

Maruti Suzuki

Estimate change 

TP change 

Rating change 

CMP: INR7,586

TP: INR9,000 (+19%)

Buy

Below our estimate: Higher cost hurts margin; order backlog strong

Strong demand environment to enable cost absorption

Bloomberg	MSIL IN
Equity Shares (m)	302
M.Cap.(INRb)/(USDb)	2291.7 / 32.5
52-Week Range (INR)	8400 / 4002
1, 6, 12 Rel. Per (%)	2/-1/-6
12M Avg Val (INR M)	8644

- MSIL's 3QFY21 operating performance was impacted by higher costs, which more than off-set operating leverage benefits. While the demand environment is strong, cost absorption would be gradual keeping margin in check for FY22.

- We lower our FY21E/FY22E EPS by 6%/2% to factor in higher cost, which is diluted by volume upgrades, lower depreciation, and higher other income. Maintain **Buy** with a TP of INR9,000/share (27x Mar'23E consolidated EPS).

Financials & valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	756	708	932
EBITDA	73.0	57.5	98.4
Adj. PAT	56.5	49.3	80.5
EBIT Margin (%)	5.0	3.8	7.1
Cons. Adj. EPS (INR)	188.0	164.5	269.9
EPS Gr. (%)	-25.8	-12.5	64.1
BV/Sh. (INR)	1,603	1,694	1,901

Higher cost impacts margin; greater other income supports PAT

- Revenue/EBITDA/PAT grew 13%/6%/24% YoY in 3QFY21 to ~INR234.5b/INR22.3b/INR19.4b. The same in 9MFY21 fell 19.3%/43%/30%.

- Net sales grew 13.3% to INR234.6b, with net realizations flat YoY (-0.8% QoQ) to INR473k (v/s our estimate of INR475.6k) due to higher discounts and adverse mix. Discounts increased QoQ to INR20.1k/unit (v/s INR17.3k/INR33k in 2QFY21/3QFY20).

- Gross margin declined 250bp QoQ (-160bp YoY) impacted by RM cost inflation (+3pp QoQ), poor mix, and higher discounts (+70bp QoQ).

- EBITDA margin fell 70bp YoY (-80bp QoQ) to 9.5% (v/s our estimate of 11.3%) due to weaker gross margin and higher staff cost. EBIT margin rose 30bp YoY (+10bp QoQ) to 6.3% (v/s our expectation of 8%) due to lower depreciation. Higher other income boosted PAT growth by 24% to INR19.4b (v/s our estimate of INR20.3b).

Ratios

RoE (%)	11.7	9.6	14.0
RoCE (%)	14.6	12.0	17.9
Payout (%)	38	36	37

Valuations

P/E (x)	40.4	46.1	28.1
P/BV (x)	4.7	4.5	4.0
Div. Yield (%)	0.8	0.8	1.3
FCF Yield (%)	0.0	1.7	2.6

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	56.4	56.4	56.2
DII	15.7	16.8	15.6
FII	23.1	21.9	23.2
Others	4.9	5.0	5.0

FII Includes depository receipts

Highlights from the management commentary

- Post festive demand, better than expected and contrary to its expectation demand didn't decline. Fresh bookings have also been positive. Current order backlog stands at 215k vehicles, with low dealer inventory at 21k units at the beginning of Jan'21.

- Currently, there is no impact on part supplies. However, the management is monitoring the situation closely as some OEMs are impacted.

- Replacement demand (at 19% of sales v/s 26% last year) is yet to see an improvement. Rural markets (over 40% of volumes) and CNG (+18% YoY in 9MFY21) have done much better.

- Capacity utilization is near ~100%. 3QFY21 has already seen good operating leverage benefits. As it adds capacity, MSIL would have a negative impact in the interim. It expects marketing cost to increase from the lows of FY21.

Valuation and view

- While MSIL has seen a strong demand recovery, commodity cost inflation has delayed margin recovery. We expect a gradual margin recovery as cost is absorbed over the next 2-3 quarters. Strong demand and stable competitive positioning would drive convergence of P/E towards its 5-year avg. of ~30x.

- The stock trades at 28.1x/22.8x FY22/FY23E consol. EPS. We value the stock at 27x Mar'23E consol. EPS (at a 10% discount to its 5-year avg P/E v/s 25x earlier to factor in for strong demand & stable market share). Maintain **Buy**.

S/A quarterly perf.

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	3QFY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Net operating revenues	197,198	169,853	207,068	181,987	41,065	187,445	234,578	245,269	756,106	708,357	2,35,853
Change (%)	-12.2	-23.6	5.3	-15.2	-79.2	10.4	13.3	34.8	-12.1	-6.3	13.9
EBITDA	20,478	16,063	21,021	15,464	-8,634	19,336	22,261	24,534	84,772	57,497	26,592
EBITDA Margins (%)	10.4	9.5	10.2	8.5	-21.0	10.3	9.5	10.0	11.2	8.1	11.3
Depreciation	9,186	9,261	8,580	8,230	7,833	7,659	7,413	7,568	35,257	30,473	7,800
EBIT	11,292	6,802	12,441	7,234	-16,467	11,677	14,848	16,966	49,515	27,024	18,792
EBIT Margins (%)	5.7	4.0	6.0	4.0	-40.1	6.2	6.3	6.9	6.5	3.8	8.0
Non-Operating Income	8,364	9,200	7,840	8,804	13,183	6,025	9,937	6,276	34,208	35,421	7,000
PBT	19,109	15,720	20,064	15,755	-3,457	17,478	24,498	23,076	82,394	61,595	25,562
Effective Tax Rate (%)	24.9	13.6	22.0	18.0	27.9	21.5	20.8	19.1	17.2	19.9	20.5
Adjusted PAT	14,355	13,586	15,648	12,917	-2,494	13,716	19,414	18,671	68,252	49,307	20,322
Change (%)	-27.3	-35.3	5.1	-28.1	-117.4	1.0	24.1	44.5	-15.1	-27.8	29.9

