

Mahindra & Mahindra

Estimate change 

TP change 

Rating change 

Bloomberg	MM IN
Equity Shares (m)	1,209
M.Cap.(INRb)/(USDb)	770.3 / 10.3
52-Week Range (INR)	666 / 246
1, 6, 12 Rel. Per (%)	-9/24/0
12M Avg Val (INR M)	3004

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	455	453	524
EBITDA	58.0	61.8	69.9
Adj. PAT*	35.8	38.7	46.3
Adj. EPS*	30.0	32.4	38.8
EPS Gr. (%)	-30.3	8.2	19.8
BV/Sh. (INR)	290	317	347

Ratios

RoE (%)	9.7	9.9	11.1
RoCE (%)	5.9	9.4	10.3
Payout (%)	24	19	24

Valuations

P/E (x)	20.7	19.1	16.0
P/BV (x)	2.1	2.0	1.8
Div. Yield (%)	0.4	0.8	1.2
FCF Yield *	0.2	4.6	6.8

* incl MVML

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	18.9	18.9	18.9
DII	29.9	28.5	26.7
FII	41.1	41.1	41.5
Others	10.2	11.5	12.9

FII Includes depository receipts

CMP: INR620

TP: INR800 (+29%)

Buy

Above est.; Best-ever margins led by FES; Exiting Aerospace

- Mahindra & Mahindra's (MM) 2QFY21 earnings were driven by strong performance in the Tractor business and steady recovery in Autos. Further, it announced exit from the Aerospace business, which had losses of INR3-4b in FY20. While MM's core business would recover faster, 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 8%/6.5% to reflect volume upgrade in Tractors as well as tighter cost control. MM is one of the few Auto stocks still trading at a good discount to LPA. Maintain **Buy** with TP of INR800.

Strong performance, supported by mix and lower costs

- MM's (incl. MVML) 2QFY21 revenue/EBITDA/PAT grew 5%/29%/-3% YoY, whereas 1HFY21 revenue/EBITDA/PAT declined 28%/23%/41%.
- Net realizations grew 9% YoY (+6%QoQ) to ~INR621.9k (v/s est. INR594.2k).
- EBITDA margins expanded 370bp YoY to 17.8% (v/s est. 14.7%). The margin beat was driven by lower staff and other expenses.
- EBIT margins for Tractors improved 510bp YoY to 24.4% (+400bp QoQ), while Auto margins declined 40bp YoY to 5.8%.
- Lower other income restricted adj. PAT to ~INR13.1b (v/s est. INR11.7b), implying decline of 3.2% YoY. It has impaired long-term investments worth INR11.5b (total impairment since 3QFY20 at INR53b), pertaining to the loss-making international businesses. MM has fully impaired its investment in all international loss-making businesses identified for exit.

Highlights from management commentary

- **Update on capital allocation:** MM is exiting the aeroplane business (Gippsaero), which made loss of INR3-4b in FY20. It plans to continue with the servicing business for outstanding obligations (exit in 2-3 years).
- In 1HFY21, it invested INR28b in subsidiaries; of this, ~INR16b was invested in rights issue of MMFS. The balance INR12b was toward debt reduction in some international subsidiaries and operations in some subsidiaries.
- Its end-2QFY21 system stock for both Autos and Tractors are lower by 58%/45% YoY due to supply-side issues. It plans to focus on normalizing inventory post the festive season in both the businesses.
- Thar has got very strong response with over 20k bookings with over 55% being first time MM. The automatic version of Thar forms 44% of total bookings (implying demand is also from non-off-roading customers).
- International operations in the FES business reported positive PBIT in 2QFY21 at INR30m (v/s PBIT loss of INR560m in 2QFY20). This was driven by (a) North America retail volumes growing 41% (80bp market share gains), (b) Brazil retails growing 31%, and (c) turnaround in Turkey operations.
- Cost reduction seen in 1HFY21 is largely structural in nature, particularly in the Auto business. This is by way of shift to digital marketing (including launches), travel related costs, etc.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- Valuations for MM are still at a substantial discount to its 5-year average (which captures both pain points of deterioration in the UV market share and subsidiaries' performances).
- Implied core P/E for MM stands at 11.5x/10x FY22/FY23E EPS and 1.3x/1.2x core P/BV. This implies 28-30% discount to the 5-year average P/E and P/B. Maintain **Buy** with TP of INR800 (Sep'22E SOTP).

