

April 27, 2021

## Q4FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	7,619		7,915	
Sales (Rs. m)	8,25,931	9,35,589	8,47,624	9,60,593
% Chng.	(2.6)	(2.6)		
EBITDA (Rs. m)	65,821	97,573	70,781	1,01,843
% Chng.	(7.0)	(4.2)		
EPS (Rs.)	188.0	274.1	200.1	284.0
% Chng.	(6.1)	(3.5)		

### Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	756	703	826	936
EBITDA (Rs. bn)	73	53	66	98
Margin (%)	9.7	7.6	8.0	10.4
PAT (Rs. bn)	57	42	57	83
EPS (Rs.)	187.1	140.0	188.0	274.1
Gr. (%)	(23.2)	(25.1)	34.3	45.8
DPS (Rs.)	60.0	45.0	60.0	80.0
Yield (%)	0.9	0.7	0.9	1.2
RoE (%)	11.9	8.5	10.7	14.2
RoCE (%)	8.0	4.6	6.6	11.4
EV/Sales (x)	2.6	2.7	2.3	2.0
EV/EBITDA (x)	27.0	35.9	28.9	19.3
PE (x)	35.1	46.9	34.9	24.0
P/BV (x)	4.1	3.9	3.6	3.2

### Key Data

### MRTI.BO | MSIL IN

52-W High / Low	Rs.8,400 / Rs.4,638
Sensex / Nifty	48,944 / 14,653
Market Cap	Rs.1,984bn/ \$ 26,578m
Shares Outstanding	302m
3M Avg. Daily Value	Rs.15670.43m

### Shareholding Pattern (%)

Promoter's	56.37
Foreign	23.11
Domestic Institution	15.08
Public & Others	5.44
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	(8.2)	29.9
Relative	(3.1)	(24.0)	(15.7)

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## Bookings trend strong in challenging times

### Quick Pointers:

- Overall order backlog of ~2 lac units while inventory is lower at 85-90k units (v/s 135-140k normally).
- Average discounts 8 quarters low at Rs16.6k/unit (-13% YoY/ -18% QoQ).

**For 4QFY21, MSIL reported lower than estimated EBITDA at Rs19.9b (PLe Rs20.7bn) while lower other income at Rs0.9b (-90% YoY, PLe Rs7.5b) dragged Adj PAT by ~10% YoY at Rs11.7b (PLe Rs15.5b). Although RM inflation and volume uncertainty to persists over 1QFY22, PV as a segment will likely emerge stronger with ease in SoPs by state governments. We believe MSIL is well placed amongst OEMs as i) it is likely beneficiary of shift towards personal mobility and CNG vehicles, ii) has new model launches and iii) holds better supply chain management. To factor in volume uncertainty, RM impact and upfront cost attached to third line at Gujarat, we cut FY22/23 EPS by ~6.1%/3.5%. However, we maintain Buy on the stock with revised price target of Rs7,619 (earlier Rs7,915) based on 27x Mar-23 EPS (unchanged).**