Key perf. indicators

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Dom. PV Market Sh (%)	51.6	49.5	51.9	54.4	42.8	50.1	50.7	89.5	51.9	0.0
Volumes ('000 units)	402.6	338.3	437.4	384.4	76.6	393.1	495.9	506.6	1,562.6	1,472.2
Change (%)	-17.9	-30.2	2.0	-16.2	-81.0	16.2	13.4	31.8	-16.1	-5.8
Discounts (INR '000/car)	16.9	25.8	33.0	19.1	25.0	17.3	20.2	0.0	23.9	20.9
% of Net Realn	3.5	5.1	7.0	4.0	4.7	3.6	4.3	0.0	4.9	4.3
Net Realizations (INR '000/car)	489.8	502.1	473.4	473.5	536.1	476.8	473.0	484.2	483.9	481.2
Change (%)	7.0	9.5	3.2	1.2	9.4	-5.0	-0.1	2.3	4.8	-0.6
Cost Break-up										
RM Cost (% of sales)	70.1	71.2	70.9	70.3	71.5	70.0	72.5	72.7	70.3	71.9
Staff Cost (% of sales)	4.4	4.9	4.2	4.5	17.8	4.4	4.0	3.8	4.5	4.8
Other Cost (% of sales)	15.2	14.4	14.8	16.7	31.7	15.3	13.9	13.5	14.0	15.2
Gross Margins (%)	29.9	28.8	29.1	29.7	28.5	30.0	27.5	27.3	29.7	28.1
EBITDA Margins (%)	10.4	9.5	10.2	8.5	-21.0	10.3	9.5	10.0	11.2	8.1
EBIT Margins (%)	5.7	4.0	6.0	4.0	-40.1	6.2	6.3	6.9	6.5	3.8

E: MOFSL estimates

Highlights from the earnings call

- Post festive demand, better than expected and contrary to its expectation demand didn't decline. Fresh bookings have also been positive. Current order backlog stands at 215k vehicles, with low inventory at the beginning of Jan'21 (21k units with dealers and 700 units at the plant).
- Supply-side issues: Currently, there is no impact on part supplies. However, the management is monitoring the situation closely as some OEMs are impacted.
- Replacement demand (at 19% of sales v/s 26% last year) is yet to see an improvement. Rural markets (over 40% of volumes) and CNG (+18% YoY in 9MFY21) have done much better.
- Capacity utilization is ~100%. 3QFY21 has already seen good operating leverage benefits. As it adds capacity, MSIL would have a negative impact in the interim. The management expects marketing cost to increase from the lows of FY21.
- It has taken price increases effective 18 Jan'21. Considering the demand environment, the management feels it needs to balance out price increases without impacting demand.
- Staff costs increased sequentially due to higher production, increments in 1HFY21, and greater one-off provision for retirement benefits (INR20cr).
- Jimny 3 door exports have started to LatAm, Africa, and other markets (but not to Europe). The management is still evaluating feasibility of a launch in India.

