x) band



Source: MOFSL

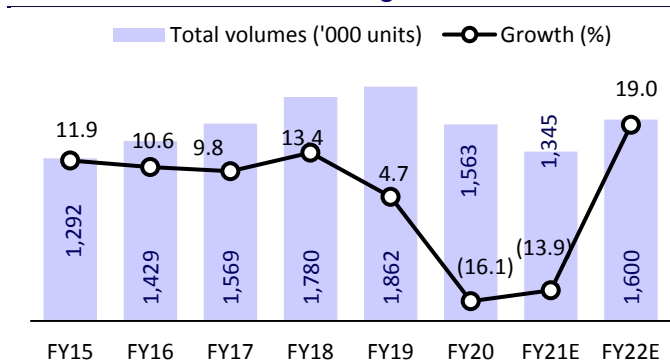
Story in charts: Expect 13.5% EPS CAGR over FY20–22E

Exhibit 10: Market share gains continue in most segments

	FY15	FY16	FY17	FY18	FY19	FY20
Mini	81.4	79.8	67.8	71.3	72.3	79.0
Compact	43.1	42.0	46.2	52.2	56.4	57.4
Compact-Sedan	53.7	58.1	54.8	61.8	57.9	61.9
Mid-Size	15.4	25.2	32.8	30.0	25.8	25.8
UV1	21.4	25.6	38.2	38.8	38.2	32.9
Dom. PV	45.0	46.8	47.4	50.1	51.2	51.9

