

# Maruti Suzuki

**Estimate change**

**TP change**

**Rating change**


Bloomberg	MSIL IN
Equity Shares (m)	302
M.Cap.(INRb)/(USDb)	1981.1 / 26.5
52-Week Range (INR)	8400/4640
1, 6, 12 Rel. Per (%)	-3/-29/-24
12M Avg Val (INR M)	8719

## Financials & valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	703.3	915.8	995.6
EBITDA	53.5	86.8	113.3
Adj. PAT	42.3	70.3	93.2
Cons. Adj. EPS (INR)	145.3	236.2	312.5
EPS Gr. (%)	-22.7	62.5	32.3
BV/Sh. (INR)	1,700	1,888	2,097
<b>Ratios</b>			
RoE (%)	8.2	12.3	14.7
RoCE (%)	10.1	15.6	18.8
Payout (%)	31.0	42.3	38.4
<b>Valuations</b>			
P/E (x)	45.1	27.8	21.0
P/BV (x)	3.9	3.5	3.1
EV/EBITDA (x)	28.8	17.1	12.5
Div. Yield (%)	0.7	1.5	1.8

## Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	56.4	56.4	56.3
DII	15.1	15.7	16.7
FII	23.1	23.1	21.6
Others	5.4	4.9	5.4

FII Includes depository receipts

**CMP: INR6,558**
**TP: INR8,450 (+29%)**
**Buy**
**Below our estimate; higher RM cost hurts margin; order backlog strong**
**Higher cost inflation to keep margin under pressure in 1HFY22E**

- MSIL's 4QFY21 operating performance was impacted by higher commodity costs, partially offset by price hikes and lower discounts. Near-term challenges (of COVID-19 and commodity) notwithstanding, there are drivers in place for sustained volume and margin recovery from 2HFY22E.
- We lower our FY22E/FY23E EPS by 11%/3% to factor in some negative impact of the COVID-led lockdown on volumes as well as higher cost. Maintain **Buy** with a TP of INR8,450/share (27x Mar'23E consolidated EPS).

**Higher cost impacts margin; greater other income supports PAT**

- Revenue grew to ~INR240.2b (+32% YoY) in 4QFY21, while EBITDA/PAT grew 29%/-10% to INR19.9b/INR11.7b. Revenue/EBITDA/PAT fell 7%/27.6%/25% YoY in FY21.
- Net realizations grew 3% YoY (+3% QoQ) to INR488k (v/s our estimate of INR483.9k) due to price hikes and lower discounts (at INR16.6k/unit v/s INR20.1k in 3QFY21).
- Gross margin declined 140bp QoQ (-360bp YoY) to 26.1% (v/s our expectation of 27%), impacted by RM cost impact of slightly less than 300bp QoQ (+400bp YoY) in 4QFY21, partially offset by price hikes (~0.8% QoQ) and lower discounts (~0.9%).
- EBITDA margin declined by 20bp YoY (-120bp QoQ) to 8.3% (v/s our estimate of 9.7%), impacted by a weaker gross margin and higher other expenses. EBIT margin rose 120bp YoY (-110bp QoQ) to 5.2% (v/s our expectation of 6.5%) due to lower depreciation. Lower other income (-90% YoY/QoQ) resulted in PAT declining by 10% YoY to INR11.7b (v/s our estimate of INR17.5b).

## Highlights from the management commentary

- **Demand:** The current demand environment is holding out with decent inquiries as well as a substantial order book of ~200k units. Lockdown in nine states (which constitute 35% of company sales) will impact demand in 1QFY22.
- **Inventory:** Current dealer inventory stands at 85-90k units (v/s 32k units as of Mar'20 end v/s normal inventory levels of 135-140k units).
- **Retail market share** in FY21 stood slightly less than 50% excluding Toyota supplies and over 51% including supplies to Toyota. This compares with wholesale market share of 47.7% excluding Toyota supplies and 49.2% including Toyota supplies.
- The impact of **commodities cost** inflation was slightly less than 300bp QoQ (+400bp YoY) in 4QFY21. This was diluted by price hikes (~0.8% QoQ) and lower discounts (~0.9%). The management expects further impact from commodity price inflation (steep increase in steel and rhodium) in 1QFY22, but not as high as in 4QFY21.

- **Margins:** It expects margins to be volatile in 1HFY22. The management expects to dilute the impact of cost inflation by price increases (full benefit of 4QFY21 rise as well as a 1.25% increase in 1QFY22), focus on improving yield, and reduced consumption of precious metals as a large part of operating leverage has already reflected in 2HFY21.

#### Valuation and view

- While MSIL has seen a strong demand recovery, sharp commodity cost inflation and the recent lockdown have delayed a margin recovery. We expect 2HFY22 recovery for both market share and margin, led by favorable product lifecycle and mix, and price action/cost-cutting.
- The stock trades at 27.8x/21x FY22E/FY23E consolidated EPS. Maintain Buy with a TP of INR8,450/share (27x Mar'23E consolidated EPS).

#### Standalone quarterly

(INR m)