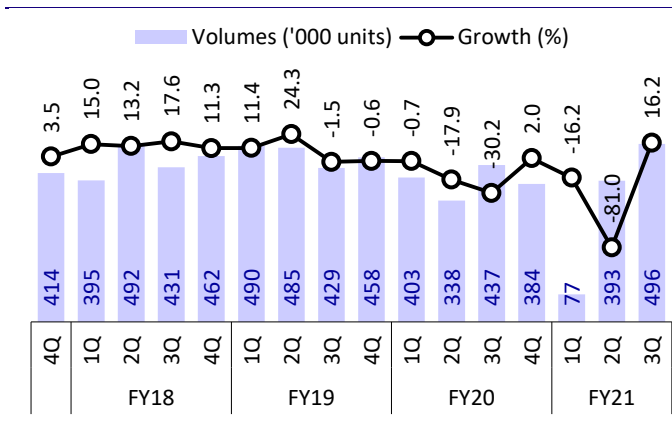
Key exhibits

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

Trend in volumes

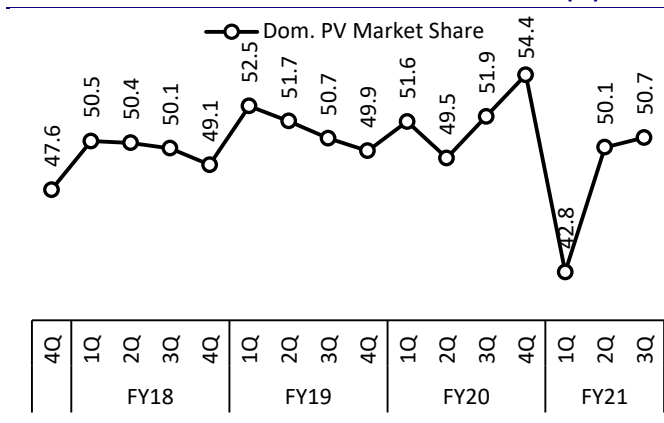
('000 units)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY19	YoY (%)
Mini	75.7	78.7	-3.8	64.2	17.9	247.8	379.0	-34.6
<i>% of total</i>	15.3	18.0		16.3		15.9	20.4	
MPV+LCVs	47.8	34.1	40.2	35.5	34.6	140.2	202.5	-30.8
<i>% of total</i>	9.6	7.8		9.0		9.0	10.9	
Compact including Dzire Tour	264.4	225.2	17.5	203.0	30.3	812.0	861.8	-5.8
<i>% of total</i>	53.3	51.5		51.6		52.0	46.3	
Mid-size	4.6	5.6	-18.6	4.1	12.4	25.3	46.2	-45.3
<i>% of total</i>	0.9	1.3		1.0		1.6	2.5	
UV	74.9	70.1	6.7	63.9	17.1	235.3	264.2	-10.9
<i>% of total</i>	15.1	16.0		16.3		15.1	14.2	
Exports	28.5	23.7	20.6	22.5	26.7	102.2	108.7	-6.1
<i>% of total</i>	5.8	5.4		5.7		6.5	5.8	
Total Sales	495.9	437.4	13.4	393.1	26.1	1,562.6	1,862.4	-16.1
Total Dom. PV MS (%)	50.7	51.9	-120bp	50.1	60bp	51.9	51.2	70bp

Exhibit 2: Trend in MSIL's volumes



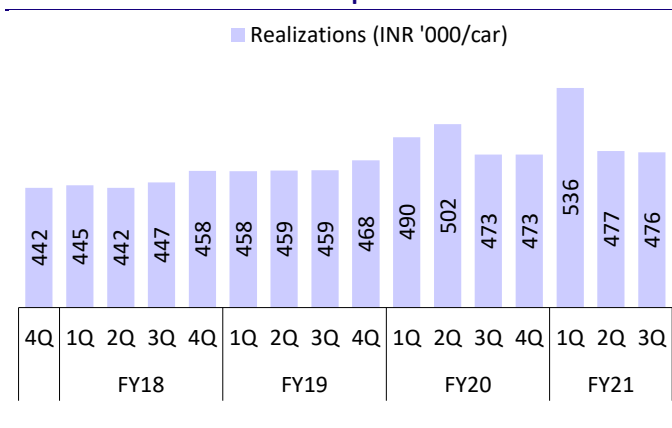
Source: Company, MOFSL

Exhibit 3: MSIL's Domestic PV market share trend (%)