Quarterly Performance (incl MVML)**(INR Million)**

Y/E March	FY20				FY21E				FY20	FY21E	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Total Volumes (nos)	218,039	191,390	216,816	151,713	95,308	185,270	232,065	224,602	777,958	737,246	185,270
Growth YoY (%)	-9.5	-16.3	-7.3	-35.6	-56.3	-3.2	7.0	48.0	-17.2	-5.2	-3.2
Net Realization	587,302	571,349	559,012	593,536	586,460	621,920	607,219	604,151	576,833	607,295	594,156
Growth YoY (%)	5.9	2.1	1.5	1.3	-0.1	8.9	8.6	1.8	2.5	5.3	4.0
Net Op. Income	128,055	109,351	121,203	90,047	55,894	115,223	140,914	135,694	448,751	447,726	110,079
Growth YoY (%)	-4.1	-14.5	-6.0	-34.8	-56.4	5.4	16.3	50.7	-15.1	-0.2	0.7
RM Cost (% of sales)	67.9	66.0	67.3	64.3	64.8	66.8	67.8	67.7	66.7	67.2	65.7
Staff (% of sales)	6.8	7.4	6.8	7.9	13.8	6.9	6.0	6.1	7.1	7.2	7.5
Oth. Exp. (% of Sales)	11.3	12.4	11.1	14.2	11.1	9.1	10.5	11.6	12.0	10.5	12.1
EBITDA	17,936	15,408	17,888	12,275	5,732	19,893	22,156	19,780	63,839	67,562	16,132
EBITDA Margins (%)	14.0	14.1	14.8	13.6	10.3	17.3	15.7	14.6	14.2	15.1	14.7
Other income	1,919	8,225	2,092	3,155	1,338	3,839	2,500	3,366	15,678	11,042	5,800
Interest	302	331	254	359	768	1,179	360	858	1,252	3,165	450
Depreciation	5,839	5,721	5,900	6,172	5,813	5,870	6,390	6,664	23,676	24,737	5,950
EO Income/(Exp)	13,671	0	-6,006	-35,776	288	-10,815	0	0	-28,112	-10,526	0
PBT after EO	27,384	17,582	7,821	-26,877	777	5,869	17,906	15,624	26,477	40,177	15,532
Effective Tax Rate (%)	17.5	22.9	51.4	-21.1	12.7	31.6	25.0	24.7	70.6	31.6	24.9
Reported PAT	22,597	13,548	3,802	-32,550	678	1,618	13,430	11,769	7,793	27,494	11,672
Adj PAT	9,180	13,548	9,810	3,230	390	13,110	13,430	11,769	35,770	38,699	11,672
Change (%)	-25.9	-19.3	-15.8	-69.1	-95.8	-3.2	36.9	264.4	-30.3	8.2	-13.9

E: MOFSL Estimates

Key Performance Indicators	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4QE	1Q	2Q	3QE	4QE		
Y/E March										
Tractors (incl Exports)	86,350	71,820	84,455	59,290	65,657	93,246	102,347	78,404	301,915	339,654
Change (%)	-14.3	-8.0	-6.9	-2.6	-24.0	29.8	21.2	32.2	-8.6	12.5
Total UV ('000 units)	106,868	91,398	103,392	73,179	27,395	86,184	111,432	120,964	367,264	330,689
Change (%)	-4.7	-22.9	-8.2	-48.0	-74.4	-5.7	7.8	65.3	-21.3	-10.0
Other Autos ('000 units)	24,821	28,172	28,969	19,244	2,256	5,840	18,287	25,234	108,779	66,902
Change (%)	-11.2	-12.0	-5.6	-43.2	-90.9	-79.3	-36.9	31.1	-23.3	-38.5
Cost Break-up										
RM Cost (% of sales)	67.9	66.0	67.3	64.3	64.8	66.8	67.8	67.7	66.7	67.2
Staff Cost (% of sales)	6.8	7.4	6.8	7.9	13.8	6.9	6.0	6.1	7.1	7.2
Other Cost (% of sales)	11.3	12.4	11.1	14.2	11.1	9.1	10.5	11.6	12.0	10.5
Gross Margins (%)	32.1	34.0	32.7	35.7	35.2	33.2	32.2	32.3	33.3	32.8
EBITDA Margins (%)	14.0	14.1	14.8	13.6	10.3	17.3	15.7	14.6	14.2	15.1
EBIT Margins (%)	9.4	8.9	9.9	6.8	-0.1	12.2	11.2	9.7	8.9	9.6

E:MOFSL Estimates



Management call highlights

Tractors

- MM expects the Tractor industry to grow in low double-digit in FY21.
- The company has witnessed a decline in WC for the first time in FES.
- Quarterly system stock was >45% lower than 2QFY20. 2QFY21 market share was impacted by supply-side issues due to (a) inadequate stock build-up in 1QFY21, (b) higher dependence on Maharashtra, and (c) labor shortage. Post the festive season, MM plans to build back inventory. The market share loss on wholesale basis is unlikely to normalize in FY21; however, this is not structural market share loss as demand for the brand is robust.
- International operations in the FES business reported positive PBIT in 2QFY21 at INR30m (v/s PBIT loss of INR560m in 2QFY20). This was driven by (a) North America retail volumes growing 41% (80bp market share gains), (b) Brazil retails growing 31%, and (c) turnaround in Turkey operations. MM expects North America Tractor business to remain in the positive zone as one-time correction of inventory is done (which took two years).
- MM saw strong Farm machine business growth of 90% in 1HFY21 and is seeing very broad-based growth across implements.