Y/E March	FY20				FY21				FY20	FY21	4Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
<b>Financial Performance</b>											
Volumes ('000 units)	402.6	338.3	437.4	384.4	76.6	393.1	495.9	492.2	1,562.6	1,457.9	492.2
Change (%)	-17.9	-30.2	2.0	-16.2	-81.0	16.2	13.4	28.1	-16.1	-6.7	28.1
Realizations (INR/car)	489,819	502,053	473,449	473,489	536,104	476,802	473,038	488,054	483,869	482,436	484,665
Change (%)	7.0	9.5	3.2	1.2	9.4	-5.0	-0.1	3.1	4.8	-0.3	2.4
<b>Net operating revenue</b>	<b>197,198</b>	<b>169,853</b>	<b>207,068</b>	<b>181,987</b>	<b>41,065</b>	<b>187,445</b>	<b>234,578</b>	<b>240,237</b>	<b>756,106</b>	<b>703,325</b>	238,569
Change (%)	-12.2	-23.6	5.3	-15.2	-79.2	10.4	13.3	32.0	-12.1	-7.0	31.1
<b>EBITDA</b>	<b>20,478</b>	<b>16,063</b>	<b>21,021</b>	<b>15,464</b>	<b>-8,634</b>	<b>19,336</b>	<b>22,261</b>	<b>19,911</b>	<b>73,026</b>	<b>53,453</b>	<b>23,023</b>
EBITDA Margin (%)	10.4	9.5	10.2	8.5	-21.0	10.3	9.5	8.3	9.7	7.6	9.7
<b>EBIT</b>	<b>11,292</b>	<b>6,802</b>	<b>12,441</b>	<b>7,234</b>	<b>-16,467</b>	<b>11,677</b>	<b>14,848</b>	<b>12,501</b>	<b>37,769</b>	<b>23,138</b>	<b>15,455</b>
EBIT Margin (%)	5.7	4.0	6.0	4.0	-40.1	6.2	6.3	5.2	5.0	3.3	6.5
Non-Operating Income	8,364	9,200	7,840	8,804	13,183	6,025	9,937	898	34,208	29,464	6,276
<b>PBT</b>	<b>19,109</b>	<b>15,720</b>	<b>20,064</b>	<b>15,755</b>	<b>-3,457</b>	<b>17,478</b>	<b>24,498</b>	<b>13,075</b>	<b>70,648</b>	<b>51,594</b>	<b>21,565</b>
<b>Adjusted PAT</b>	<b>14,355</b>	<b>13,586</b>	<b>15,648</b>	<b>12,917</b>	<b>-2,494</b>	<b>13,716</b>	<b>19,414</b>	<b>11,661</b>	<b>56,506</b>	<b>42,297</b>	<b>17,541</b>
Change (%)	-27.3	-35.3	5.1	-28.1	-117.4	1.0	24.1	-9.7	-23.2	-25.1	35.8

#### Key performance indicators

Y/E March	FY20				FY21				FY20	FY21	4Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Dom. PV Market Sh. (%) *	51.6	49.5	51.9	54.4	42.8	50.1	50.7	47.9	51.9	49.1	64
Volumes ('000 units)	402.6	338.3	437.4	384.4	76.6	393.1	495.9	492.2	1,562.6	1,457.9	492.2
Change (%)	-17.9	-30.2	2.0	-16.2	-81.0	16.2	13.4	28.1	-16.1	-6.7	28.1
Discounts (INR '000/car)	16.9	25.8	33.0	19.1	25.0	17.3	20.2	16.6	23.9	18.4	18.2
% of Net Realization	3.5	5.1	7.0	4.0	4.7	3.6	4.3	3.4	4.9	3.8	3.7
Net Realization (INR '000/car)	489.8	502.1	473.4	473.5	536.1	476.8	473.0	488.1	483.9	482.4	484.7
Change (%)	7.0	9.5	3.2	1.2	9.4	-5.0	-0.1	3.1	4.8	-0.3	2.4
<b>Cost Break-up</b>											
RM Cost (% of sales)	70.1	71.2	70.9	70.3	71.5	70.0	72.5	73.9	70.3	72.3	73.0
Staff Cost (% of sales)	4.4	4.9	4.2	4.5	17.8	4.4	4.0	3.7	4.5	4.8	3.9
Other Cost (% of sales)	15.2	14.4	14.8	16.7	31.7	15.3	13.9	14.1	15.6	15.3	13.4
Gross Margin (%)	29.9	28.8	29.1	29.7	28.5	30.0	27.5	26.1	29.7	27.7	27.0
EBITDA Margin (%)	10.4	9.5	10.2	8.5	-21.0	10.3	9.5	8.3	9.7	7.6	10
EBIT Margin (%)	5.7	4.0	6.0	4.0	-40.1	6.2	6.3	5.2	5.0	3.3	6.5

\*Including supplies to Toyota; E: MOFSL estimates

### Highlights from the management commentary

- **Demand:** The current demand environment is holding out with decent inquiries as well as a substantial order book of ~200k units. Lockdown in nine states (which constitute 35% of company sales) will impact demand in 1QFY22.
- **Inventory:** Current dealer inventory stands at 85-90k units (v/s 32k units as of Mar'20 end v/s normal inventory levels of 135-140k units).
- **Retail market share** in FY21 stood slightly less than 50% excluding Toyota supplies and over 51% including supplies to Toyota. This compares with wholesale market share of 47.7% excluding Toyota supplies and 49.2% including Toyota supplies.
- **Rural v/s urban:** Rural market grew by 7% in FY21 and its contribution grew to 41% (v/s 38.5% in FY20). Urban demand also came back strongly in 4QFY21, and with strong Kharif sowing, the rural outlook remains strong.
- **Customer profile:** First-time buyer stood ~47% (+3.5pp YoY), additional car buyers at 33.7% (up 3.6pp YoY), whereas replacement has fallen to 19.5% (v/s 26.7% in FY20). The contribution of salaried customers has increased to 46% (+2%). Government employees (part of salaried customers) share rose by 2% to 24%. The share of business customers has fallen to 28% from 33% in FY18.
- The impact of **commodities cost** inflation was less than 300bp QoQ (+400bp YoY) in 4QFY21. This was diluted by price hikes (~0.8% QoQ) and lower discounts (~0.9%). The management expects further impact from commodity price inflation (steep increase in steel and rhodium) in 1QFY22, but not as high as in 4QFY21.
- **Margins:** It expects margins to be volatile in 1HFY22. The management expects to dilute the impact of cost inflation by price increases (full benefit of 4QFY21 rise as well as a 1.25% increase in 1QFY22), focus on improving yield, and reduced consumption of precious metals as a large part of operating leverage has already reflected in 2HFY21.
- **Supply-side:** It is so far operating at full capacity and has not faced any issues due to the semiconductor issue.
- **Exports** have been impacted by the COVID-19 pandemic. However, Jimny exports created some positive sentiment. Benefit of the Toyota-Suzuki partnership is reflected in exports, especially in African markets.