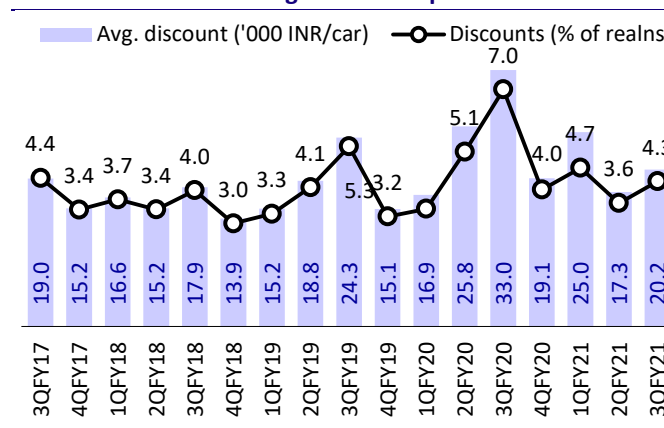
Source: Company, MOFSL

Exhibit 4: Trend in realizations per unit



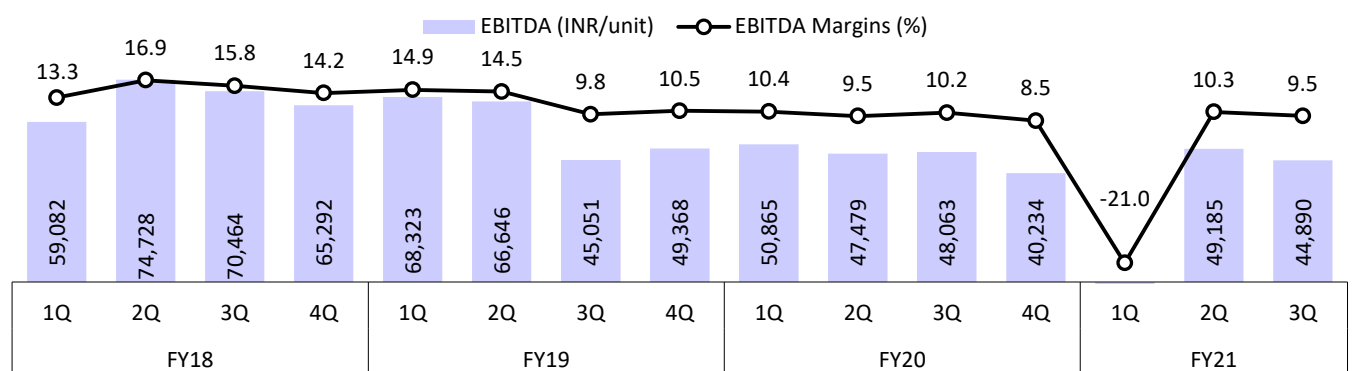
Source: Company, MOFSL

Exhibit 5: Trend in average discounts per unit



Source: Company, MOFSL

Exhibit 6: Trend in MSIL's EBITDA and EBITDA margin



Source: Company, MOFSL

Valuation and view

- Our long-term view on the PV industry remains intact:** Growth in the Indian PV industry has undershot expectations over the past five years (FY15-20: ~1.3% volume CAGR). This is attributed to several factors, including weaker economic growth, stringent financing, regulatory impact on cost in FY19/FY20, and COVID-19. We expect industry volumes to recover from the low base of FY21, driven by high aspirations, improving affordability, and low penetration (less than 30 cars per 1,000 population). We estimate 7% PV industry volume CAGR over FY20-25 (on a low base of ~7.7% CAGR decline over FY18-20).
- Strong product portfolio with several launches lined up over the next few years:** MSIL could emerge as the biggest beneficiary of a demand recovery in the post-COVID era, considering its stronghold in the entry-level segment and a favorable product life cycle. New launches, targeted at filling the gaps in its portfolio, are likely to improve the overall product mix. The company would gain further market share, driven by an expected shift toward petrol vehicles, resulting in ~10% volume CAGR over FY20-23E. This, coupled with an improved mix and reduced discounts, would drive ~11% revenue CAGR over FY20-23E.
- Operating performance recovery postponed to FY22E:** While 1HFY21 witnessed the full impact of COVID on operations, we expect demand recovery seen since 2QFY21 to sustain. The initial demand recovery would be supported by a refreshed product portfolio in Hatchbacks as well as faster rural recovery (~40% of sales for MSIL). EBITDA margin would decline to a decade low of 8% in FY21 on higher commodity cost, weak forex, and operating deleverage. With an improvement in volumes, we expect EBITDA margin to rebound to ~12.1% in FY23E. This would be led by: a) normalization in the product life cycle, b) lower discounts, c) price increases and mix improvement, d) cost-saving initiatives, e) reducing JPY exposure, and e) operating leverage.
- Strong margin, 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 on marketing. We expect FCF generation to improve to ~INR162b over FY21-23E (v/s ~INR98b in FY18-20), after budgeting for cumulative annual capex of ~INR104b. RoCE is estimated to improve gradually to ~19.8% by FY23E from 14.6% in FY20.

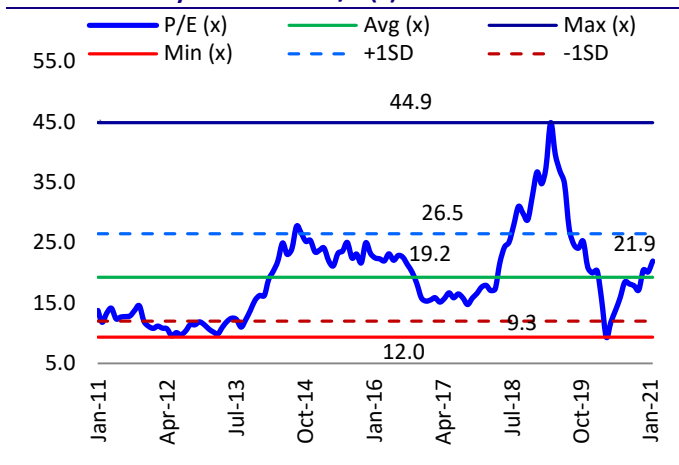
- Structural improvement in business to support valuations:** We lower our FY21E/FY22E EPS by 6%/2% to factor in higher cost, which is diluted by volume upgrades, lower depreciation, and higher other income. All business parameters such as industry consolidation, market share improvement, reduced JPY 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. We expect financial parameters to improve over the next five years. The moat for MSIL is expected to strengthen further, which should support narrowing of the valuation gap, with five-year average P/E of ~30x. The stock trades at 28.1x/22.8x FY22E/FY23E consolidated EPS. We value the stock at 27x Mar’23E consolidated EPS (at a 10% discount to its five-year average P/E of 30x v/s 25x earlier to factor in strong demand and a mid-recovery cycle). Maintain **Buy** with a TP of INR9,000/share.

Exhibit 7: Revised forecast

(INR b)	FY21E			FY22E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Total Volumes ('000)	1,472	1,483	-0.7	1,925	1,864	3.3
Net Sales	708	708	0.1	932	895	4.1
EBITDA	57	65	-11.3	98	102	-4.0
EBITDA Margin (%)	8.1	9.2	-100bp	10.6	11.4	-90bp
PAT	49.3	52.4	-5.9	80.5	82.2	-2.1
Consolidated EPS (INR)	164.5	174.7	-5.8	269.9	275.5	-2.0
JPY:INR	0.70	0.70	0.0	0.70	0.69	0.9