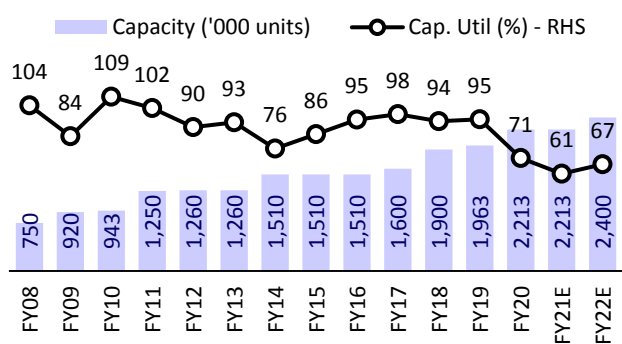
Source: Company, MOFSL

Exhibit 11: Trend in volumes and growth over FY20–22



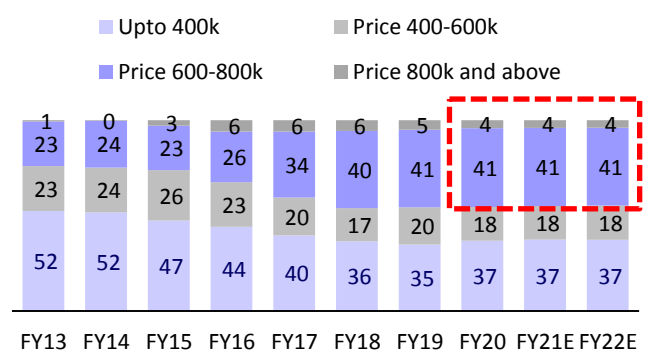
Source: Company, MOFSL

Exhibit 12: MSIL to operate at low utilization



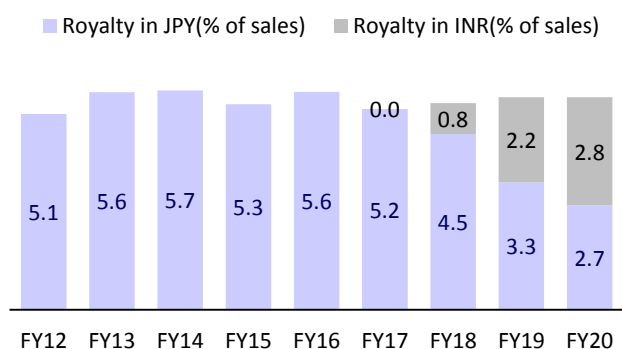
Source: Company, MOFSL

Exhibit 13: Trend in product mix



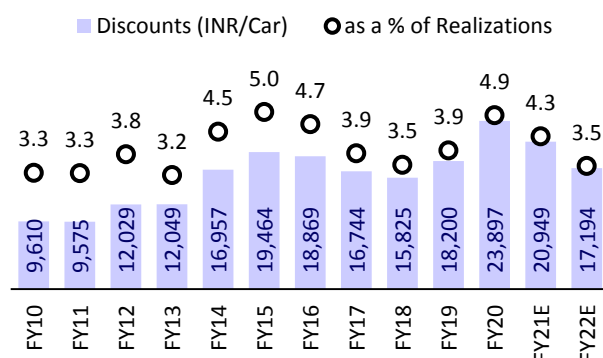
Source: Company, MOFSL

Exhibit 14: JPY-based royalty to reduce gradually



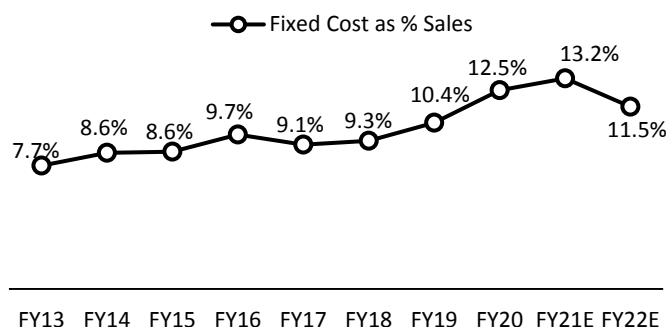
Source: Company, MOFSL

Exhibit 15: Discounts to normalize in FY21



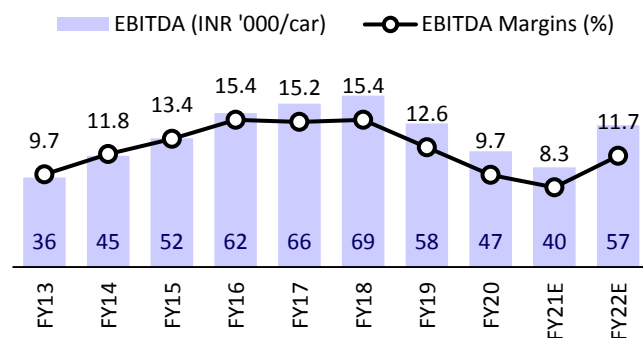
Source: Company, MOFSL

Exhibit 16: Fixed cost as % of sales



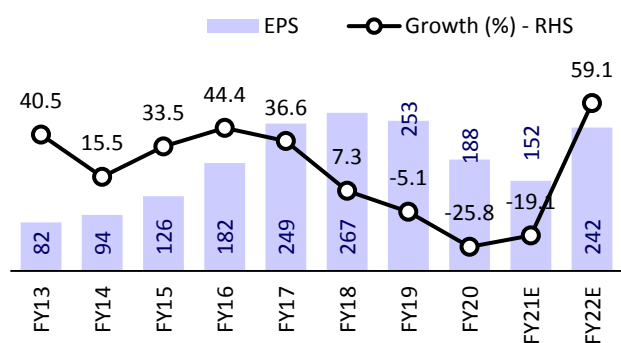
Source: Company, MOFSL

Exhibit 17: EBITDA margins and EBITDA per car



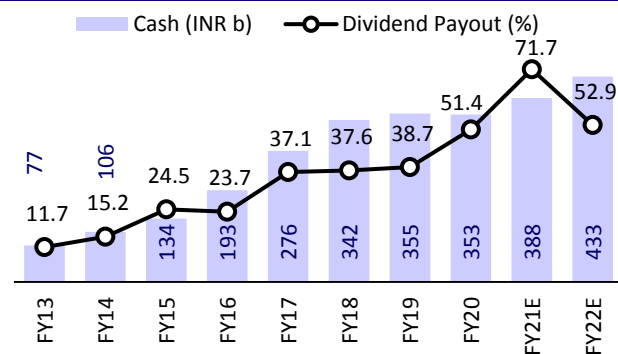
Source: Company, MOFSL

Exhibit 18: EPS (INR) and growth in EPS



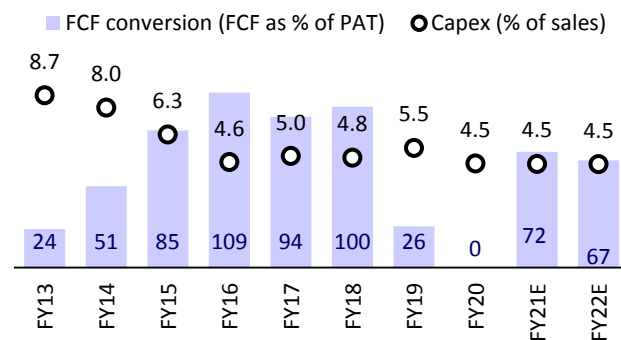
Source: MOFSL, Company

Exhibit 19: Dividend payout (%) and cash balance (INR b)



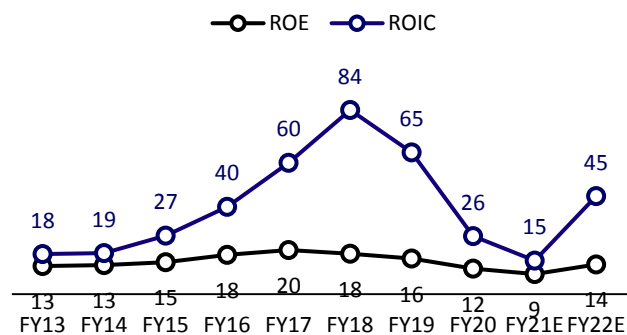
Source: MOFSL, Company

Exhibit 20: FCF generation to recover from FY22 (INR b)



Source: Company, MOFSL

Exhibit 21: RoE v/s RoIC (%)



Source: Company, MOFSL

Exhibit 22: Snapshot of revenue model

000 units	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