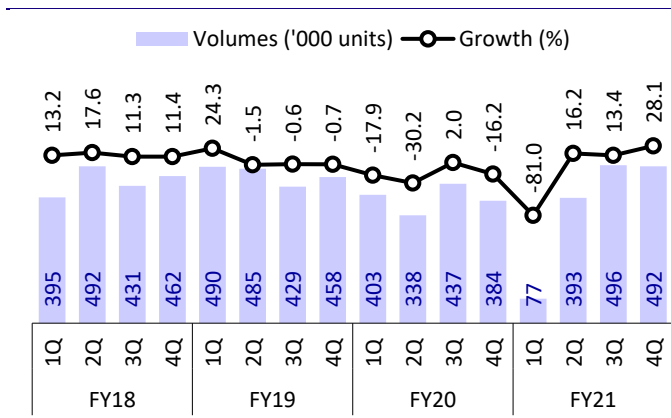
## Key exhibits

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

('000 units)	4QFY21	4QFY20	YoY (%)	3QFY21	QoQ (%)	FY21	FY20	YoY (%)
Mini	73.8	69.4	6.3	75.7	-2.6	226.2	247.8	-8.7
<i>% of total</i>	15.0	18.0		15.3		15.5	15.9	
MPV+LCVs	44.8	33.1	35.2	47.8	-6.3	134.6	140.2	-4.0
<i>% of total</i>	9.1	8.6		9.6		9.2	9.0	
Compact including Dzire Tour	248.1	201.1	23.4	257.1	-3.5	714.1	812.0	-12.1
<i>% of total</i>	50.4	52.3		51.9		49.0	52.0	
Mid-size	4.5	5.2	-14.4	4.6	-1.7	41.8	25.3	65.5
<i>% of total</i>	0.9	1.4		0.9		2.9	1.6	
UV	85.6	51.0	67.9	82.2	4.2	245.0	235.3	4.1
<i>% of total</i>	17.4	13.3		16.6		16.8	15.1	
Exports	35.5	24.6	44.5	28.5	24.5	96.1	102.2	-5.9
<i>% of total</i>	7.2	6.4		5.8		6.6	6.5	
<b>Total Sales</b>	<b>492.2</b>	<b>384.4</b>	<b>28.1</b>	<b>495.9</b>	<b>-0.7</b>	<b>1,457.9</b>	<b>1,562.6</b>	<b>-6.7</b>
<b>Total domestic PV MS (%)</b>	<b>47.9</b>	<b>54.4</b>	<b>-650bp</b>	<b>50.7</b>	<b>-280bp</b>	<b>49.1</b>	<b>51.9</b>	<b>-280bp</b>