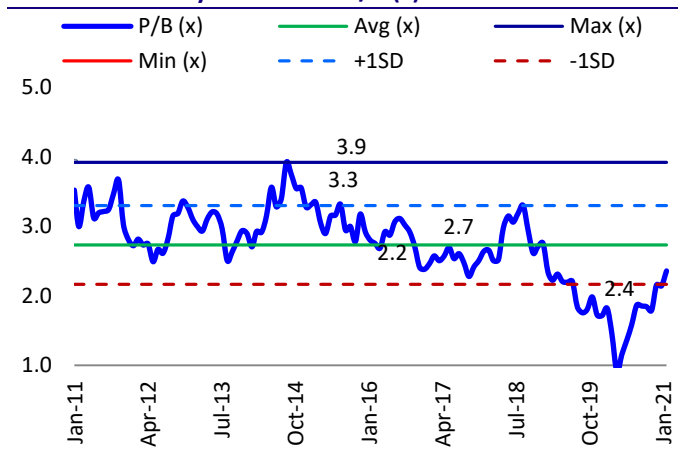
Source: Company, MOFSL

Exhibit 8: One-year forward P/E (x) band



Source: MOFSL

Exhibit 9: One 1-year forward P/B (x) band



Source: MOFSL

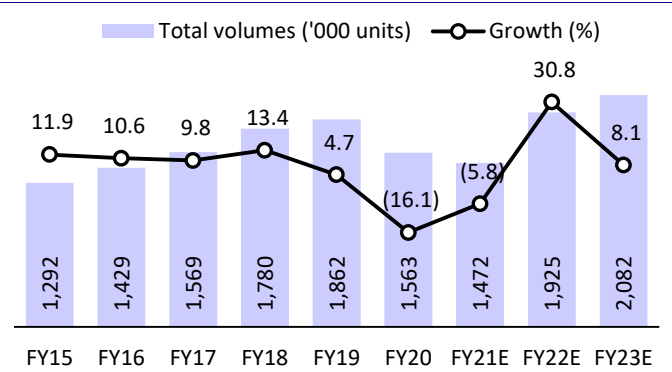
Story in charts: Expect 21% EPS CAGR over FY20-22E