Autos

- Quarterly system stock in 2QFY21 was 58% lower YoY, which was impacted by (a) supply-side issues, (b) very high dependence on Maharashtra, and (c) labor shortage. MM expects to build up stock post the festive season.
- Thar has got very strong response with over 20k bookings. Over 55% of Thar customers are buying the MM brand for the first time. The automatic version of Thar forms 44% of total bookings (indicating demand is also from non-off-roading customers).
- Based on its learning from the success of Thar as well as past failures, MM is reorienting its SUV business to focus on maintaining its DNA and brand position to garner share. Also, unlike the past, MM has launched all Thar variants upfront and this seems to be the right approach.

Capital Allocation and Investments

- Impairments are part of MM's efforts to take care of all issues related to its international subsidiaries. It started with tougher businesses, and hence, higher write-offs. The company has fully impaired its investment in all international loss-making businesses identified for exit.
- It has announced exit for the aeroplane business (Gippsaero), which made loss of INR3-4b in FY20. It would continue with the servicing business for outstanding obligations, which will get addressed in 2-3 years. The aero structures business will continue, as it has made good progress in this long-cycle business and is supplying to Boeing, Airbus and Tier-1 suppliers. This business doesn't need much cash.
- In 1HFY21, it invested INR28b in subsidiaries; of this, ~INR16b was invested in rights issue of MMFS. The balance INR12b was toward debt reduction in some international subs as well in operations in some subsidiaries.

- Ssangyong: Discussions are ongoing with a potential investor. It expects resolution of SYMC over the next few months.

Cost and margins

- Cost reduction seen in 1HFY21 is largely structural in nature, particularly in the Auto business. This was due to shift to digital marketing (including launches), travel related costs, etc.
- There are headwinds to margins in the form of (a) commodity cost inflation impact, (b) normalization of pricing power as supply-side normalizes, and (c) some costs coming back as the business normalizes.

