

# Motherson Sumi

Estimate change

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	MSS IN
Equity Shares (m)	3,158
M.Cap.(INRb)/(USD\$)	339.3 / 4.4
52-Week Range (INR)	151 / 49
1, 6, 12 Rel. Per (%)	7/-7/-2
12M Avg Val (INR M)	1603

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	635.4	588.4	697.0
EBITDA	52.0	40.3	72.4
Adj. PAT	11.7	3.7	17.7
EPS (INR)	3.7	1.2	5.6
EPS Gr. (%)	-27.5	-68.5	381.7
BV/Sh. (INR)	35.7	36.5	40.3

## Ratios

Net D:E	0.5	0.5	0.2
RoE (%)	10.5	3.2	14.6
RoCE (%)	6.4	3.2	11.2
Payout (%)	31.5	31.5	31.5

## Valuations

P/E (x)	29.0	92.2	19.1
P/BV (x)	3.0	2.9	2.7
Div. Yield (%)	0.9	0.3	1.4
FCF Yield (%)	9.4	0.4	10.0

## Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	61.7	61.7	61.7
DII	13.4	13.6	11.1
FII	15.6	15.5	16.4
Others	9.3	9.2	10.9

FII Includes depository receipts

**CMP: INR107**
**TP: INR135 (+26%)**
**Buy**
**Above est.; Decent performance in a tough quarter**
**Losses continue to decline for SMP's greenfield plants despite COVID-19 crisis**

- Motherson Sumi (MSS)'s 1QFY21 operating performance beat was driven by lower losses in global businesses. SMP's greenfield plant progression toward breakeven continues despite the COVID-19 impact as losses reduce on a QoQ basis. MSS is well-positioned to come out of the crisis stronger, driven by its robust order book, for which it is already fully invested.
- MSS is our preferred bet on global recovery in Auto. Maintain **Buy**, with TP of INR135 (Sep'22 SOTP).

**Reasonable performance in global businesses as losses under control**

- 1QFY21 consol. revenues declined ~49% YoY to INR85b (est.: ~INR76.7b). Consol. EBITDA loss was at ~INR6.3b (est.: ~INR10.1b) due to lower other expenses. Adj. net loss stood at INR8.1b (est.: ~INR7.6b).
- India Business sales declined 76% YoY to ~INR4.4b (est.: INR5.5b), EBITDA loss was at ~INR1.15b (in-line), and net loss was at ~INR1.25b (in-line).
- Revenues for PKC declined 43% YoY to INR14.5b (est.: INR8.1b) and EBITDA margins were at -4% (est.: -29.8%).
- Revenues for SMR declined 52% YoY to ~INR15b (est.: ~INR16.6b), and EBITDA margins were at -2.8% (est.: -8%).
- Revenues for SMP declined ~48% YoY to ~INR43.4b (est.: ~INR42.2b) and EBITDA margins were at -8.3% (est.: 11.8%). Greenfield loss reduced further in 1Q.
- Net debt increased on a QoQ basis to ~INR90.8b (v/s INR69.2b).

**Highlights from management commentary**

- **Status of operations:** Gradual ramp-up was witnessed in plants globally, with 84% plants operating at more than 50% capacity.
- **Demand:** Strong demand has been sighted for 2QFY21 as it is not seeing major delays in any programs.
- Losses at greenfield plants reduced further (EBITDA loss of EUR16m), driven by manpower reduction, improved efficiencies / reduced scrap, and other structural improvements. The US plant reduced its manpower by 800, and further reduction is expected as it reduces absenteeism.
- The Hungary plant has ramped-up to its peak revenue potential, whereas the US plant would have achieved peak revenues this year if not for the COVID-19 impact.
- **PKC:** The CV segment in China showed very good recovery in 1QFY21. However, most of the OEMs in other regions were heavily impacted.
- MSS expects to reach pre-COVID-19 revenues by Sep'20. Currently, it is at 80% of last years' revenues.

**Valuation and view**

- We tweak our estimates to factor EUR-INR changes, resulting in minor modifications to our FY21/FY22 consol. EPS by -3%/+3%.
- Our positive view on MSS remains intact (stabilization of greenfield plants + execution of SMRPBV's strong order book + India recovery). Maintain **Buy**, with TP of INR135 (Sep'22 SOTP).