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

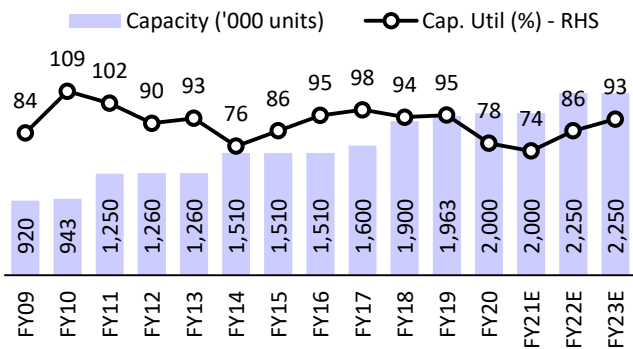
Source: Company, MOFSL

Exhibit 11: Trend in volumes and growth over FY20-23E



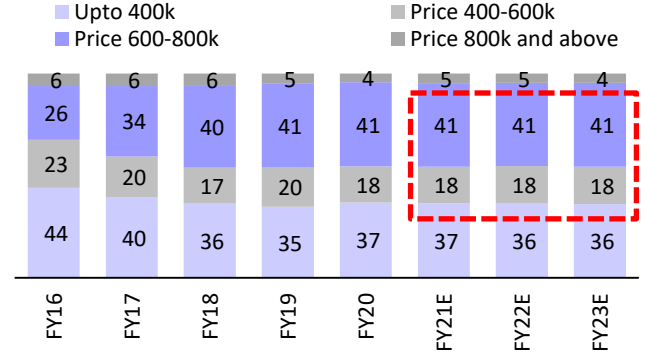
Source: Company, MOFSL

Exhibit 12: MSIL to operate at low utilization



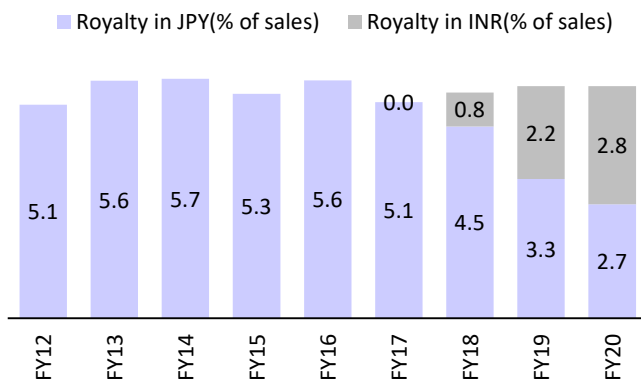
Source: Company, MOFSL

Exhibit 13: Trend in product mix



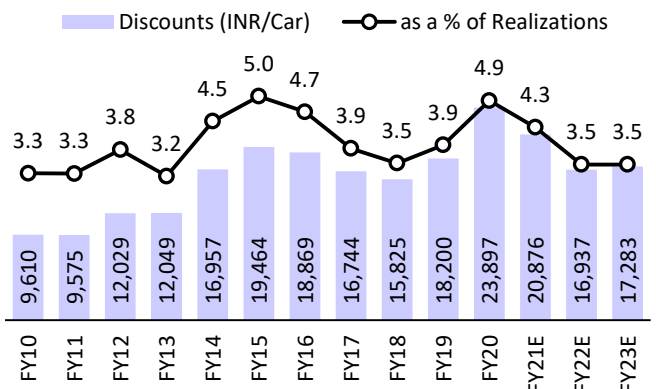
Source: Company, MOFSL

Exhibit 14: JPY-based royalty to reduce gradually



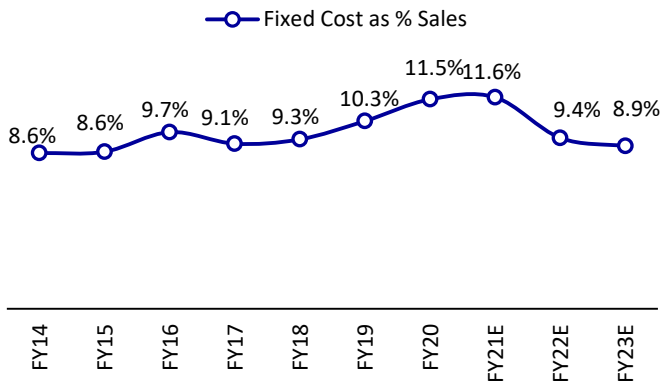
Source: Company, MOFSL

Exhibit 15: Discounts to normalize in FY21E



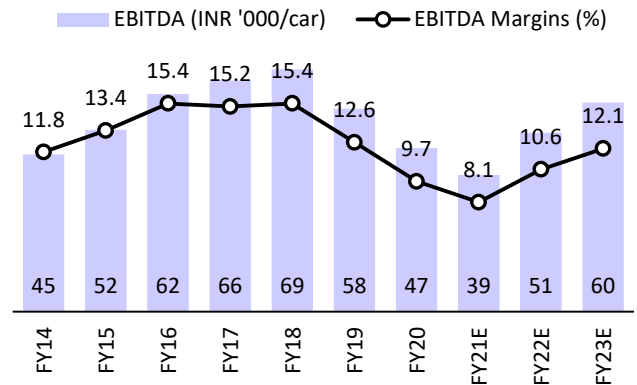
Source: Company, MOFSL

Exhibit 16: Fixed cost as a percentage of sales



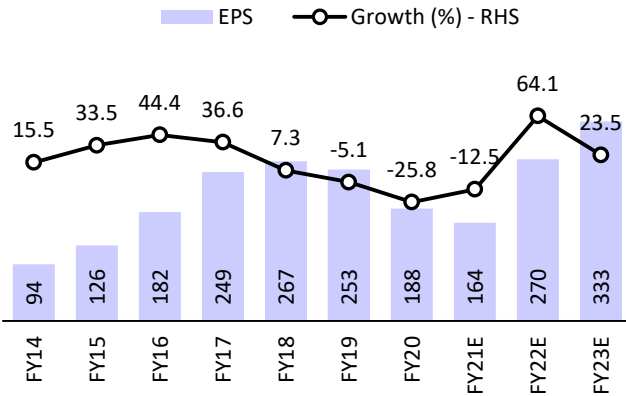
Source: Company, MOFSL

Exhibit 17: EBITDA margin and EBITDA per car



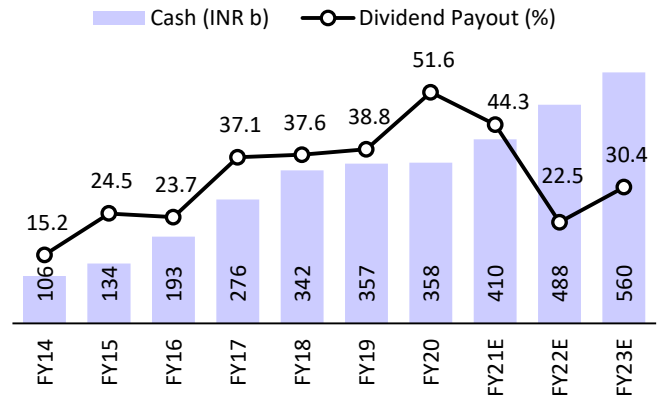
Source: Company, MOFSL

Exhibit 18: EPS (INR) and growth in EPS



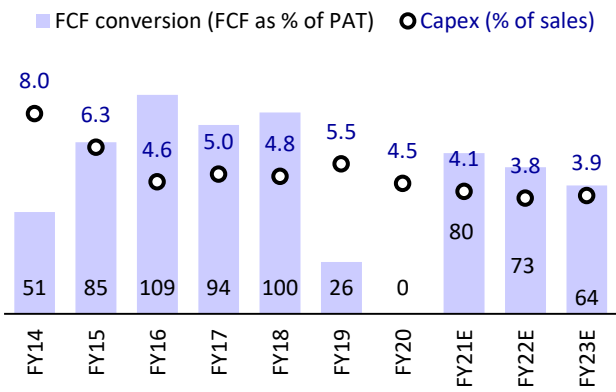
Source: MOFSL, Company

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



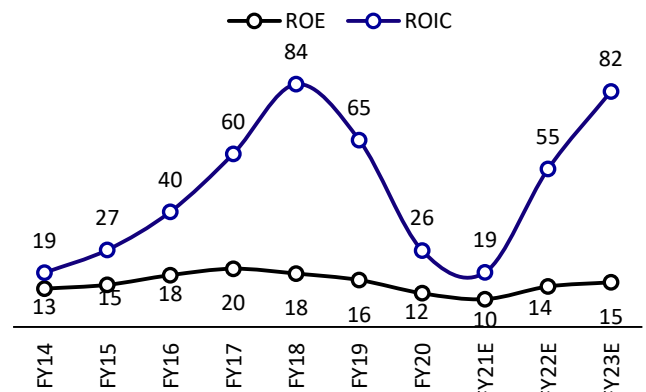
Source: MOFSL, Company

Exhibit 20: FCF generation to recover from FY22E (INR b)



Source: Company, MOFSL

Exhibit 21: RoE v/s RoIC (%)