A1/LCVs	0	0	1	10	24	22	16	19
Growth (%)					138.0	-8.8	-26.0	15.0
% of Dom vols	0.0	0.0	0.1	0.6	1.4	1.5	1.3	1.2
MPV (Vans)	129	143	152	155	179	118	96	113
Growth (%)	26.3	11.2	6.0	2.1	15.1	-33.7	-19.0	18.0
% of Dom vols	11.0	11.0	10.5	9.4	10.2	8.1	7.6	7.5
A2 (other hatchbacks)	730	779	832	936	987	881	783	919
Growth (%)	8.6	6.8	6.7	12.5	5.5	-10.8	-11.0	17.3
% of Dom vols	62.3	59.7	57.6	56.6	56.3	60.3	62.0	60.8
A3 (Dzire, Ciaz)	244	288	264	299	300	204	162	223
Growth (%)	20.9	18.3	-8.4	13.1	0.3	-31.9	-20.6	37.2
% of Dom vols	20.8	22.1	18.3	18.1	17.1	14.0	12.8	14.7
Uvs (Ertiga, Compact SUV)	68	94	196	254	264	235	206	237
Growth (%)	11.6	38.4	107.3	29.6	4.1	-10.9	-12.3	14.7
% of Dom vols	5.8	7.2	13.6	15.3	15.1	16.1	16.3	15.7
Total Domestic	1,171	1,305	1,445	1,654	1,754	1,460	1,264	1,510
Growth (%)	11.1	11.5	10.7	14.5	6.1	-16.7	-13.4	19.4
% of Total vols	90.6	91.3	92.1	92.9	94.2	93.5	94.0	94.3
Exports	122	124	124	126	109	102	81	91
Growth (%)	20	2	0	2	-14	-6	-21	12
% of Total vols	9	9	8	7	6	7	6	6
Total Volumes	1,292	1,429	1,569	1,780	1,862	1,563	1,345	1,600
Growth (%)	11.9	10.6	9.8	13.4	4.7	-16.1	-13.9	19.0
ASP (INR 000/unit)	387	403	434	448	462	484	483	491
Growth (%)	2.0	4.1	7.7	3.3	3.0	4.8	-0.2	1.7
Net Sales (INR b)	500	575	680	798	860	756	650	786