**Jinesh Gandhi - Research analyst** (Jinesh@MotilalOswal.com)

**Vipul Agrawal - Research analyst** (Vipul.Agrawal@MotilalOswal.com)

**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.

## Quarterly performance (Consol.)

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
<b>Net Sales</b>	<b>167,925</b>	<b>159,242</b>	<b>156,611</b>	<b>151,591</b>	<b>85,039</b>	<b>148,252</b>	<b>165,156</b>	<b>189,982</b>	<b>635,369</b>	<b>588,429</b>	<b>76,666</b>
YoY Change (%)	13.7	5.4	-4.9	-11.7	-49.4	-6.9	5.5	25.3	0.0	-7.4	-54.3
RM Cost (% of sales)	57.5	57.3	57.7	55.7	59.3	56.7	56.7	31.6	57.1	49.0	57.0
Staff Cost (% of sales)	23.3	22.8	23.8	25.1	34.0	24.0	22.0	38.2	23.7	29.5	25.0
Other Exp (% of sales)	11.7	11.6	10.6	10.1	14.2	11.5	12.0	19.9	11.0	14.7	31.2
<b>EBITDA</b>	<b>12,550</b>	<b>13,190</b>	<b>12,358</b>	<b>13,916</b>	<b>-6,300</b>	<b>11,493</b>	<b>15,429</b>	<b>19,634</b>	<b>52,014</b>	<b>40,257</b>	<b>-10,104</b>
Margins (%)	7.5	8.3	7.9	9.2	-7.4	7.8	9.3	10.3	8.2	6.8	-13.2
Depreciation	6,365	6,551	6,938	7,927	7,123	7,610	7,630	8,829	27,780	31,192	7,600
Interest	1,559	1,254	1,791	1,382	1,115	1,550	1,400	1,941	5,986	6,006	1,450
Other income	547	825	783	151	481	800	500	669	2,307	2,450	450
<b>PBT after EO Expense</b>	<b>5,173</b>	<b>6,211</b>	<b>4,412</b>	<b>4,759</b>	<b>-14,058</b>	<b>3,133</b>	<b>6,899</b>	<b>9,534</b>	<b>20,554</b>	<b>5,509</b>	<b>-18,704</b>
Tax Rate (%)	34.3	30.1	27.8	69.7	15.2	31.0	31.0	7.8	39.8	31.0	31.0
Min. Int & Share of profit	84	496	480	-390	-3,810	862	1,926	465	669	119	-5,300
<b>Adj PAT</b>	<b>3,315</b>	<b>3,846</b>	<b>2,705</b>	<b>1,834</b>	<b>-8,104</b>	<b>1,300</b>	<b>2,834</b>	<b>8,328</b>	<b>11,700</b>	<b>3,682</b>	<b>-7,606</b>
YoY Change (%)	-25.2	3.6	-30.5	-55.3	-344.4	-66.2	4.8	354.2	-27.5	-68.5	-329.4

E: MOFSL Estimates

## Key Performance Indicators

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY20
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q
<b>Business-wise Revenues (INR m)</b>											
India (MSS S/A)	18,429	16,527	16,430	17,352	4,383	18,180	18,895	21,654	68,738	63,112	5,529
PKC	25,705	24,017	22,393	20,684	14,620	18,282	19,328	21,526	92,712	73,755	8,114
SMR	31,486	30,431	29,805	29,628	15,037	28,129	32,157	36,108	121,385	111,431	16,624
SMP	84,302	79,091	80,190	74,350	46,031	75,687	86,518	99,399	317,364	308,478	42,181
Others	8,003	9,176	7,792	9,577	4,969	7,975	8,258	10,451	35,169	31,652	4,217
<b>Net Revenues</b>	<b>167,925</b>	<b>159,242</b>	<b>156,611</b>	<b>151,591</b>	<b>85,039</b>	<b>148,252</b>	<b>165,156</b>	<b>189,138</b>	<b>635,369</b>	<b>588,429</b>	<b>76,666</b>
<b>Business-wise EBITDA Margins (%)</b>											
India (MSS S/A)	17.0	15.1	15.0	16.9	-26.3	16.7	18.0	18.7	16.0	14.8	-20.9
PKC	10.0	11.7	9.5	8.1	-4.0	4.6	4.9	7.7	10.0	3.9	-29.8
SMR	11.2	11.1	10.6	14.6	-2.8	10.0	12.5	13.1	11.7	10.0	-8.0
SMP	2.7	4.2	4.8	4.2	-8.3	5.0	6.8	7.4	3.9	4.3	-11.8
Others	13.3	13.4	9.6	19.6	-6.0	13.0	14.5	17.8	14.5	12.0	-5.0
<b>Consol EBITDA Margins (%)</b>	<b>7.5</b>	<b>8.3</b>	<b>7.9</b>	<b>9.2</b>	<b>-7.4</b>	<b>7.8</b>	<b>9.3</b>	<b>10.4</b>	<b>8.2</b>	<b>6.8</b>	<b>-13.2</b>