Source: Company, MOFSL

Exhibit 22: Snapshot of revenue model

'000 units	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
A1/LCVs	0	1	10	24	22	38	72	86
Growth (%)				138.0	-8.8	74.0	90.0	20.0
% of Dom. volumes	0.0	0.1	0.6	1.4	1.5	2.7	3.9	4.4
MPV (Vans)	143	152	155	179	118	106	134	145
Growth (%)	11.2	6.0	2.1	15.1	-33.7	-10.6	27.0	8.0
% of Dom. volumes	11.0	10.5	9.4	10.2	8.1	7.7	7.4	7.4
A2 (other hatchbacks)	779	832	936	987	881	832	1,066	1,143
Growth (%)	6.8	6.7	12.5	5.5	-10.8	-5.5	28.1	7.2
% of Dom. volumes	59.7	57.6	56.6	56.3	60.3	60.1	58.5	57.9
A3 (Dzire, Ciaz)	288	264	299	300	204	175	253	279
Growth (%)	18.3	-8.4	13.1	0.3	-31.9	-14.6	44.8	10.2
% of Dom. volumes	22.1	18.3	18.1	17.1	14.0	12.6	13.9	14.1
UVs (Ertiga, Compact SUV)	94	196	254	264	235	233	297	322
Growth (%)	38.4	107.3	29.6	4.1	-10.9	-0.8	27.4	8.3
% of Dom. volumes	7.2	13.6	15.3	15.1	16.1	16.9	16.3	16.3
Total Domestic	1,305	1,445	1,654	1,754	1,460	1,384	1,823	1,976
Growth (%)	11.5	10.7	14.5	6.1	-16.7	-5.2	31.7	8.4
% of Total volumes	91.3	92.1	92.9	94.2	93.5	94.0	94.7	94.9
Exports	124	124	126	109	102	88	102	106
Growth (%)	2	0	2	-14	-6	-14	16	4
% of Total volumes	9	8	7	6	7	6	5	5
Total Volumes	1,429	1,569	1,780	1,862	1,563	1,472	1,925	2,082
Growth (%)	10.6	9.8	13.4	4.7	-16.1	-5.8	30.8	8.1
ASP (INR '000/unit)	403	434	448	462	484	481	484	494
Growth (%)	4.1	7.7	3.3	3.0	4.8	-0.6	0.6	2.0
Net Sales (INR b)	575	680	798	860	756	708	932	1,028
Growth (%)	15	18	17	8	-12	-6	32	10

Source: MOFSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Op. Income	5,75,381	6,80,348	7,97,627	8,60,203	756,106	708,357	931,673	1,028,087
Change (%)	15.1	18.2	17.2	7.8	-12.1	-6.3	31.5	10.3
EBITDA	88,844	1,03,517	1,23,122	1,07,993	73,026	57,497	98,354	124,365
Change (%)	32.3	16.5	18.9	-12.3	-32.4	-21.3	71.1	26.4
EBITDA Margin (%)	15.4	15.2	15.4	12.6	9.7	8.1	10.6	12.1
Depreciation	28,202	26,021	27,579	30,189	35,257	30,473	32,349	34,681
EBIT	60,642	77,496	95,543	77,804	37,769	27,024	66,005	89,685
EBIT Margin (%)	10.5	11.4	12.0	9.0	5.0	3.8	7.1	8.7
Interest	815	894	3,457	758	1,329	850	750	750
Other Income	14,610	23,001	20,455	25,610	34,208	35,421	37,761	39,402
EO Expense	0	0	2,507	-2,000	0	0	0	0
Def. Revenue Exp./Others	0	0	0	0	0	0	0	0
PBT	74,437	99,603	1,10,034	1,04,656	70,648	61,595	103,016	128,337
Tax	20,794	26,101	32,816	29,650	14,142	12,288	22,558	28,810
Effective tax Rate (%)	27.9	26.2	29.8	28.3	20.0	19.9	21.9	22.4
PAT	53,643	73,502	77,218	75,006	56,506	49,307	80,458	99,527
Change (%)	44.5	37.0	5.1	-2.9	-24.7	-12.7	63.2	23.7
% of Net Sales	9.5	11.0	9.9	9.0	7.9	7.4	9.1	10.2
Adj. PAT	53,643	73,502	78,977	73,573	56,506	49,307	80,458	99,527
Change (%)	44.5	37.0	7.4	-6.8	-23.2	-12.7	63.2	23.7

Balance Sheet								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sources of Funds								
Share Capital	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510
Reserves	2,97,332	3,62,801	4,16,063	4,59,905	482,860	510,309	572,642	641,961
Net Worth	2,98,842	3,64,311	4,17,573	4,61,415	484,370	511,819	574,152	643,471
Loans	774	4,836	1,108	1,496	1,063	1,063	1,063	1,063
Deferred Tax Liability	1,943	4,662	5,589	5,640	5,984	5,984	5,984	5,984
Capital Employed	3,01,559	3,73,809	4,24,270	4,68,551	491,417	518,866	581,199	650,518
Application of Funds								
Gross Fixed Assets	1,53,218	1,86,595	2,14,239	2,63,293	297,969	330,343	365,343	405,343
Less: Depreciation	28,118	53,668	80,649	1,09,215	140,157	170,630	202,980	237,660
Net Fixed Assets	1,25,100	1,32,927	1,33,590	1,54,078	157,812	159,713	162,363	167,683
Capital WIP	10,069	12,523	21,259	16,001	13,374	10,000	10,000	10,000
Investments	1,99,322	2,84,810	3,52,902	3,65,150	364,676	364,676	364,676	364,676
Curr. Assets, Loans	84,909	77,392	81,841	89,815	84,390	127,735	219,389	297,464
Inventory	31,321	32,622	31,608	33,257	32,149	31,051	40,840	45,067
Sundry Debtors	13,222	11,992	14,618	23,104	21,270	13,585	17,868	19,717
Cash and Bank Balances	391	138	711	1,789	211	52,339	129,921	201,921
Loans and Advances	1,744	978	2,878	5,126	5,246	5,246	5,246	5,246
Others	38,231	31,662	32,026	26,539	25,514	25,514	25,514	25,514
Current Liab. and Prov.	1,17,841	1,33,843	1,65,322	1,56,493	128,835	143,258	175,229	189,305
Sundry Creditors	74,073	83,673	1,04,970	96,330	74,941	91,213	119,969	132,384
Others	31,675	42,328	50,055	51,069	44,889	44,889	44,889	44,889
Provisions	12,093	7,842	10,297	9,094	9,005	7,156	10,371	12,032
Net Current Assets	-32,932	-56,451	-83,481	-66,678	-44,445	-15,523	44,160	108,159
Appl. of Funds	3,01,559	3,73,809	4,24,270	4,68,551	491,417	518,866	581,199	650,518