Exhibit 1: Trend in passenger UV volumes

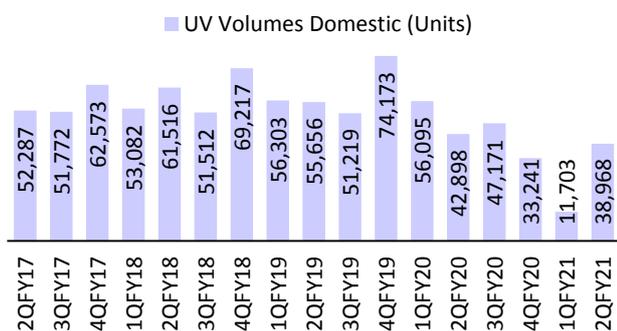


Exhibit 2: Trend in passenger UV market share

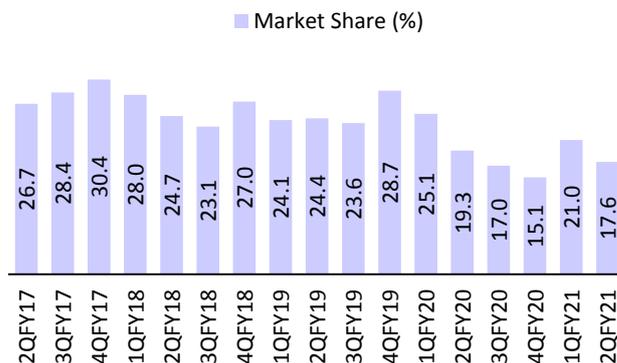


Exhibit 3: Trend in tractor volumes

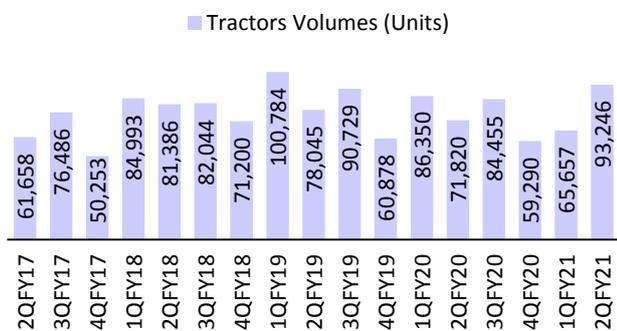


Exhibit 4: Trend in tractor market share

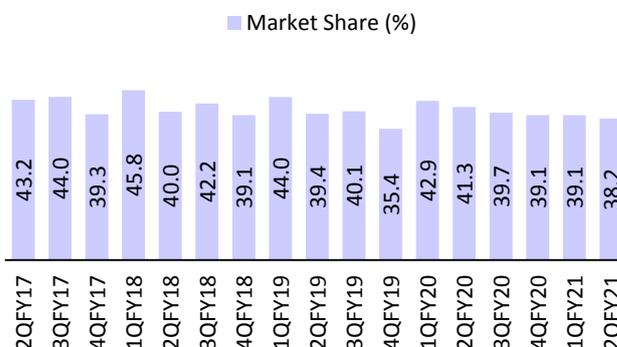


Exhibit 5: Trend in Auto realization

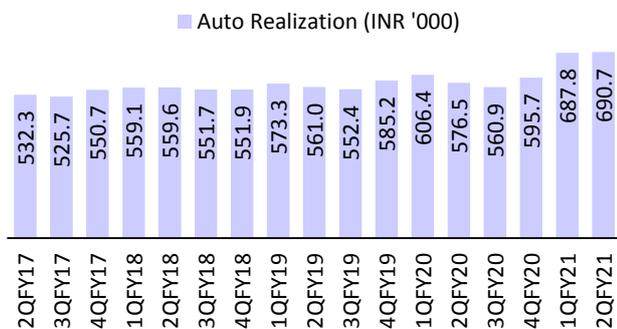


Exhibit 6: Trend in FES realization

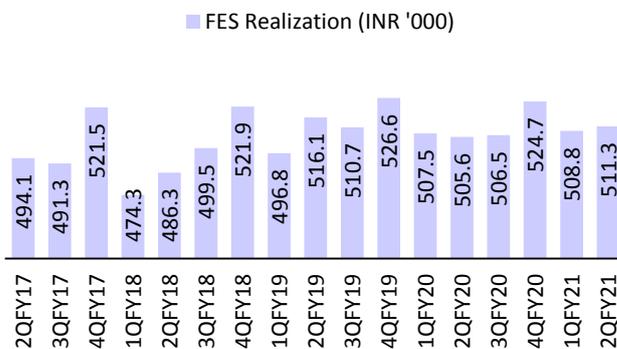
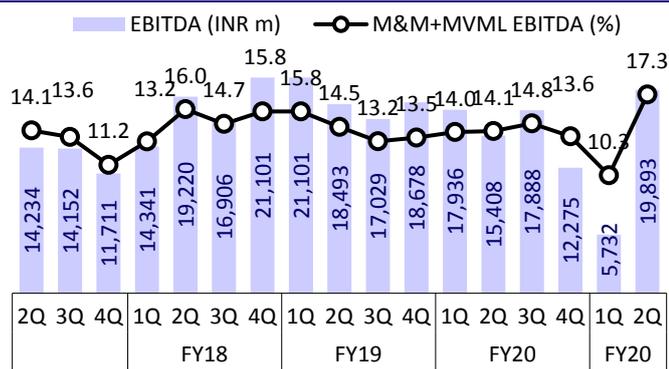
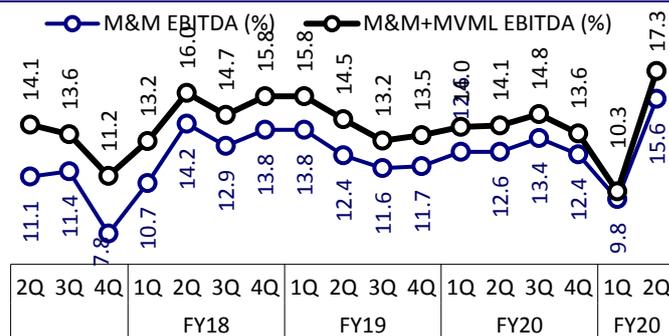


Exhibit 7: Trend in EBITDA margin



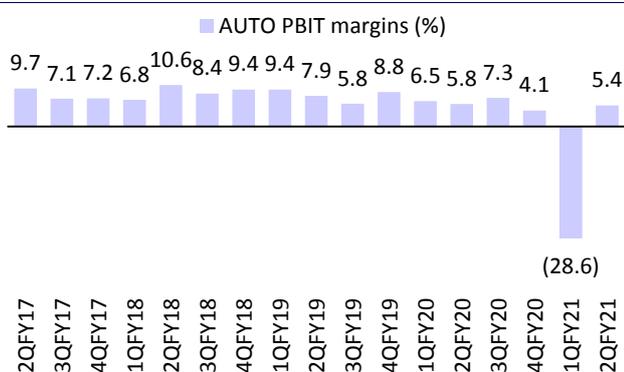
Source: Company, MOFSL

Exhibit 8: Trend in S/A and MM (incl. MVML) margins



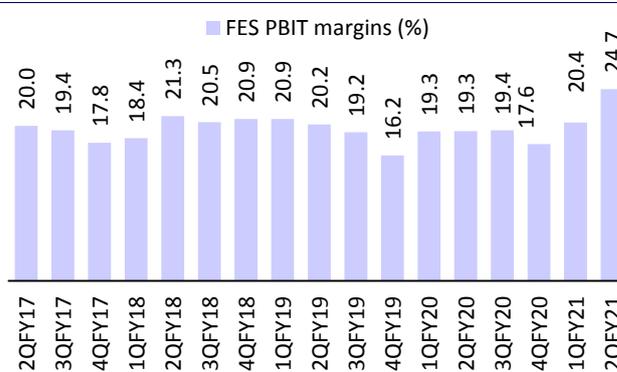
Source: Company, MOFSL

Exhibit 9: Trend in Auto PBIT margins



Source: Company, MOFSL

Exhibit 10: Trend in FES PBIT margins



Source: Company, MOFSL

Exhibit 11: MM's capital allocation correction steps taken so far

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

Source: Company

Exhibit 12: MM's 10 businesses (jewels) are net PAT positive, though some nascent mobility businesses are making losses