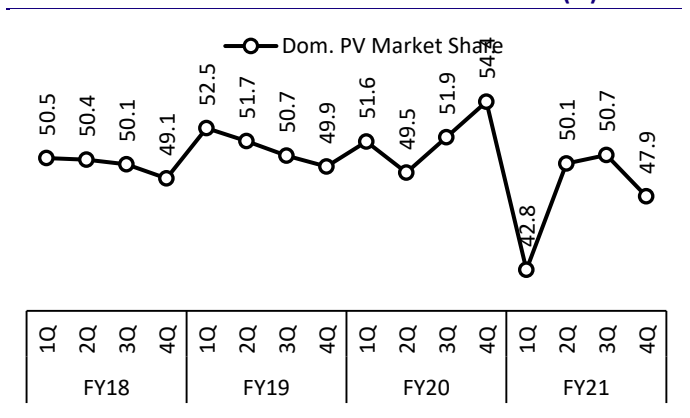
Source: Company, MOFSL

**Exhibit 2: Trend in MSIL's volumes**



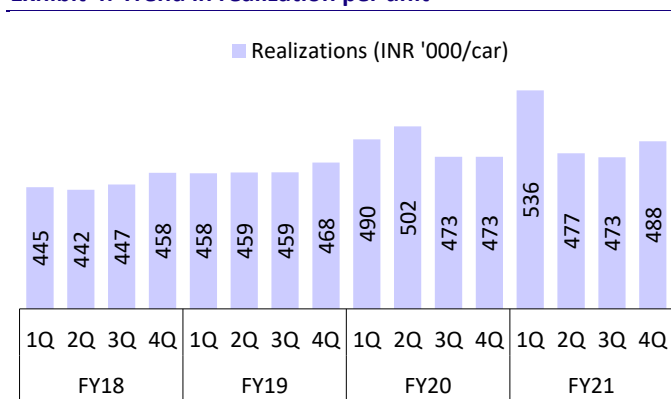
Source: Company, MOFSL

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



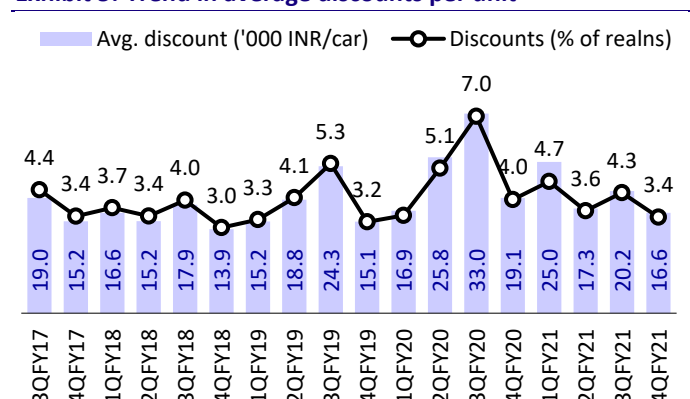
Source: Company, MOFSL

**Exhibit 4: Trend in realization per unit**

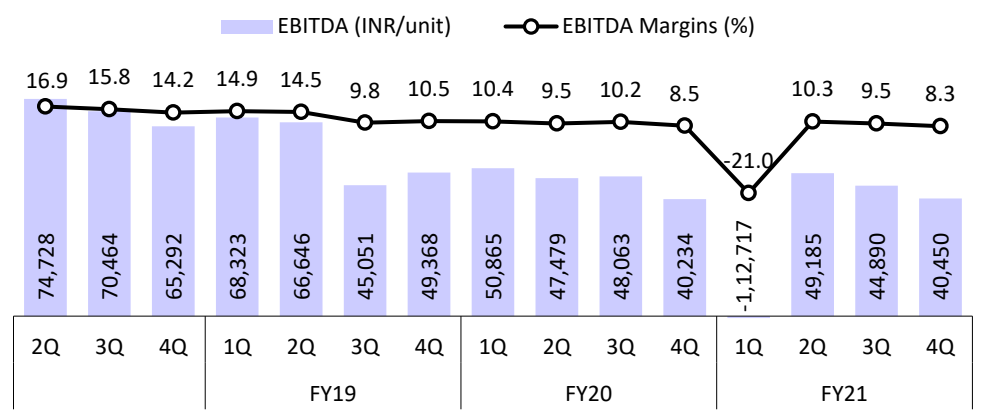


Source: Company, MOFSL

**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 our expectations over the past five years (FY15-20: ~1.3% volume CAGR). This can be attributed to several factors, including weaker economic growth, stringent financing, regulatory impact on cost in FY19/FY20, and the COVID-19 outbreak. We expect industry volumes to recover from the low base of FY21, driven by high aspirations, improving affordability, and lower penetration (less than 30 cars per 1,000 population). We estimate 7% PV industry volume CAGR over FY20-25E (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 its overall product mix. The company would gain further market share, driven by an expected shift toward petrol vehicles, resulting in ~9% volume CAGR over FY20-23E. This, coupled with an improved mix and reduced discounts, would drive ~9.6% revenue CAGR over FY20-23E.
- Recovery in operating performance postponed to FY22E:** While 1HFY21 faced the full impact of COVID-19 on operations, we expect a recovery in demand from 2QFY21E to sustain. The initial demand recovery would be supported by a favorable product lifecycle as well as faster rural recovery (~40% of sales for MSIL). EBITDA margin declined to a nine-year low of 7.6% in FY21 on higher commodity cost, weak forex, and operating deleverage. With an improvement in volumes, we expect EBITDA margin to rebound to ~11.4% 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:INR exposure, and e) operating leverage.
- Strong margin and 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 ~INR152b over FY21-23E (v/s ~INR98b in FY18-20) after budgeting for the cumulative annual capex of

~INR98b. RoCE is estimated to improve gradually to ~18.8% by FY23E from 14.6% in FY20.

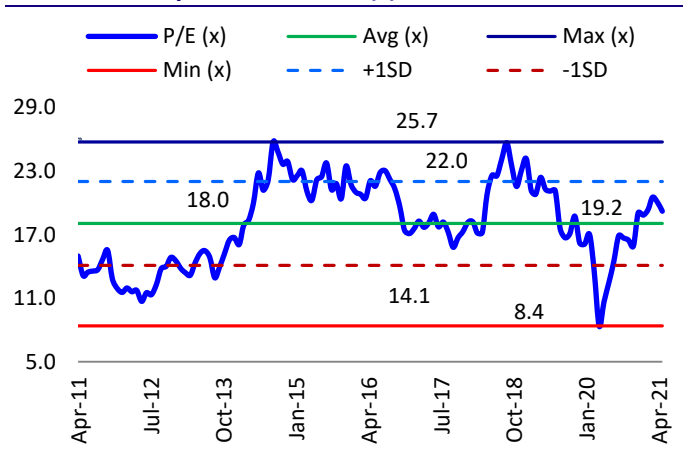
- Structural improvement in business to support valuations:** We lower our FY22E/FY23E EPS by 11.4%/3% to factor in the impact of RM cost inflation. All business parameters such as industry consolidation, market share improvement, reduced JPY:INR exposure, and improving share of premium products, have improved MSIL's positioning considerably. After a gap of almost 20 months, we expect new product launches to resume with a mixture of complete product upgrades (five in 2-3 years) and new model launches (three in two years). This should drive volumes and market share growth. Profitability is near the trough and margin improvement should be seen from the lows of 1HCY21. We see further improvement in dividend payouts and a resultant re-rating. The stock trades at 27.8x/21x FY22E/FY23E consolidated EPS. We value the company at 27x Mar'23E consolidated EPS and Maintain **Buy** with a TP of INR8,450.

Exhibit 7: Revised forecast

(INR b)	FY22E			FY23E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
<b>Total Volumes ('000)</b>	<b>1,876</b>	<b>1,894</b>	<b>-1.0</b>	<b>2,006</b>	<b>2,025</b>	<b>-0.9</b>
Net Sales	916	923	-0.8	996	1,004	-0.8
EBITDA	87	97	-10.6	113	120	-5.7
<b>EBITDA Margin (%)</b>	<b>9.5</b>	<b>10.5</b>	<b>-100bp</b>	<b>11.4</b>	<b>12.0</b>	<b>-60bp</b>
PAT	70.3	79.5	-11.6	93.2	96.3	-3.2
<b>Consolidated EPS (INR)</b>	<b>236.2</b>	<b>266.7</b>	<b>-11.4</b>	<b>312.5</b>	<b>322.8</b>	<b>-3.2</b>
JPY:INR	0.70	0.70	0.0	0.69	0.69	0.0

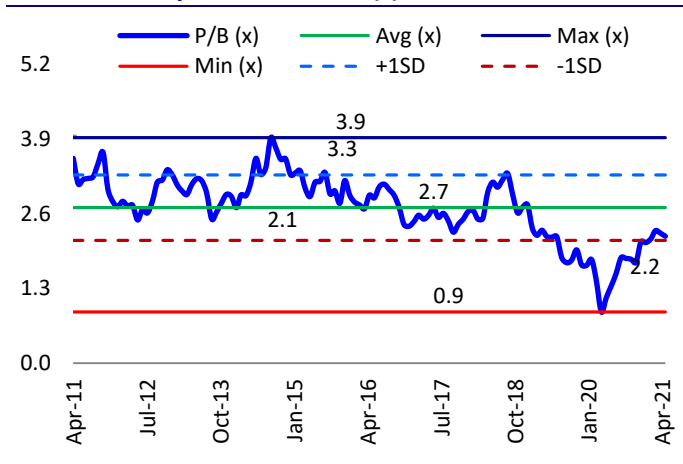
Source: Company, MOFSL

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



Source: MOFSL

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



Source: MOFSL

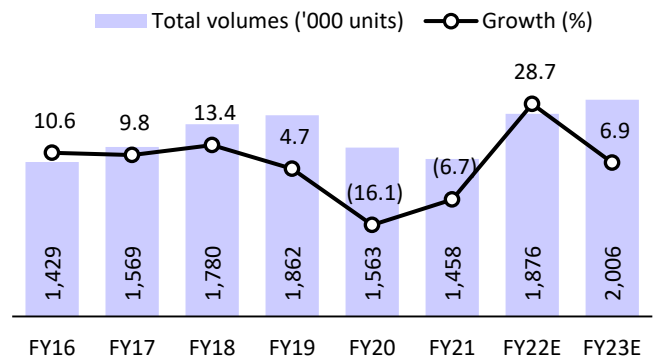
## Story in charts: Expect 19% EPS CAGR over FY20-23E