Source: MOFSL, Company

Financials and valuations

Income Statement						(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Net Op Income	575,381	680,348	797,627	860,203	756,106	649,558	786,217
Change (%)	15.1	18.2	17.2	7.8	-12.1	-14.1	21.0
EBITDA	88,844	103,517	123,122	107,993	73,026	54,197	91,669
Change (%)	32.3	16.5	18.9	-12.3	-32.4	-25.8	69.1
EBITDA Margins (%)	15.4	15.2	15.4	12.6	9.7	8.3	11.7
Depreciation	28,202	26,021	27,579	30,189	35,257	32,166	35,216
EBIT	60,642	77,496	95,543	77,804	37,769	22,032	56,454
EBIT Margins (%)	10.5	11.4	12.0	9.0	5.0	3.4	7.2
Interest	815	894	3,457	758	1,329	850	750
Other Income	14,610	23,001	20,455	25,610	34,208	35,405	36,138
EO Expense	0	0	2,507	-2,000	0	0	0
Def Revenue Exp. / Others	0	0	0	0	0	0	0
PBT	74,437	99,603	110,034	104,656	70,648	56,587	91,841
Tax	20,794	26,101	32,816	29,650	14,142	11,014	19,832
Effective tax Rate (%)	27.9	26.2	29.8	28.3	20.0	19.5	21.6
PAT	53,643	73,502	77,218	75,006	56,506	45,573	72,009
Change (%)	44.5	37.0	5.1	-2.9	-24.7	-19.3	58.0
% of Net Sales	9.5	11.0	9.9	9.0	7.9	7.4	9.7
Adj. PAT	53,643	73,502	78,977	73,573	56,506	45,573	72,009
Change (%)	44.5	37.0	7.4	-6.8	-23.2	-19.3	58.0

Balance Sheet						(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Sources of Funds							
Share Capital	1,510	1,510	1,510	1,510	1,510	1,510	1,510
Reserves	297,332	362,801	416,063	459,905	482,860	495,754	529,638
Net Worth	298,842	364,311	417,573	461,415	484,370	497,264	531,148
Loans	774	4,836	1,108	1,496	1,063	1,063	1,063
Deferred Tax Liability	1,943	4,662	5,589	5,640	5,984	5,984	5,984
Capital Employed	301,559	373,809	424,270	468,551	491,417	504,311	538,195
Application of Funds							
Gross Fixed Assets	153,218	186,595	214,239	263,293	302,284	334,658	369,658
Less: Depreciation	28,118	53,668	80,649	109,215	144,472	176,638	211,853
Net Fixed Assets	125,100	132,927	133,590	154,078	157,812	158,020	157,805
Capital WIP	10,069	12,523	21,259	16,001	13,374	10,000	10,000
Investments	199,322	284,810	352,902	365,150	364,676	364,676	364,676
Curr.Assets, Loans	84,909	77,392	81,841	89,815	84,390	106,669	160,714
Inventory	31,321	32,622	31,608	33,257	32,149	28,474	34,464
Sundry Debtors	13,222	11,992	14,618	23,104	21,270	12,457	15,078
Cash & Bank Balances	391	138	711	1,789	211	34,978	80,411
Loans & Advances	1,744	978	2,878	5,126	5,246	5,246	5,246
Others	38,231	31,662	32,026	26,539	25,514	25,514	25,514
Current Liab & Prov.	117,841	133,843	165,322	156,493	128,835	135,054	154,999
Sundry Creditors	74,073	83,673	104,970	96,330	74,941	83,642	101,239
Others	31,675	42,328	50,055	51,069	44,889	44,889	44,889
Provisions	12,093	7,842	10,297	9,094	9,005	6,524	8,871
Net Current Assets	-32,932	-56,451	-83,481	-66,678	-44,445	-28,385	5,714
Appl. of Funds	301,559	373,809	424,270	468,551	491,417	504,311	538,195