		F20 Revenue	F20 PAT
Clean Energy			
	Susten Group	2,231	20
Rural & Fin Services			
	Rural Housing Finance	1,528	149
	Agri Sector	1,277	(51)
Infra & Technology			
	Powerol	1,517	102
	Accelo Group	1,361	26
	Bristlecone Group	701	40
Mobility			
	Aftermarket Group	491	(39)
	Classic Legends	411	(6)
	Electric	279	(55)
	Shared mobility Group	506	(14)
	Total	10,302	172

Source: Company

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 and CEO (Dr. Pawan Goenka) retiring in 2021. Dr. Anish Shah would take over as MD and 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, Pickup UVs, and Passenger UVs. Tractors and Pickup UVs are on a strong footing in terms of outlook, MM's competitive positioning, and industry-level consolidation. However, MM's SUV 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 12-13% in FY21E (supply-side disruption is the key risk) and grow 10-12% 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 pickup business' competitive positioning should improve v/s SCVs/LCVs due to lower price inflation. 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 of 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 grow just 3% over FY20-23E.
- **Valuation and view:** We upgrade FY21/FY22E EPS by 8%/6.5% to reflect the volume upgrade in Tractors as well as for the tighter cost control. MM's 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 11.5x/10x FY22/FY23E EPS and 1.3x/1.2x core P/BV. This implies 28-30% discount to the 5-year average P/E and P/B. Maintain **Buy** with TP of INR800 (Sep'22E SOTP), implying core P/E of ~15x at TP (v/s five-year average core P/E of ~15.9x and 10-year average of ~14.3x).

Exhibit 13: Revised estimates

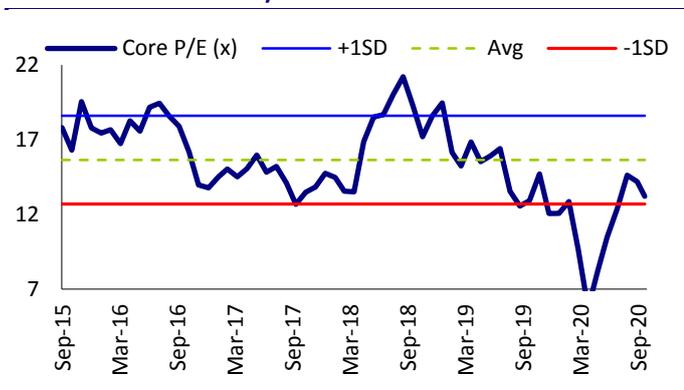
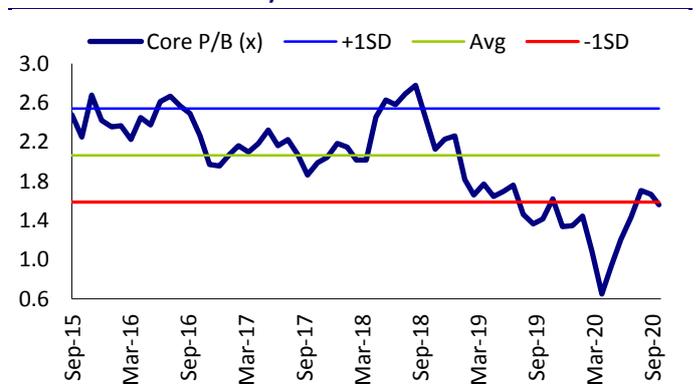
	FY21E			FY22E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	737	727	1.4	845	841	0.5
Net Sales	453	438	3.3	524	512	2.5
EBITDA (% incl MVML)	15.1	14.1	90bp	14.8	14.4	40bp
Net Profit	36	35	2.9	43	42	3.3
EPS (INR)	29.8	29.0	2.9	36.1	35.0	3.3
EPS (INR, incl MVML)	32.4	30.0	8.3	38.8	36.5	6.5

Source: MOFSL

Exhibit 14: MM: Sum-of-the-parts (INR/share)

INR/sh	Target P/E (x)	FY21E	FY22E	FY23E
Tractors	18	442	455	484
Autos	12	42	93	139
Others	8	30	40	41
Value of Core Business		514	588	664
Value of subs post hold-co	40% Hold-Co	174	174	174
- Tech Mahindra		104	104	104
- MMFSL		23	23	23
- Mah. Lifespaces		4	4	4
- Mah. Holidays		8	8	8
- SYMC		15	15	15
- Mah. Logistics		9	9	9
- Others		11	11	11
Fair Value (INR/sh)		688	762	838