E: MOFSL Estimates

## Quarterly Performance (S/A)

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
<b>Net Sales</b>	<b>18,429</b>	<b>16,527</b>	<b>16,430</b>	<b>17,352</b>	<b>4,383</b>	<b>18,180</b>	<b>18,895</b>	<b>21,654</b>	<b>68,738</b>	<b>63,112</b>	<b>5,529</b>
YoY Change (%)	-8.0	-17.2	-5.0	-6.3	-76.2	10.0	15.0	24.8	-9.3	-8.2	-70.0
RM Cost (% of sales)	54.5	55.1	54.4	52.3	50.8	54.0	54.0	55.8	54.1	54.4	52.5
Staff Cost (% of sales)	16.6	17.8	18.4	18.2	46.3	17.1	16.7	14.6	17.7	18.1	44.3
Other Expenses (% of sales)	11.9	12.0	12.3	12.6	29.2	12.3	11.3	10.8	12.2	12.7	24.1
Total Expenditure	15,300	14,031	13,968	14,420	5,537	15,149	15,486	17,596	57,718	53,768	6,685
<b>EBITDA</b>	<b>3,129</b>	<b>2,496</b>	<b>2,462</b>	<b>2,932</b>	<b>-1,154</b>	<b>3,031</b>	<b>3,409</b>	<b>4,058</b>	<b>11,020</b>	<b>9,344</b>	<b>-1,156</b>
Margins (%)	17.0	15.1	15.0	16.9	-26.3	16.7	18.0	18.7	16.0	14.8	-20.9
Depreciation	619	683	656	925	632	660	665	695	2,883	2,652	650
Interest	174	44	140	-52	157	100	100	88	306	445	100
Other Income	161	407	404	2,811	157	500	300	563	3,784	1,519	300
<b>PBT after EO Expense</b>	<b>2,497</b>	<b>2,176</b>	<b>2,070</b>	<b>4,871</b>	<b>-1,787</b>	<b>2,771</b>	<b>2,944</b>	<b>3,838</b>	<b>11,615</b>	<b>7,766</b>	<b>-1,606</b>
Tax	777	434	405	1,010	-534	648	689	1,014	2,626	1,817	-376
Tax Rate (%)	31.1	19.9	19.6	20.7	29.9	23.4	23.4	26.4	22.6	23.4	23.4
<b>Adj PAT</b>	<b>1,721</b>	<b>1,742</b>	<b>1,665</b>	<b>3,860</b>	<b>-1,253</b>	<b>2,123</b>	<b>2,255</b>	<b>2,824</b>	<b>8,988</b>	<b>5,949</b>	<b>-1,230</b>
YoY Change (%)	-8.5	-36.3	17.6	83.1	-172.8	21.8	35.4	-26.8	10.5	-33.8	-171.5

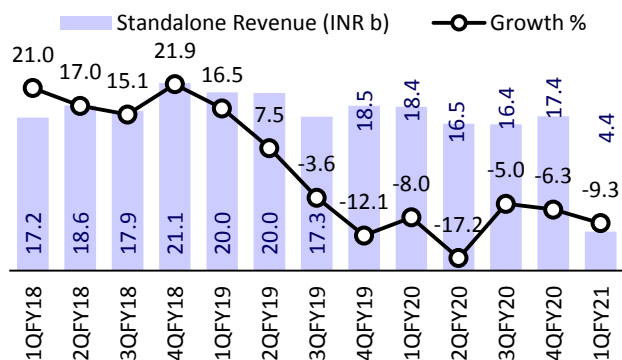
E: MOFSL Estimates

## Earnings call highlights

- **Status of operations:** Gradual ramp-up was witnessed in plants globally, with 84% plants operating at more than 50% capacity.
- **Demand:** Strong demand has been sighted for 2QFY21, supported by consistent improvement at SMP's greenfield plants. Its US plant reduced manpower from 2600 to 1800. This is a structural reduction as it had created a strong bench due to high absenteeism, and it is planning a further reduction.
- Greenfield plants benefited from the shutdown as they could carry out structural improvements that would have otherwise happened when the plants were seeing ramp-up. The US plant saw improved efficiency and a reduction in scrap by 3%; costs for consultants and expatriates were also reduced.
- **Operations:** The Hungary plant has ramped-up to its peak revenue potential, whereas the US plant would have achieved peak revenues this year if not for the COVID-19 impact.
- Greenfield plants posted FY20 revenue/EBITDA loss of EUR461m/EUR175m and 1QFY21 revenue/EBITDA loss of EUR66m/EUR19m.
- **PKC:** The CV segment in China showed very good recovery in 1QFY21. However, most of the OEMs in other regions were heavily impacted.
- MSS expects to reach pre-COVID-19 revenues by Sep'20. Currently, it is at 80% of last years' revenues.
- **Net debt** stood at INR90.83b v/s INR68.17b in 4QFY20. This includes an INR1.2b impact of Fx.
- **Capex** target for FY21E is INR20b (v/s ~INR22b in FY20).