**Exhibit 10: Market share decline (excluding Mini) due to absence of its Diesel portfolio**

	FY16	FY17	FY18	FY19	FY20	FY21
Mini	79.8	67.8	71.3	72.3	79.0	84.3
Compact	42.0	46.2	52.2	56.4	57.4	54.3
Compact-Sedan	58.1	54.8	61.8	57.9	61.9	59.8
Mid-Size	25.2	32.8	30.0	25.8	25.8	18.7
UV1	25.6	38.2	38.8	38.2	32.9	26.0
<b>Dom. PV</b>	<b>47.2</b>	<b>47.6</b>	<b>50.3</b>	<b>51.4</b>	<b>51.2</b>	<b>47.7</b>

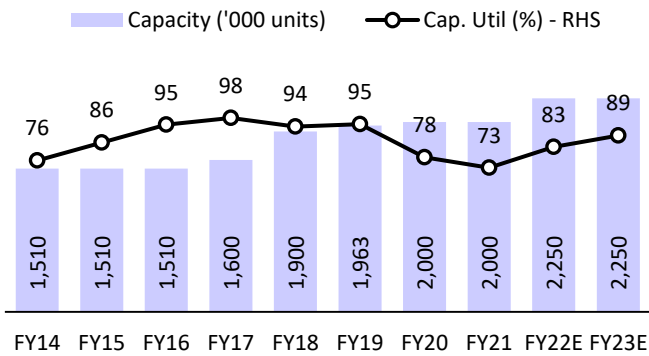
\*Excluding supplies to Toyota; Source: Company, MOFSL