Source: MOFSL

Exhibit 15: MM: Core P/E trend**Exhibit 16: MM: Core P/B trend**

Source: Bloomberg, MOFSL

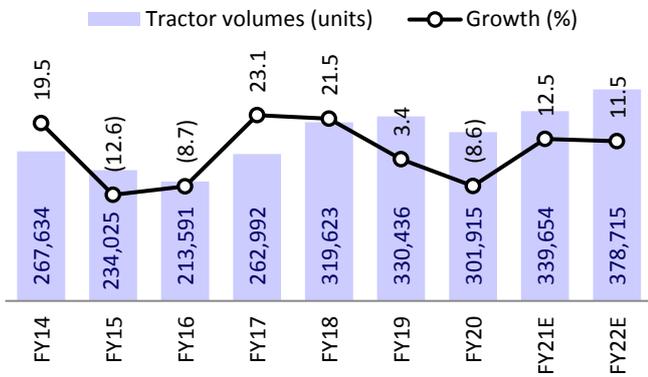
Exhibit 17: Snapshot of Revenue model (Standalone)

000 units	FY17	FY18	FY19	FY20	FY21E	FY22E	FY22E
Tractors	263	320	330	302	340	379	409
Growth (%)	23.1	21.5	3.4	-8.6	12.5	11.5	8.0
% of total volumes	34.3	36.8	35.2	38.8	46.1	44.8	44.2
Autos							
Pick-up/LCVs (<3.5t)	168	200	229	188	165	207	238
Growth (%)	7.7	19.1	14.9	-18.1	-12.0	25.0	15.0
SUVs	223	235	237	179	165	185	197
Growth (%)	-4.4	5.7	0.9	-24.4	-7.8	12.1	6.0
3-Ws	52	55	67	62	37	41	43
Growth (%)	-4.9	4.4	22.1	-6.8	-40.0	10.0	5.0
LCVs (>3.5t)	8	8	8	6	3	4	5
Growth (%)	18.7	1.6	8.6	-26.5	-44.0	30.0	10.0
M&HCVs (MTBL)	7	9	11	5	3	3	4
Growth (%)	17.7	41.2	14.3	-53.0	-50.0	25.0	10.0
Others & Exports	47	42	56	35	24	26	30
Growth (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Autos	504	549	609	476	398	467	516
Growth (%)	2.5	8.9	10.8	-21.8	-16.5	17.4	10.5
% of total volumes	65.7	63.2	64.8	61.2	53.9	55.2	55.8
Total volumes ('000 units)	767	869	939	778	737	845	925
Growth (%)	8.8	12.9	8.1	-17.2	-5.2	14.7	9.4
ASP (INR '000/Unit)	572	560	571	585	614	620	629
Growth (%)	0.3	-2.1	1.9	2.4	5.0	1.0	1.5
Net Sales (INR b)	441	487	536	455	453	524	582
Growth (%)	9.1	10.5	10.1	-15.2	-0.5	15.8	11.0