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
Adjusted EPS	177.6	243.3	261.4	243.6	187.1	150.9	238.4
Consol EPS	182.0	248.6	266.7	253.3	188.0	152.1	242.0
Cash EPS	275.3	334.8	358.0	353.2	304.7	258.6	358.5
Book Value per Share	989	1,206	1,382	1,527	1,603	1,646	1,758
DPS	35.0	75.0	80.0	80.0	80.0	90.0	105.0
Div. payout (%)	23.7	37.1	37.6	38.7	51.4	71.7	52.9
Valuation (x)							
Consol. P/E	34.0	24.9	23.2	24.4	32.9	40.7	25.6
Cash P/E	22.5	18.5	17.3	17.5	20.3	23.9	17.3
EV/EBITDA	18.8	15.3	12.3	13.9	20.6	27.1	15.5
EV/Sales	3.0	2.4	1.9	1.8	2.1	2.4	1.9
P/BV	6.3	5.1	4.5	4.0	3.9	3.8	3.5
Dividend Yield (%)	0.6	1.2	1.3	1.3	1.3	1.5	1.7
FCF Yield (%)	3.1	3.7	4.2	1.0	0.0	1.8	2.6
Profitability Ratios (%)							
RoIC	39.9	60.0	84.1	64.7	26.5	15.3	44.8
RoE	18.0	20.2	18.5	16.3	11.7	9.2	13.6
RoCE	25.0	26.9	27.3	22.1	14.6	11.4	17.2
Turnover Ratios							
Debtors (Days)	8	6	7	10	11	7	7
Inventory (Days)	23	21	17	16	17	17	18
Creditors (Days)	70	65	70	59	51	66	68
Work. Cap. (Days)	-39	-39	-46	-33	-23	-42	-42
Asset Turnover (x)	1.9	1.8	1.9	1.8	1.5	1.3	1.5
Leverage Ratio							
Net Debt/Equity (x)	-0.6	-0.7	-0.8	-0.8	-0.7	-0.8	-0.8

Cash Flow Statement

(INR Million)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Profit before Tax	74,437	99,603	110,034	104,656	70,948	56,587	91,841
Interest	815	894	3,457	758	1,329	850	750
Depreciation	28,202	26,021	27,579	30,189	35,257	32,166	35,216
Direct Taxes Paid	-19,099	-23,214	-30,550	-31,428	-14,357	-11,014	-19,832
(Inc)/Dec in WC	14,631	21,940	28,058	-13,196	-25,659	18,707	11,333
Other Items	-14,141	-22,451	-20,728	-25,047	-33,467	-35,405	-36,138
CF from Oper. Activity	84,845	102,793	117,850	65,932	34,051	61,891	83,171
(Inc)/Dec in FA	-26,327	-33,723	-38,653	-47,000	-33,990	-29,000	-35,000
Free Cash Flow	58,518	69,070	79,197	18,932	61	32,891	48,171
(Pur)/Sale of Invest.	-45,947	-58,056	-44,168	11,617	29,351	35,405	36,138
CF from Inv. Activity	-72,274	-91,779	-82,821	-35,383	-4,639	6,405	1,138
Change in Network	0	0	0	0		0	0
Inc/(Dec) in Debt	-2,353	2,527	-3,728	388	-524	0	0
Interest Paid	-921	-1,095	-3,464	-732	-1,342	-850	-750
Dividends Paid	-9,090	-12,725	-27,268	-29,134	-29,134	-32,679	-38,126
CF from Fin. Activity	-12,364	-11,293	-34,460	-29,478	-31,000	-33,529	-38,876
Inc/(Dec) in Cash	207	-279	569	1,071	-1,588	34,767	45,433
Add: Op. Balance	183	391	130	699	1,770	211	34,978
Closing Balance	390	112	699	1,770	182	34,978	80,411

E: MOFSL Estimates

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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