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



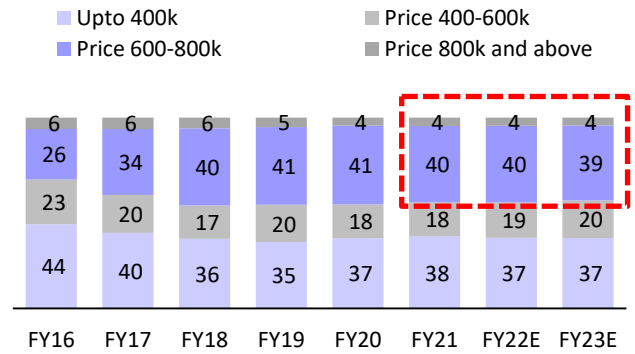
Source: Company, MOFSL

**Exhibit 12: MSIL to operate at low utilization**



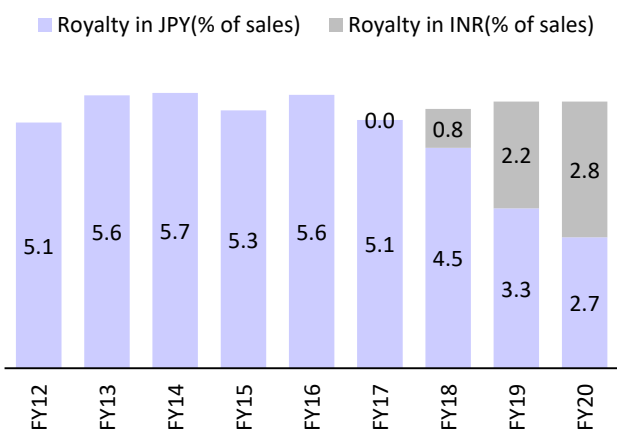
Source: Company, MOFSL

**Exhibit 13: Trend in product mix**



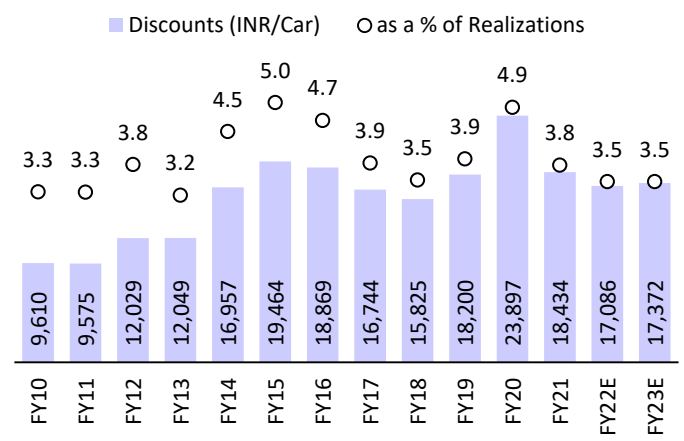
Source: Company, MOFSL

**Exhibit 14: JPY-based royalty to reduce gradually**



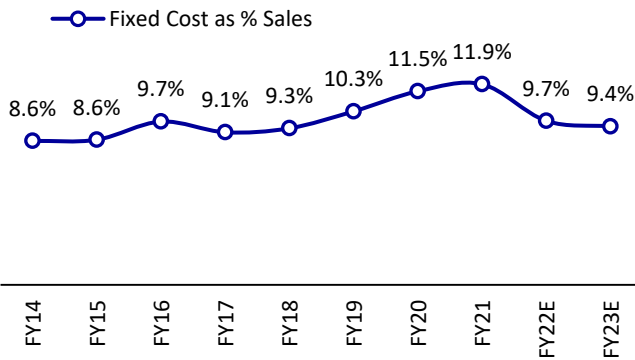
Source: Company, MOFSL

**Exhibit 15: Discounts to normalize in FY21E**



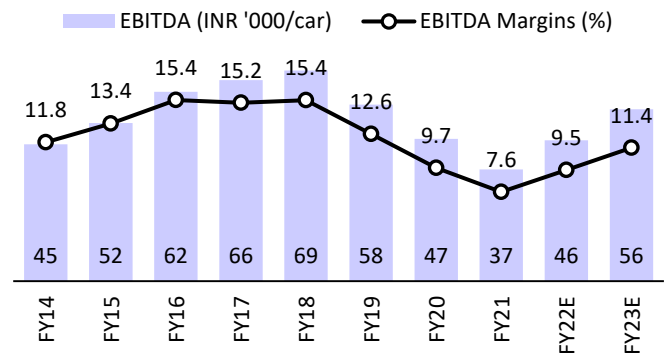
Source: Company, MOFSL

**Exhibit 16: Fixed cost as a percentage of sales**



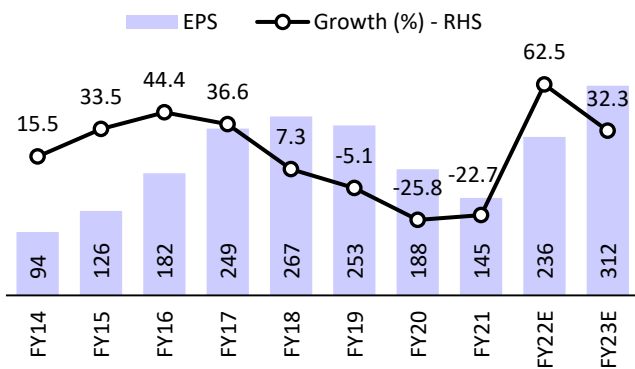
Source: Company, MOFSL

**Exhibit 17: EBITDA margin and EBITDA per car**



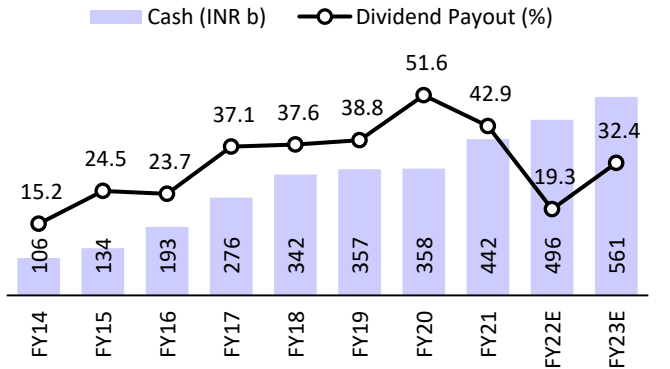
Source: Company, MOFSL

**Exhibit 18: EPS (INR) and growth in EPS**



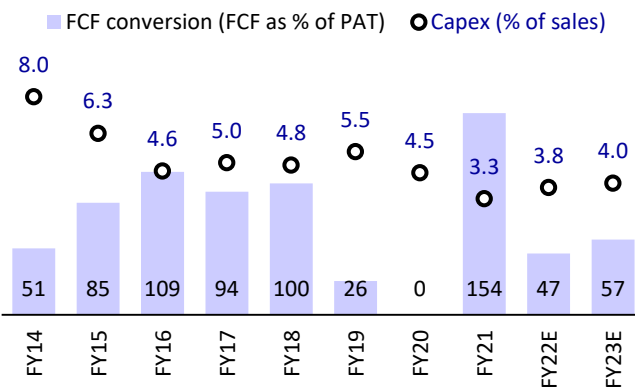
Source: MOFSL, Company

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



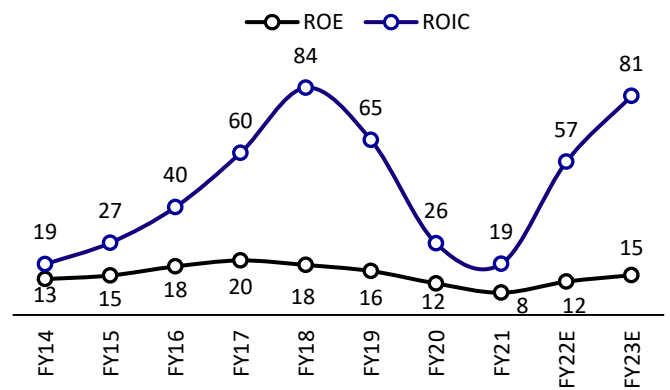
Source: MOFSL, Company

**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 the revenue model**

000 units	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
A1/LCVs	0	1	10	24	22	30	56	67
Growth (%)				138.0	-8.8	35.7	90.0	20.0
% of Dom vols	0.0	0.1	0.6	1.4	1.5	2.2	3.2	3.6
MPV (Vans)	143	152	155	179	118	105	137	148
Growth (%)	11.2	6.0	2.1	15.1	-33.7	-11.3	30.0	8.0
% of Dom vols	11.0	10.5	9.4	10.2	8.1	7.7	7.8	7.9
A2 (other hatchbacks)	779	832	936	987	881	836	1,046	1,105
Growth (%)	6.8	6.7	12.5	5.5	-10.8	-5.1	25.2	5.7
% of Dom vols	59.7	57.6	56.6	56.3	60.3	61.4	59.7	59.0
A3 (Dzire, Ciaz)	288	264	299	300	204	146	186	200
Growth (%)	18.3	-8.4	13.1	0.3	-31.9	-28.4	26.8	7.7
% of Dom vols	22.1	18.3	18.1	17.1	14.0	10.8	10.6	10.7
UVS (Ertiga, Compact SUV)	94	196	254	264	235	245	327	354
Growth (%)	38.4	107.3	29.6	4.1	-10.9	4.1	33.5	8.3
% of Dom vols	7.2	13.6	15.3	15.1	16.1	18.0	18.7	18.9
<b>Total Domestic</b>	<b>1,305</b>	<b>1,445</b>	<b>1,654</b>	<b>1,754</b>	<b>1,460</b>	<b>1,362</b>	<b>1,752</b>	<b>1,874</b>
Growth (%)	11.5	10.7	14.5	6.1	-16.7	-6.8	28.6	7.0
% of Total vols	91.3	92.1	92.9	94.2	93.5	93.4	93.4	93.4
Exports	124	124	126	109	102	96	124	132
Growth (%)	2	0	2	-14	-6	-6	29	6
% of Total vols	9	8	7	6	7	7	7	7
<b>Total Volumes</b>	<b>1,429</b>	<b>1,569</b>	<b>1,780</b>	<b>1,862</b>	<b>1,563</b>	<b>1,458</b>	<b>1,876</b>	<b>2,006</b>
Growth (%)	10.6	9.8	13.4	4.7	-16.1	-6.7	28.7	6.9
<b>ASP (INR 000/unit)</b>	<b>403</b>	<b>434</b>	<b>448</b>	<b>462</b>	<b>484</b>	<b>482</b>	<b>488</b>	<b>496</b>
Growth (%)	4.1	7.7	3.3	3.0	4.8	-0.3	1.2	1.7
<b>Net Sales (INR b)</b>	<b>575</b>	<b>680</b>	<b>798</b>	<b>860</b>	<b>756</b>	<b>703</b>	<b>916</b>	<b>996</b>
Growth (%)	15	18	17	8	-12	-7	30	9