Source: Company, MOFSL

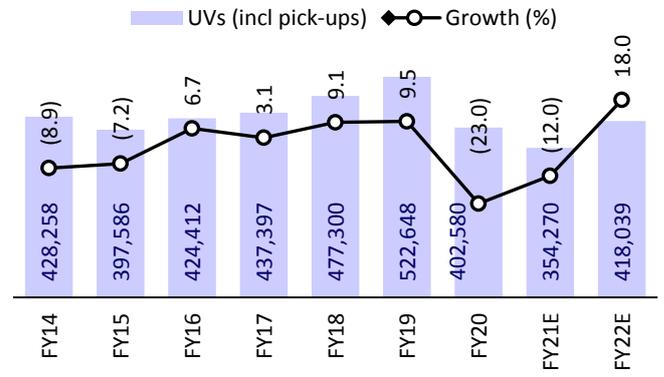
Story in charts

Exhibit 18: Trend in Tractor volumes



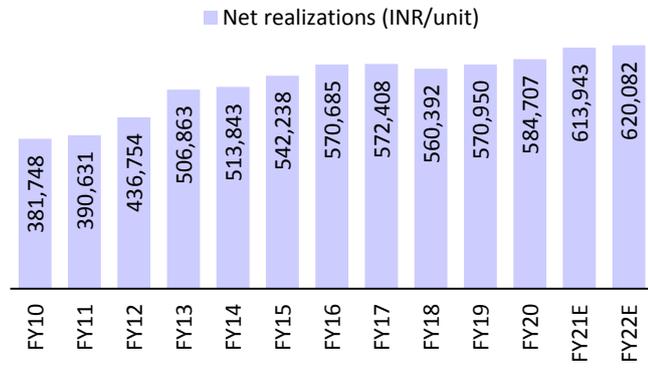
Source: Company, MOFSL

Exhibit 19: New product launches to drive UV sales



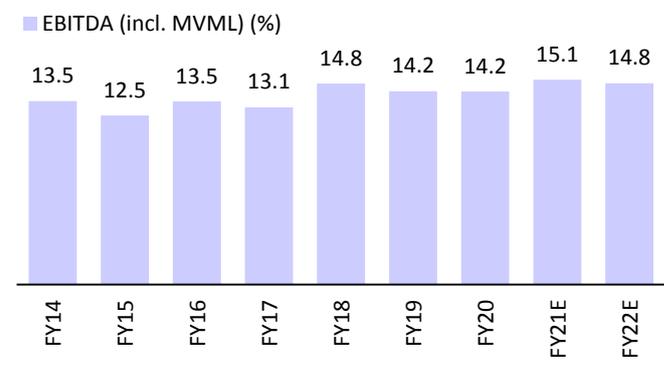
Source: Company, MOFSL

Exhibit 20: Realization trend



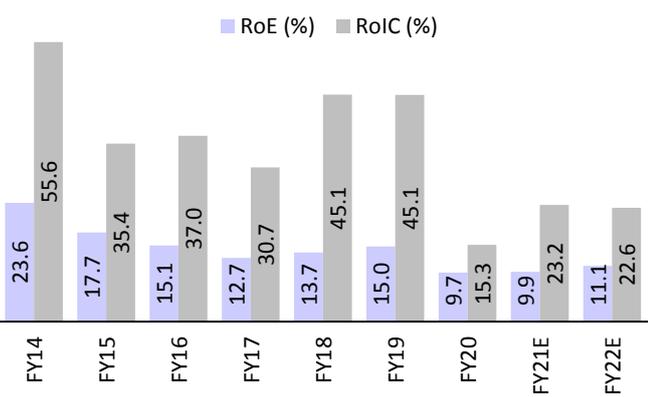
Source: Company, MOFSL

Exhibit 21: Trend in EBITDA margins



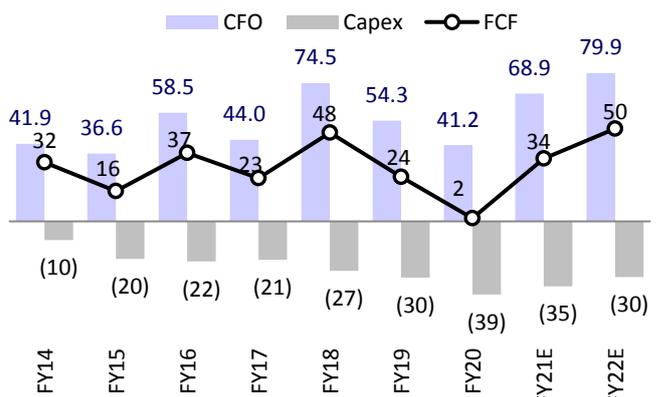
Source: Company, MOFSL

Exhibit 22: Trend in return profile



Source: Company, MOFSL

Exhibit 23: FCF to improve despite high capex plans



Source: Company, MOFSL

Financials and valuations

Income Statement						(INR Million)
Y/E March	2017	2018	2019	2020	2021E	2022E
Net Op. Income	4,40,535	4,86,856	5,36,140	4,54,878	452,627	524,268
Change (%)	7.8	10.5	10.1	-15.2	-0.5	15.8
Total Expenditure	3,95,388	4,24,615	4,69,744	3,96,897	390,840	454,402
EBITDA	45,147	62,240	66,396	57,981	61,786	69,866
Margins (%)	10.2	12.8	12.4	12.7	13.7	13.3
Margins (% incl MVML)	13.1	14.8	14.2	14.2	15.1	14.8
Depreciation	15,264	14,794	18,604	22,226	23,257	27,018
EBIT	29,883	47,446	47,792	35,754	38,529	42,847
Deferred Revenue Exp.	0	0	0	0	0	0
Int. & Finance Charges	1,596	1,122	1,134	1,132	2,915	2,078
Other Income	13,455	10,364	16,890	16,678	11,842	16,720
Non-recurring Income	5,485	4,336	-297	-20,140	0	0
Profit before Tax	47,226	61,024	63,250	31,160	47,457	57,490
Eff. Tax Rate (%)	22.9	28.6	24.2	57.3	25.0	25.0
Profit after Tax	36,434	43,560	47,960	13,306	35,593	43,117
Adj. Profit after Tax	31,130	39,220	48,260	33,450	35,593	43,117
Change (%)	(1.3)	26.0	23.0	(30.7)	6.4	21.1
Adj. PAT (incl MVML)	35,133	43,202	51,288	35,770	38,699	46,345