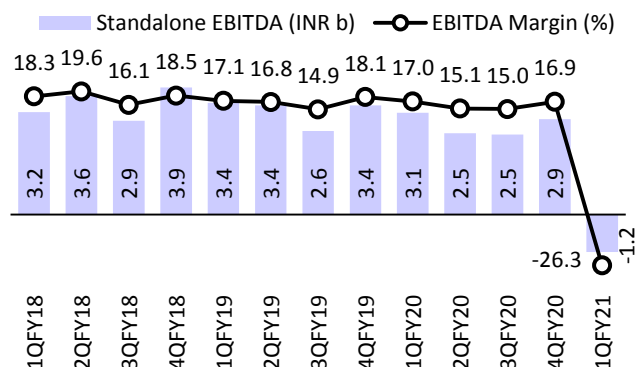
## Key exhibits

Exhibit 1: Trend in standalone revenues and growth



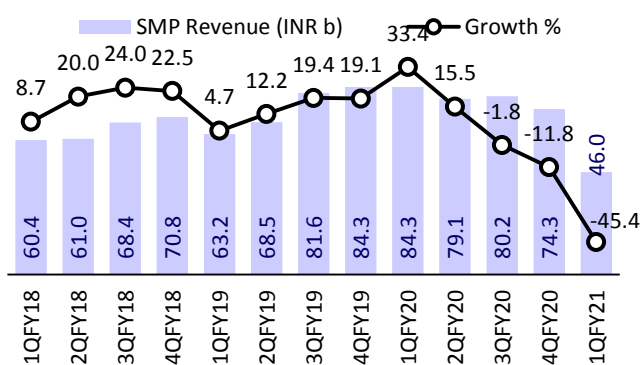
Source: Company, MOFSL

Exhibit 2: Standalone EBITDA and EBITDA margins



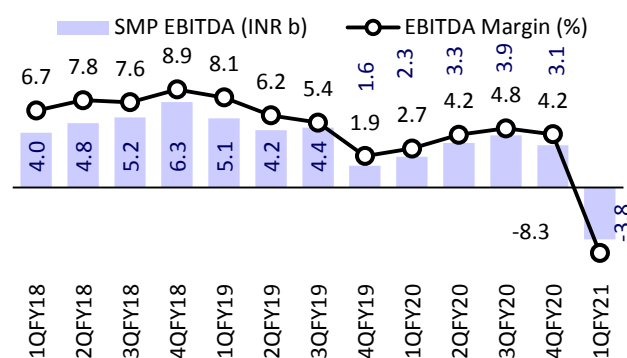
Source: Company, MOFSL

Exhibit 3: SMP's revenue and growth trend



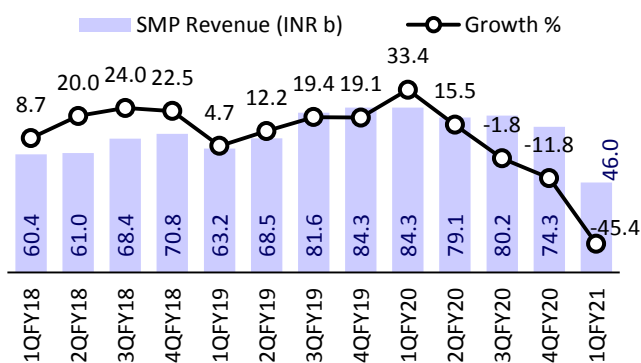
Source: Company, MOFSL

Exhibit 4: SMP's EBITDA and EBITDA margins



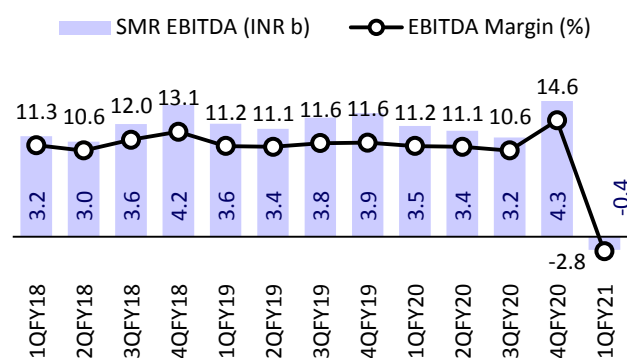
Source: Company, MOFSL

Exhibit 5: SMR's revenue and growth trend



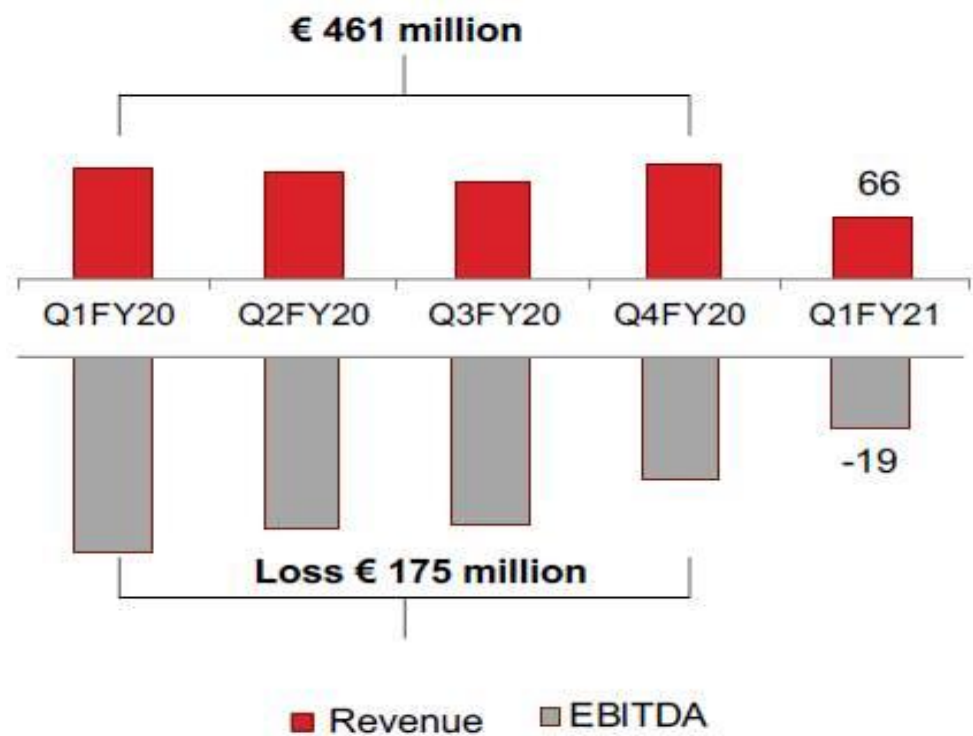
Source: Company, MOFSL

Exhibit 6: SMR's EBITDA and EBITDA margins



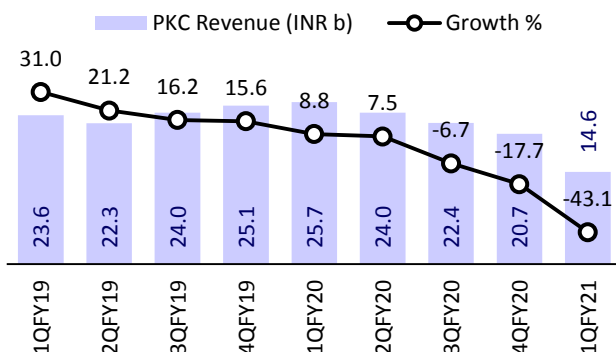
Source: Company, MOFSL

Exhibit 7: SMP: Financial performances of greenfield plants



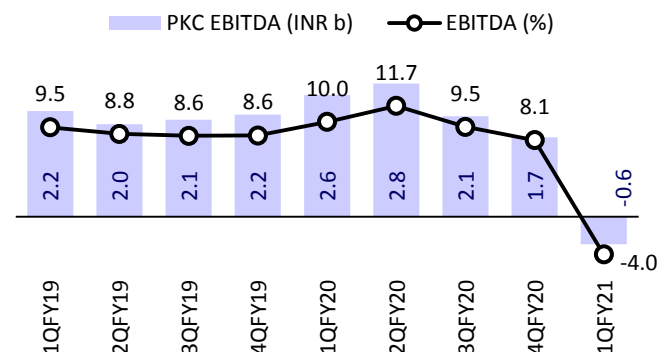
Source: Company

Exhibit 8: PKC's revenue and growth trend



Source: Company, MOFSL

Exhibit 9: PKC's EBITDA and EBITDA margins



Source: Company, MOFSL

### Valuation and view

- **On the right side of global automotive megatrends:** The global automotive industry is at the cusp of disruption, led by megatrends in the form of: (a) EVs, (b) connect cars, (c) autonomous cars, (d) shared mobility, (e) stricter emission norms, and (f) platform and vendor consolidation. These trends have the potential to disrupt the automotive supply chain and challenge incumbents. We believe, with its diverse product base and market presence, MSS is set to leverage these trends to drive the next wave of growth.
- **SMRPBV – fully prepared for growth:** SMRPBV's order book growth lends us comfort in building faster recovery for SMRPBV in FY22. As of Mar'20, the order book stood at EUR13.6b. SMP offers revenue visibility with orders in hand and is capacity-ready to execute these orders. Over the next 6–12 months, both of SMP's greenfield plants in Hungary and the US would ramp-up and achieve

EBITDA breakeven. We estimate SMP's revenue to grow at a ~5% CAGR to EUR4.7b by FY23 and the EBITDA margin to expand by 500bp to ~9% by FY23. This would be driven by improving efficiencies and operating leverage. SMR continues to be the #1 PV mirror company globally and has gained share across markets through continuous innovation. We estimate SMR's revenue to gradually recover and the EBITDA margin to expand by 80bp at 12.5% by FY23.