- MSIL's Q4FY21 revenue came in-line at Rs240.2b (+32% YoY/ +2% QoQ)** largely led by ~28% YoY growth in volumes and 3% YoY growth in realizations at Rs487.5k. Exports revenue grew 47% YoY at Rs17.5b. Average discounts declined 13% YoY/ 18% QoQ to Rs16.6k/unit.
- Margins below estimate at 8.3% (-20bp YoY/ -120bp QoQ, PLe 8.7%)**- Gross margins contracted ~360bp YoY at 26.1% (PLe 26.8%). This was partially offset by lower employee cost at Rs9b (PLe Rs9.6b) resulting in EBITDA at Rs19.9b (+29% YoY, PLe Rs20.7b). Led by lower other income at Rs0.9b (-90% YoY, PLe Rs7.5b) partially offset by lower tax at 10.8% (PLe 24.9%) Adj. PAT declined 10% YoY at Rs11.7b (PLe Rs15.5b).
- FY21 Revenue/EBITDA/Adj PAT declined ~7%/27%/25% YoY respectively. MSIL declared final dividend of Rs45/share for FY21 (v/s Rs60/share in FY20).**
- Key con-call takeaways:** (1) **Demand outlook-** Retails have been impacted due to lockdown in 9 states (~35% of sales) and may remain lower. **Current demand seems to be holding on with bookings of ~200k units.** (2) **MSIL's retail market share for FY21 is at ~50%** (v/s ~48% for wholesale). Share of rural mix increased by 2.5% in FY21 to ~41%. (3) **Share of first time/additional buyers for FY21 gone up by ~3.5% to ~47%/34%** while replacement mix declined to ~19% from 26%. (3) **Currently sitting at channel inventory of 85-90k (v/s 135-140k normally and ~32k at March end).** (4) Price hike of ~1.25% taken in April'21 while ~0.8% was already taken in Jan. (5) **Average discounts at 8 quarters low of Rs16.6k/unit** (-13% YoY/ -18% QoQ). (8) CNG sales grew ~50% YoY in FY21 (v/s ~8% YoY decline in overall volumes) while **the mix increased to ~12%**. (9) Digital inquiries increased to ~35% wherein digital bookings contributed ~8% of retails.

**Exhibit 1: Q4FY21 Result Overview (Rs m)**

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
<b>Net Revenues</b>	<b>2,40,237</b>	<b>1,81,987</b>	<b>32.0</b>	<b>2,34,578</b>	<b>7,03,325</b>	<b>7,56,106</b>	<b>(7.0)</b>
Raw Materials	1,77,509	1,27,914	38.8	1,70,156	5,08,172	5,34,278	(4.9)
<i>% of Net Sales</i>	<i>73.9</i>	<i>70.3</i>		<i>72.5</i>	<i>72.3</i>	<i>70.7</i>	
Personnel	9,003	8,194	9.9	9,455	34,029	33,839	0.6
<i>% of Net Sales</i>	<i>3.7</i>	<i>4.5</i>		<i>4.0</i>	<i>4.8</i>	<i>4.5</i>	
Manufacturing & Other Exp	33,814	30,415	11.2	32,706	1,08,250	1,14,963	(5.8)
<i>% of Net Sales</i>	<i>14.1</i>	<i>16.7</i>		<i>13.9</i>	<i>15.4</i>	<i>15.2</i>	
Total Expenditure	2,20,326	1,66,523	32.3	2,12,317	6,50,451	6,83,080	(4.8)
<b>EBITDA</b>	<b>19,911</b>	<b>15,464</b>	<b>28.8</b>	<b>22,261</b>	<b>52,874</b>	<b>73,026</b>	<b>(27.6)</b>
<i>EBITDA Margin (%)</i>	<i>8.3</i>	<i>8.5</i>		<i>9.5</i>	<i>7.5</i>	<i>9.7</i>	
Depreciation	7,410	8,230	(10.0)	7,413	30,315	35,257	(14.0)
<b>EBIT</b>	<b>12,501</b>	<b>7,234</b>	<b>72.8</b>	<b>14,848</b>	<b>22,559</b>	<b>37,769</b>	<b>(40.3)</b>
Interest Expenses	324	283	14.5	287	1,008	1,329	(24.2)
Non-operating income	898	8,804	(89.8)	9,937	30,043	34,208	(12.2)
<b>PBT</b>	<b>13,075</b>	<b>15,755</b>	<b>(17.0)</b>	<b>24,498</b>	<b>51,594</b>	<b>70,648</b>	<b>(27.0)</b>
Tax-Total	1,414	2,838	(50.2)	5,084	9,297	14,142	(34.3)
<i>Tax Rate (%) - Total</i>	<i>10.8</i>	<i>18.0</i>	<i>(40.0)</i>	<i>20.8</i>	<i>18.0</i>	<i>20.0</i>	<i>(10.0)</i>
<b>Reported PAT</b>	<b>11,661</b>	<b>12,917</b>	<b>(9.7)</b>	<b>19,414</b>	<b>42,297</b>	<b>56,506</b>	<b>(25.1)</b>
<b>Adj. PAT</b>	<b>11,661</b>	<b>12,917</b>	<b>(9.7)</b>	<b>19,414</b>	<b>42,297</b>	<b>56,506</b>	<b>(25.1)</b>