E: Inquire Estimates

Balance Sheet						(INR Million)
Y/E March	2017	2018	2019	2020	2021E	2022E
Share Capital	2,968	5,950	5,958	5,965	5,965	5,965
Reserves	2,64,888	2,96,991	3,36,135	3,38,713	367,375	400,095
Net Worth	2,67,856	3,02,941	3,42,093	3,44,679	373,340	406,060
Deferred tax	2,548	2,772	6,341	14,082	14,082	14,082
Loans	27,729	28,644	25,713	30,680	30,680	28,680
Capital Employed	2,98,134	3,34,357	3,74,147	3,89,440	418,101	448,821
Application of Funds						
Gross Fixed Assets	1,54,778	1,82,295	2,23,122	2,48,477	308,571	338,571
Less: Depreciation	77,068	1,03,700	1,22,304	1,44,531	167,787	194,806
Net Fixed Assets	77,710	78,594	1,00,818	1,03,946	140,784	143,766
Capital WIP	20,404	31,287	24,198	40,095	15,000	15,000
Investments	1,79,084	2,05,830	2,20,160	1,99,381	207,029	219,029
Curr.Assets, L & Adv.	1,25,034	1,58,457	1,81,795	1,61,599	174,631	204,108
Inventory	27,580	27,017	38,393	34,009	32,412	37,543
Sundry Debtors	29,388	31,730	39,463	29,990	29,762	34,472
Cash & Bank Bal.	16,875	28,937	37,317	42,365	54,430	72,595
Loans & Advances	5,406	10,182	7,110	6,509	9,301	10,773
Others	45,784	60,591	59,513	48,726	48,726	48,726
Current Liab. & Prov.	1,04,098	1,39,811	1,52,824	1,15,581	119,342	133,082
Sundry Creditors	68,811	86,034	96,782	67,858	74,404	86,181
Other Liabilities	21,388	38,485	40,326	32,537	32,537	32,537
Provisions	13,899	15,292	15,716	15,185	12,401	14,364
Net Current Assets	20,935	18,646	28,971	46,018	55,289	71,027
Application of Funds	2,98,134	3,34,357	3,74,147	3,89,440	418,101	448,821

Financials and valuations

Ratios

Y/E March	2017	2018	2019	2020	2021E	2022E
Basic (INR)						
Fully diluted EPS	26.2	33.0	40.5	28.0	29.8	36.1
FD EPS (incl MVML)	29.6	36.3	43.0	30.0	32.4	38.8
Cash EPS	39.1	45.4	56.1	46.7	49.3	58.8
Book Value per Share	225.1	256.2	293.7	290.3	316.9	347.0
DPS	6.5	7.5	8.5	2.4	5.0	7.5
Payout (Incl. Div. Tax) %	12.3	23.8	24.5	24.5	19.5	24.1
Valuation (x)						
P/E	20.1	16.4	13.8	19.8	19.1	16.0
Cash P/E	15.2	13.1	10.6	12.7	12.6	10.5
EV/EBITDA	7.2	10.7	10.0	11.5	11.2	9.6
EV/Sales	0.7	1.4	1.2	1.5	1.5	1.3
Price to Book Value	2.6	2.3	2.0	2.0	2.0	1.8
Dividend Yield (%)	1.1	1.3	1.4	0.4	0.8	1.2
Profitability Ratios (%)						
RoE	12.7	13.7	15.0	9.7	9.9	11.1
RoCE	12.4	13.0	13.8	5.9	9.4	10.3
ROIC	30.7	45.1	45.1	15.3	23.2	22.6
Turnover Ratios						
Debtors (Days)	24	24	27	24	24	24
Inventory (Days)	23	20	26	27	26	26
Creditors (Days)	57	65	66	54	60	60
Working Capital (Days)	17	14	20	37	45	49
Asset Turnover (x)	1.5	1.5	1.4	1.2	1.1	1.2
Leverage Ratio						
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2

Cash Flow Statement

(INR Million)

Y/E March	2017	2018	2019	2020	2021E	2022E
OP/(Loss) before Tax	41,742	56,688	63,547	51,300	38,529	42,847
Int./Dividends Received	-9,800	-8,084	-13,184	-14,327	11,842	16,720
Depreciation & Amort.	15,264	14,794	18,604	22,226	23,257	27,018
Direct Taxes Paid	-9,929	-12,887	-14,341	-10,823	-11,864	-14,372
(Inc)/Dec in Wkg. Capital	-508	17,803	-5,060	-13,260	2,794	2,426
Other Items	332	1,957	-327	1,662		
CF from Oper. Activity	37,100	70,271	49,239	36,778	64,559	74,640
(Inc)/Dec in FA+CWIP	-20,743	-26,688	-30,316	-39,437	-35,000	-30,000
Free Cash Flow	16,358	43,583	18,923	-2,658	29,559	44,640
(Pur)/Sale of Invest.	-7,076	-24,416	4,826	13,672	-7,648	-12,000
CF from Inv. Activity	-27,818	-51,104	-25,490	-25,764	-42,648	-42,000
Change in Net Worth	0	0	0	0	0	0
Inc/(Dec) in Debt	-1,742	592	-3,725	3,289	0	-2,000
Interest Paid	-1,482	-1,695	-1,710	-1,570	-2,915	-2,078
Dividends Paid	-8,391	-9,230	-10,117	-11,874	-6,133	-9,116
CF from Fin. Activity	-11,615	-10,333	-15,552	-10,155	-9,048	-13,193
Inc/(Dec) in Cash	-2,333	8,834	8,196	859	12,863	19,446
Add: Beginning Balance	22,870	16,875	14,180	22,376	42,365	54,430
Closing Balance	20,705	25,876	22,376	23,235	55,228	73,876

E: MOFSL Estimates

NOTES

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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