- **Standalone business on strong footing with increasing content:** The India Wiring Harness business is likely to grow faster than the PV industry, led by an increase in content (on account of ongoing premiumization). BS-6 would increase the complexity of the wiring harness and increase its value by 10–20%. Also, it would open up the 2W segment for MSS as 2Ws shift to electronic fuel injection systems with more sensors. MSS is already a market leader in 2W Wiring Harness in the EU. The India Polymer (MATE) and Elastomer (MAE) businesses are evolving from merely supporting the core businesses into growth drivers. The Polymer business is focusing on leveraging its strengths in export markets such as South Africa for global OEMs.
- **PKC – Cyclical downturn ahead:** After benefitting from strong growth for Class 8 trucks in the US, PKC is staring at cyclical downturn in its biggest market (~45% of revenues). PKC is also highly focused on the world's largest truck market – China, where it has three JVs targeting a diverse set of customers. Lastly, PKC entered the Rolling Stock business (~USD2b opportunity) in 2015. PKC has already won a contract worth EUR280m from Bombardier since entering into a global partnership in May 2016. It is in talks with other OEMs to develop a global supply chain for the electrical system. PKC's revenues are estimated to decline at a 3% CAGR over FY20–23, although we conservatively expect margins to be lower at 8% (v/s 10% in FY20).
- **Business reorganization to drive better value discovery in global business:** MSS has proposed the reorganization of business within the group with the objective of: (a) addressing the long-standing request of Sumitomo (~25.34% stake in MSS) to keep its participation focused on the India Wiring Harness business and (b) aligning the interests of minority shareholders with those of promoters. This would lead to the acquisition of holdco SAMIL, which owns 33.4% stake in the listed entity and 49% stake in SMRPBV and other unlisted businesses of promoters. The proposed structure would create two listed entities: a) the India Wiring Harness business and b) global businesses + other India businesses. We believe this would drive better value discovery in the global businesses and also give minority shareholders the option to invest in either or both of the businesses.
- **Valuation and view:** We marginally tweak our numbers, lowering our FY21 consol. EPS by 3% and upgrading our FY22 EPS by 3%, primarily driven by a change in EUR–INR assumptions. Our positive view on MSS remains intact (stabilization of greenfield plants + execution of SMRPBV's strong order book + India recovery). Although, the impact of COVID-19 would delay the realization of these benefits. Maintain Buy, with TP of ~INR135 (Sep'22 SOTP).

**Exhibit 10: Revised forecast (consol.)**

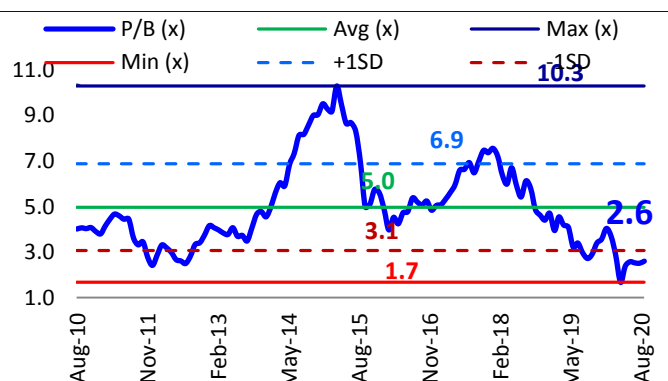
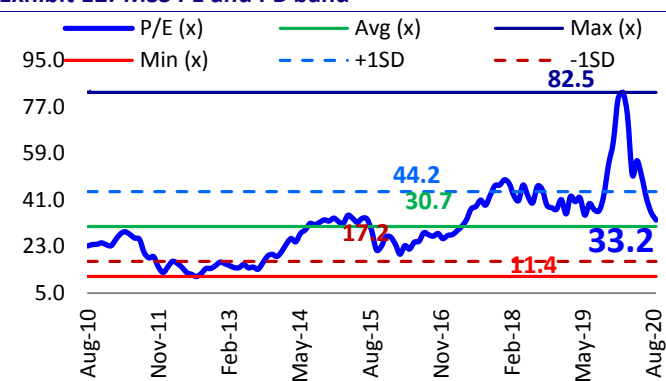
(INR M)	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	588,429	575,377	2.3	697,008	681,517	2.3
EBITDA	40,257	39,178	2.8	72,381	70,557	2.6
EBITDA (%)	6.8	6.8	0bp	10.4	10.4	0bp
Adj. PAT	3,682	3,801	-3.1	17,737	17,278	2.7
EPS (INR)	1.2	1.2	-3.1	5.6	5.5	2.7

Source: Company, MOFSL

**Exhibit 11: SOTP-based TP****SOTP: Fair value**

INR Sh	Target PE (x)	FY21E	FY22E	FY23E
Equity Value				
MSS (S/A)	30	57	90	104
PKC	12	-3	5	9
SMRPBV	12	-2	28	34
<b>Target Price (INR/Sh)</b>		<b>52</b>	<b>123</b>	<b>148</b>
Upside (%)		-51.7	14.6	37.4
<b>Sep-22 TP</b>				<b>135</b>
Upside (%)				26.0