Source: Company, PL

**Exhibit 2: Operating Metrics**

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
<b>Car Sales Volume (nos)</b>	<b>4,92,766</b>	<b>3,85,025</b>	<b>28.0</b>	<b>4,95,897</b>	<b>14,58,392</b>	<b>15,63,297</b>	<b>(6.7)</b>
Net Realisation/Vehicle	4,87,528	4,72,663	3.1	4,73,038	4,82,261	4,83,661	(0.3)
Material cost / vehicle	3,60,230	3,32,223	8.4	3,43,128	3,48,447	3,41,764	2.0
Gross Profit / vehicle	1,27,298	1,40,440	(9.4)	1,29,910	1,33,814	1,41,898	(5.7)
Employee cost /vehicle	18,270	21,282	(14.2)	19,066	23,333	21,646	7.8
Other expenses / vehicle	68,621	78,995	(13.1)	65,953	74,226	73,539	0.9
EBITDA/vehicle	40,407	40,164	0.6	44,890	36,255	46,713	(22.4)
Net Profit/vehicle	23,664	33,548	(29.5)	39,149	29,002	36,145	(19.8)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>7,56,106</b>	<b>7,03,325</b>	<b>8,25,931</b>	<b>9,35,589</b>
YoY gr. (%)	(12.1)	(7.0)	17.4	13.3
Cost of Goods Sold	5,31,566	5,08,172	6,13,827	6,82,137
Gross Profit	2,24,540	1,95,153	2,12,104	2,53,452
Margin (%)	29.7	27.7	25.7	27.1
Employee Cost	33,839	34,029	35,390	36,098
Other Expenses	1,17,675	1,07,671	1,10,893	1,19,782
<b>EBITDA</b>	<b>73,026</b>	<b>53,453</b>	<b>65,821</b>	<b>97,573</b>
YoY gr. (%)	(32.4)	(26.8)	23.1	48.2
Margin (%)	9.7	7.6	8.0	10.4
Depreciation and Amortization	35,257	30,315	30,463	31,147
<b>EBIT</b>	<b>37,769</b>	<b>23,138</b>	<b>35,358</b>	<b>66,426</b>
Margin (%)	5.0	3.3	4.3	7.1
Net Interest	1,329	1,008	1,109	1,220
Other Income	34,208	29,464	38,560	40,936
<b>Profit Before Tax</b>	<b>70,648</b>	<b>51,594</b>	<b>72,810</b>	<b>1,06,143</b>
Margin (%)	9.3	7.3	8.8	11.3
Total Tax	14,142	9,297	16,018	23,351
Effective tax rate (%)	20.0	18.0	22.0	22.0
<b>Profit after tax</b>	<b>56,506</b>	<b>42,297</b>	<b>56,792</b>	<b>82,791</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>56,506</b>	<b>42,297</b>	<b>56,792</b>	<b>82,791</b>
YoY gr. (%)	-	-	-	-
Margin (%)	7.5	6.0	6.9	8.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>56,506</b>	<b>42,297</b>	<b>56,792</b>	<b>82,791</b>
YoY gr. (%)	(24.7)	(25.1)	34.3	45.8
Margin (%)	7.5	6.0	6.9	8.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	56,506	42,297	56,792	82,791
<b>Equity Shares O/s (m)</b>	<b>302</b>	<b>302</b>	<b>302</b>	<b>302</b>
<b>EPS (Rs)</b>	<b>187.1</b>	<b>140.0</b>	<b>188.0</b>	<b>274.1</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>2,97,969</b>	<b>3,23,017</b>	<b>3,53,940</b>	<b>3,73,940</b>
Tangibles	2,97,969	3,23,017	3,53,940	3,73,940
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>1,40,157</b>	<b>1,70,472</b>	<b>2,00,935</b>	<b>2,32,082</b>
Tangibles	1,40,157	1,70,472	2,00,935	2,32,082
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>1,57,812</b>	<b>1,52,545</b>	<b>1,53,005</b>	<b>1,41,858</b>
Tangibles	1,57,812	1,52,545	1,53,005	1,41,858