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Basic (INR)								
Adjusted EPS	177.6	243.3	261.4	243.6	187.1	163.2	266.3	329.5
Consolidated EPS	182.0	248.6	266.7	253.3	188.0	164.5	269.9	333.4
Cash EPS	275.3	334.8	358.0	353.2	304.7	265.3	377.0	448.2
Book Value per Share	989	1,206	1,382	1,527	1,603	1,694	1,901	2,130
DPS	35.0	75.0	80.0	80.0	60.0	60.0	100.0	120.0
Div. payout (%)	23.7	37.1	37.6	38.8	38.5	36.5	37.0	36.0
Valuation (x)								
Consol. P/E	44.7	32.7	30.5	32.2	40.4	46.1	28.1	22.8
Cash P/E	29.6	24.3	22.7	23.1	24.9	28.6	20.1	16.9
EV/EBITDA	25.4	21.1	17.1	19.4	26.4	32.6	18.3	13.9
EV/Sales	4.0	3.3	2.7	2.5	2.7	2.8	2.0	1.8
P/BV	8.2	6.8	5.9	5.3	4.7	4.5	4.0	3.6
Dividend Yield (%)	0.4	0.9	1.0	1.0	0.8	0.8	1.3	1.6
FCF Yield (%)	2.4	2.8	3.2	0.8	0.0	1.7	2.6	2.8
Profitability Ratios (%)								
ROIC	39.9	60.0	84.1	64.7	26.5	18.9	54.7	81.6
RoE	18.0	20.2	18.5	16.3	11.7	9.6	14.0	15.5
RoCE	25.0	26.9	27.3	22.1	14.6	12.0	17.9	19.8
Turnover Ratios								
Debtors (Days)	8	6	7	10	11	7	7	7
Inventory (Days)	23	21	17	16	17	17	18	18
Creditors (Days)	70	65	70	59	51	65	65	66
Work. Cap. (Days)	-39	-39	-46	-33	-23	-41	-40	-41
Asset Turnover (x)	1.9	1.8	1.9	1.8	1.5	1.4	1.6	1.6
Leverage Ratio								
Net Debt/Equity (x)	-0.6	-0.7	-0.8	-0.8	-0.7	-0.8	-0.8	-0.9

Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Profit before Tax	74,437	99,603	1,10,034	1,04,656	70,948	61,595	103,016	128,337
Interest	815	894	3,457	758	1,329	850	750	750
Depreciation	28,202	26,021	27,579	30,189	35,257	30,473	32,349	34,681
Direct Taxes Paid	-19,099	-23,214	-30,550	-31,428	-14,357	-12,288	-22,558	-28,810
(Inc.)/Dec. in WC	14,631	21,940	28,058	-13,196	-25,659	23,206	17,899	8,000
Other Items	-14,141	-22,451	-20,728	-25,047	-33,467	-35,421	-37,761	-39,402
CF from Oper. Activity	84,845	1,02,793	1,17,850	65,932	34,051	68,415	93,695	103,556
(Inc.)/Dec. in FA	-26,327	-33,723	-38,653	-47,000	-33,990	-29,000	-35,000	-40,000
Free Cash Flow	58,518	69,070	79,197	18,932	61	39,415	58,695	63,556
(Pur.)/Sale of Invest.	-45,947	-58,056	-44,168	11,617	29,351	35,421	37,761	39,402
CF from Inv. Activity	-72,274	-91,779	-82,821	-35,383	-4,639	6,421	2,761	-598
Change in Net Worth	0	0	0	0	0	0	0	0
Inc.)/(Dec.) in Debt	-2,353	2,527	-3,728	388	-524	0	0	0
Interest Paid	-921	-1,095	-3,464	-732	-1,342	-850	-750	-750
Dividends Paid	-9,090	-12,725	-27,268	-29,134	-29,134	-21,859	-18,125	-30,208
CF from Fin. Activity	-12,364	-11,293	-34,460	-29,478	-31,000	-22,709	-18,875	-30,958
Inc.)/(Dec.) in Cash	207	-279	569	1,071	-1,588	52,128	77,582	72,000
Add: Op. Balance	183	390	111	699	1,770	182	52,339	129,921
Closing Balance	390	111	680	1,770	182	52,310	129,921	201,921

E: MOFSL estimates

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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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