Source: MOFSL, Company

## Financials and valuations

Income Statement								(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	
<b>Net Op. Income</b>	<b>5,75,381</b>	<b>6,80,348</b>	<b>7,97,627</b>	<b>8,60,203</b>	<b>7,56,106</b>	<b>7,03,325</b>	<b>9,15,782</b>	<b>9,95,615</b>	
Change (%)	15.1	18.2	17.2	7.8	-12.1	-7.0	30.2	8.7	
<b>EBITDA</b>	<b>88,844</b>	<b>1,03,517</b>	<b>1,23,122</b>	<b>1,07,993</b>	<b>73,026</b>	<b>53,453</b>	<b>86,759</b>	<b>1,13,261</b>	
Change (%)	32.3	16.5	18.9	-12.3	-32.4	-26.8	62.3	30.5	
EBITDA Margin (%)	15.4	15.2	15.4	12.6	9.7	7.6	9.5	11.4	
Depreciation	28,202	26,021	27,579	30,189	35,257	30,315	32,270	34,670	
<b>EBIT</b>	<b>60,642</b>	<b>77,496</b>	<b>95,543</b>	<b>77,804</b>	<b>37,769</b>	<b>23,138</b>	<b>54,490</b>	<b>78,592</b>	
EBIT Margin (%)	10.5	11.4	12.0	9.0	5.0	3.3	6.0	7.9	
Interest	815	894	3,457	758	1,329	1,008	750	750	
Other Income	14,610	23,001	20,455	25,610	34,208	29,464	36,038	41,975	
EO Expense	0	0	2,507	-2,000	0	0	0	0	
<b>PBT</b>	<b>74,437</b>	<b>99,603</b>	<b>1,10,034</b>	<b>1,04,656</b>	<b>70,648</b>	<b>51,594</b>	<b>89,778</b>	<b>1,19,816</b>	
Tax	20,794	26,101	32,816	29,650	14,142	9,297	19,519	26,606	
Effective tax Rate (%)	27.9	26.2	29.8	28.3	20.0	18.0	21.7	22.2	
<b>PAT</b>	<b>53,643</b>	<b>73,502</b>	<b>77,218</b>	<b>75,006</b>	<b>56,506</b>	<b>42,297</b>	<b>70,259</b>	<b>93,211</b>	
Change (%)	44.5	37.0	5.1	-2.9	-24.7	-25.1	66.1	32.7	
<b>Adj. PAT</b>	<b>53,643</b>	<b>73,502</b>	<b>78,977</b>	<b>73,573</b>	<b>56,506</b>	<b>42,297</b>	<b>70,259</b>	<b>93,211</b>	
Change (%)	44.5	37.0	7.4	-6.8	-23.2	-25.1	66.1	32.7	

Balance Sheet								(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	
<b>Sources of Funds</b>									
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	4,82,860	5,12,158	5,68,823	6,31,826	
<b>Net Worth</b>	<b>2,98,842</b>	<b>3,64,311</b>	<b>4,17,573</b>	<b>4,61,415</b>	<b>4,84,370</b>	<b>5,13,668</b>	<b>5,70,334</b>	<b>6,33,336</b>	
Loans	774	4,836	1,108	1,496	1,063	4,888	4,888	4,888	
Deferred Tax Liability	1,943	4,662	5,589	5,640	5,984	3,847	3,847	3,847	
<b>Capital Employed</b>	<b>3,01,559</b>	<b>3,73,809</b>	<b>4,24,270</b>	<b>4,68,551</b>	<b>4,91,417</b>	<b>5,22,403</b>	<b>5,79,069</b>	<b>6,42,071</b>	
<b>Application of Funds</b>									
Gross Fixed Assets	1,53,218	1,86,595	2,14,239	2,63,293	2,97,969	3,23,017	3,59,940	3,99,940	
Less: Depreciation	28,118	53,668	80,649	1,09,215	1,40,157	1,70,472	2,02,742	2,37,411	
<b>Net Fixed Assets</b>	<b>1,25,100</b>	<b>1,32,927</b>	<b>1,33,590</b>	<b>1,54,078</b>	<b>1,57,812</b>	<b>1,52,545</b>	<b>1,57,198</b>	<b>1,62,529</b>	
Capital WIP	10,069	12,523	21,259	16,001	13,374	11,923	10,000	10,000	
Investments	1,99,322	2,84,810	3,52,902	3,65,150	3,64,676	4,17,867	4,17,867	4,17,867	
<b>Curr. Assets, Loans</b>	<b>84,909</b>	<b>77,392</b>	<b>81,841</b>	<b>89,815</b>	<b>84,390</b>	<b>1,12,943</b>	<b>1,81,974</b>	<b>2,51,588</b>	
Inventory	31,321	32,622	31,608	33,257	32,149	30,500	40,144	43,643	
Sundry Debtors	13,222	11,992	14,618	23,104	21,270	12,766	17,563	19,094	
Cash and Bank Balances	391	138	711	1,789	211	30,364	84,954	1,49,537	
Loans and Advances	1,744	978	2,878	5,126	5,246	6,642	6,642	6,642	
Others	38,231	31,662	32,026	26,539	25,514	32,671	32,671	32,671	
<b>Current Liab. and Prov.</b>	<b>1,17,841</b>	<b>1,33,843</b>	<b>1,65,322</b>	<b>1,56,493</b>	<b>1,28,835</b>	<b>1,72,875</b>	<b>1,87,971</b>	<b>1,99,913</b>	
Sundry Creditors	74,073	83,673	1,04,970	96,330	74,941	1,01,617	1,17,923	1,28,203	
Others	31,675	42,328	50,055	51,069	44,889	60,252	60,252	60,252	
Provisions	12,093	7,842	10,297	9,094	9,005	11,006	9,796	11,458	
<b>Net Current Assets</b>	<b>-32,932</b>	<b>-56,451</b>	<b>-83,481</b>	<b>-66,678</b>	<b>-44,445</b>	<b>-59,932</b>	<b>-5,997</b>	<b>51,675</b>	
<b>Appl. of Funds</b>	<b>3,01,559</b>	<b>3,73,809</b>	<b>4,24,270</b>	<b>4,68,551</b>	<b>4,91,417</b>	<b>5,22,403</b>	<b>5,79,069</b>	<b>6,42,071</b>	