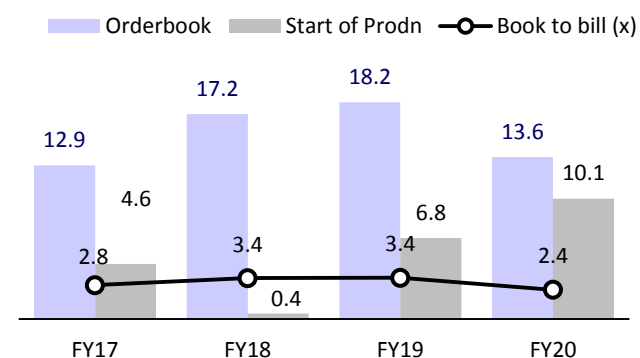
Source: Company, MOFSL

**Exhibit 12: MSS PE and PB band**



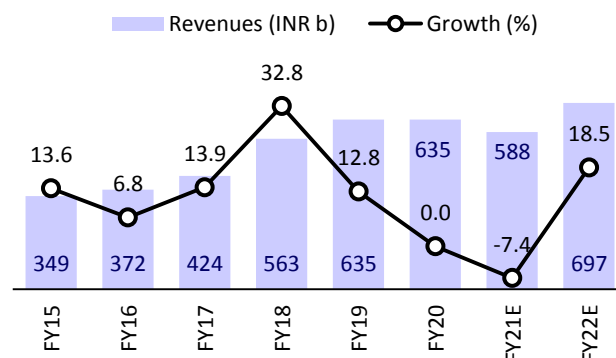
## Story in charts

**Exhibit 13: SMRPBV order book trend (EUR b)**



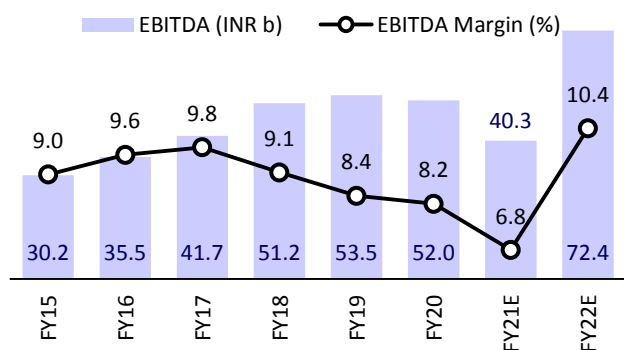
Source: Company, MOFSL

**Exhibit 14: Revenue and growth trend**



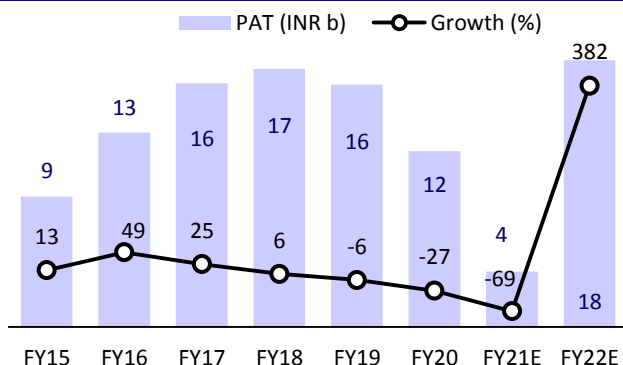
Source: Company, MOFSL

**Exhibit 15: Consol. EBITDA and margin trend**



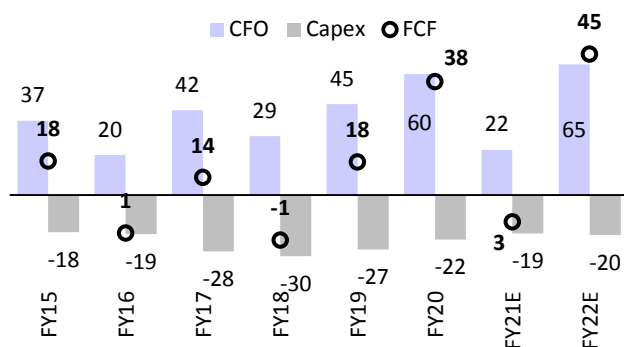
Source: Company, MOFSL

**Exhibit 16: Consolidated PAT growth trend**



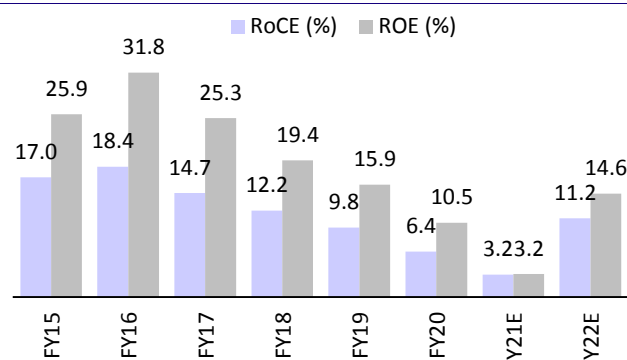
Source: Company, MOFSL

**Exhibit 17: FCF generation to improve**



Source: Company, MOFSL

**Exhibit 18: 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>588,429</b>	<b>697,008</b>
Change (%)	6.8	13.9	32.8	12.8	0.0	-7.4	18.5
Raw Materials	223,737	257,507	343,121	367,383	362,715	288,139	322,903
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	86,649	102,333
<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>548,172</b>	<b>624,628</b>
% of Sales	90.5	90.2	90.9	91.6	91.8	93.2	89.6
<b>EBITDA</b>	<b>35,481</b>	<b>41,668</b>	<b>51,226</b>	<b>53,484</b>	<b>52,014</b>	<b>40,257</b>	<b>72,381</b>
Margin (%)	9.5	9.8	9.1	8.4	8.2	6.8	10.4
Depreciation	10,872	10,590	15,752	20,582	27,780	31,192	32,993
<b>EBIT</b>	<b>24,609</b>	<b>31,078</b>	<b>35,474</b>	<b>32,902</b>	<b>24,234</b>	<b>9,065</b>	<b>39,387</b>
Interest Charges	3,450	3,749	4,108	4,232	5,986	6,006	5,941
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>5,509</b>	<b>35,996</b>
Total Tax	5,192	9,103	10,072	11,022	8,184	1,708	11,159
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	119	7,101
<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>3,682</b>	<b>17,737</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>3,682</b>	<b>17,737</b>
Change (%)	49.2	24.3	6.0	-5.2	-27.5	-68.5	381.7
Margin (%)	3.5	3.8	3.0	2.5	1.8	0.6	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	83,917	96,075
<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>115,133</b>	<b>127,291</b>
Minority Interest	15,123	22,322	29,600	34,797	35,650	36,770	45,370
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>250,302</b>	<b>268,060</b>
Gross Block	80,462	135,237	174,332	191,445	239,371	258,385	278,240
Less: Accum. Deprn.	11,924	33,590	51,138	71,720	99,500	130,692	163,685
<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>127,693</b>	<b>114,554</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>145,015</b>	<b>195,698</b>
Inventory	22,850	30,716	40,132	46,635	51,566	37,079	43,921
Account Receivables	46,537	46,552	56,236	61,663	51,784	53,200	63,017
Cash and Bank Balance	17,717	48,866	27,816	35,469	48,789	42,967	74,820