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>Basic (INR)</b>								
Adjusted EPS	177.6	243.3	261.4	243.6	187.1	140.0	232.6	308.6
Consol EPS	182.0	248.6	266.7	253.3	188.0	145.3	236.2	312.5
Cash EPS	275.3	334.8	358.0	353.2	304.7	245.7	343.0	427.3
Book Value per Share	989	1,206	1,382	1,527	1,603	1,700	1,888	2,097
DPS	35.0	75.0	80.0	80.0	60.0	45.0	100.0	120.0
Div. payout (%)	23.7	37.1	37.6	38.8	38.5	31.0	42.3	38.4
<b>Valuation (x)</b>								
Consol. P/E	36.0	26.4	24.6	25.9	34.9	45.1	27.8	21.0
Cash P/E	23.8	19.6	18.3	18.6	21.5	26.7	19.1	15.3
EV/EBITDA	20.1	16.4	13.2	15.0	22.1	28.8	17.1	12.5
EV/Sales	3.2	2.5	2.1	1.9	2.3	2.3	1.7	1.5
P/BV	6.6	5.4	4.7	4.3	4.1	3.9	3.5	3.1
Dividend Yield (%)	0.5	1.1	1.2	1.2	0.9	0.7	1.5	1.8
FCF Yield (%)	3.0	3.5	4.0	1.0	0.0	3.3	1.7	2.7
<b>Profitability Ratios (%)</b>								
RoIC	39.9	60.0	84.1	64.7	26.5	18.9	56.7	81.0
RoE	18.0	20.2	18.5	16.3	11.7	8.2	12.3	14.7
RoCE	25.0	26.9	27.3	22.1	14.6	10.1	15.6	18.8
<b>Turnover Ratios</b>								
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	73	65	66
Work. Cap. (Days)	-39	-39	-46	-33	-23	-49	-40	-41
Asset Turnover (x)	1.9	1.8	1.9	1.8	1.5	1.3	1.6	1.6
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	-0.6	-0.7	-0.8	-0.8	-0.7	-0.9	-0.9	-0.9

### Cash Flow Statement

Y/E March	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>(INR m)</b>								
Profit before Tax	74,437	99,603	1,10,034	1,04,656	70,948	51,594	89,778	1,19,816
Interest	815	894	3,457	758	1,329	1,008	750	750
Depreciation	28,202	26,021	27,579	30,189	35,257	30,315	32,270	34,670
Direct Taxes Paid	-19,099	-23,214	-30,550	-31,428	-14,357	-10,107	-19,519	-26,606
(Inc)/Dec in WC	14,631	21,940	28,058	-13,196	-25,659	43,352	655	6,911
Other Items	-14,141	-22,451	-20,728	-25,047	-33,467	-27,774	-36,038	-41,975
<b>CF from Oper. Activity</b>	<b>84,845</b>	<b>1,02,793</b>	<b>1,17,850</b>	<b>65,932</b>	<b>34,051</b>	<b>88,388</b>	<b>67,895</b>	<b>93,567</b>
(Inc)/Dec in FA	-26,327	-33,723	-38,653	-47,000	-33,990	-23,279	-35,000	-40,000
<b>Free Cash Flow</b>	<b>58,518</b>	<b>69,070</b>	<b>79,197</b>	<b>18,932</b>	<b>61</b>	<b>65,109</b>	<b>32,895</b>	<b>53,567</b>
(Pur)/Sale of Invest.	-45,947	-58,056	-44,168	11,617	29,351	-49,560	36,038	41,975
<b>CF from Inv. Activity</b>	<b>-72,274</b>	<b>-91,779</b>	<b>-82,821</b>	<b>-35,383</b>	<b>-4,639</b>	<b>-72,839</b>	<b>1,038</b>	<b>1,975</b>
Change in Networkth	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-2,353	2,527	-3,728	388	-524	3,723	0	0
Interest Paid	-921	-1,095	-3,464	-732	-1,342	-1,006	-750	-750
Dividends Paid	-9,090	-12,725	-27,268	-29,134	-29,134	-18,125	-13,594	-30,208
<b>CF from Fin. Activity</b>	<b>-12,364</b>	<b>-11,293</b>	<b>-34,460</b>	<b>-29,478</b>	<b>-31,000</b>	<b>-15,408</b>	<b>-14,344</b>	<b>-30,958</b>
<b>Inc/(Dec) in Cash</b>	<b>207</b>	<b>-279</b>	<b>569</b>	<b>1,071</b>	<b>-1,588</b>	<b>141</b>	<b>54,590</b>	<b>64,583</b>
Add: Op. Balance	183	390	111	699	1,770	182	323	54,913
<b>Closing Balance</b>	<b>390</b>	<b>111</b>	<b>680</b>	<b>1,770</b>	<b>182</b>	<b>323</b>	<b>54,913</b>	<b>1,19,496</b>

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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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.

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