Loans and Advances	10,662	10,927	9,722	13,610	11,804	11,768	13,940
<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>168,521</b>	<b>188,307</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	50,618	56,099
Provisions	1,426	1,628	1,622	2,465	2,805	2,440	2,891
<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>-23,506</b>	<b>7,391</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>250,302</b>	<b>268,060</b>

E: MOFSL Estimates

## 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	5.1	3.7	1.2	5.6
Cash EPS	6.5	7.1	9.1	9.5	9.6	7.8	12.6
BV/Share	14.8	26.2	29.5	34.7	35.7	36.5	40.3
DPS	1.0	0.9	1.5	1.5	1.0	0.3	1.5
Payout (%)	29.2	23.6	34.6	34.2	31.5	31.5	31.5
<b>Valuation (x)</b>							
P/E	24.7	21.1	19.9	21.0	29.0	92.2	19.1
P/BV	7.3	4.1	3.6	3.1	3.0	2.9	2.7
EV/Sales	0.7	0.7	0.7	0.9	0.9	1.0	0.8
EV/EBITDA	6.5	6.5	7.2	9.4	9.4	13.1	7.0
Dividend Yield (%)	1.0	0.8	1.4	1.4	0.9	0.3	1.4
FCF per share (Eco. Int. basis)	3.8	5.5	2.8	4.8	10.1	0.5	10.7
<b>Return Ratios (%)</b>							
RoE	31.8	25.3	19.4	15.9	10.5	3.2	14.6
RoCE (post-tax)	18.4	14.7	12.2	9.8	6.4	3.2	11.2
RoIC	25.6	20.0	16.7	11.9	7.5	3.2	14.3
<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	2.4	2.6
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	68
<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	1.5	6.6
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	5,509	35,996
Depreciation	10,872	10,591	15,752	20,582	27,780	31,192	32,993
Interest & Finance Charges	3,211	3,324	3,777	3,878	5,626	6,006	5,941
Direct Taxes Paid	-6,899	-8,433	-10,048	-10,498	-10,776	-1,708	-11,159
(Inc)/Dec in WC	-10,278	4,813	-14,820	-958	16,202	-18,642	956
<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>22,357</b>	<b>64,728</b>
Others	2,049	-4,099	3,531	-1,883	3,561	1,000	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>23,357</b>	<b>66,228</b>
(Inc)/Dec in FA	-19,306	-27,789	-30,308	-26,853	-21,943	-19,014	-19,855
<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>4,342</b>	<b>46,373</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>-19,014</b>	<b>-19,855</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	-6,006	-5,941
Dividend Paid	-6,675	-826	-6,332	-6,395	-12,794	-1,158	-5,579
Others	120	104	-2,467	81	-3,157	0	0
CF from Fin. Activity	-2,632	55,176	-22,214	-2,326	-27,832	-10,164	-14,520
<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>-5,822</b>	<b>31,853</b>
Opening Balance	17,467	17,717	48,866	27,816	35,469	48,789	42,967
<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>42,967</b>	<b>74,820</b>

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com) CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.: 022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.