Intangibles	-	-	-	-
Capital Work In Progress	13,374	11,923	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	3,52,594	3,81,621	3,70,747	3,86,611
Net Deferred tax assets	(5,984)	(3,847)	(3,962)	(4,081)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	12,082	36,246	47,120	61,256
Inventories	32,149	30,500	36,205	51,265
Trade receivables	21,270	12,766	14,991	17,943
Cash & Bank Balance	211	30,364	32,153	39,213
Other Current Assets	25,514	39,081	46,897	56,277
<b>Total Assets</b>	<b>6,20,252</b>	<b>6,95,278</b>	<b>7,02,351</b>	<b>7,55,655</b>
<b>Equity</b>				
Equity Share Capital	1,510	1,510	1,510	1,510
Other Equity	4,82,860	5,12,158	5,50,825	6,09,450
<b>Total Networkth</b>	<b>4,84,370</b>	<b>5,13,668</b>	<b>5,52,335</b>	<b>6,10,960</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,707	353	353	353
Trade payables	74,941	1,01,617	1,17,667	1,02,530
Other current liabilities	53,250	75,793	28,033	37,730
<b>Total Equity &amp; Liabilities</b>	<b>6,20,252</b>	<b>6,95,278</b>	<b>7,02,351</b>	<b>7,55,655</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	70,648	51,594	72,810	1,06,143
Add. Depreciation	35,257	30,315	30,463	31,147
Add. Interest	1,329	1,008	1,109	1,220
Less Financial Other Income	34,208	29,464	38,560	40,936
Add. Other	(33,167)	(27,774)	(38,560)	(40,936)
Op. profit before WC changes	74,067	55,143	65,821	97,573
Net Changes-WC	(25,659)	43,352	(47,457)	(32,830)
Direct tax	(14,357)	(10,107)	(15,903)	(23,233)
<b>Net cash from Op. activities</b>	<b>34,051</b>	<b>88,388</b>	<b>2,462</b>	<b>41,510</b>
Capital expenditures	(33,963)	(23,278)	(20,000)	(20,000)
Interest / Dividend Income	-	-	-	-
Others	29,324	(49,561)	38,560	10,936
<b>Net Cash from Inv. activities</b>	<b>(4,639)</b>	<b>(72,839)</b>	<b>18,560</b>	<b>(9,064)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(524)	3,723	-	-
Dividend paid	(29,134)	(18,125)	(18,125)	(24,166)
Interest paid	(1,342)	(1,006)	(1,109)	(1,220)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(31,000)</b>	<b>(15,408)</b>	<b>(19,234)</b>	<b>(25,386)</b>
<b>Net change in cash</b>	<b>(1,588)</b>	<b>141</b>	<b>1,789</b>	<b>7,060</b>
Free Cash Flow	88	65,110	(17,538)	21,510

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	187.1	140.0	188.0	274.1
CEPS	303.8	240.4	288.8	377.2
BVPS	1,603.5	1,700.4	1,828.4	2,022.5
FCF	0.3	215.5	(58.1)	71.2
DPS	60.0	45.0	60.0	80.0
<b>Return Ratio(%)</b>				
RoCE	8.0	4.6	6.6	11.4
ROIC	6.5	4.4	6.1	10.8
RoE	11.9	8.5	10.7	14.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	(32)	(64)	(38)	(24)
<b>Valuation(x)</b>				
PER	35.1	46.9	34.9	24.0
P/B	4.1	3.9	3.6	3.2
P/CEPS	21.6	27.3	22.7	17.4
EV/EBITDA	27.0	35.9	28.9	19.3
EV/Sales	2.6	2.7	2.3	2.0
Dividend Yield (%)	0.9	0.7	0.9	1.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

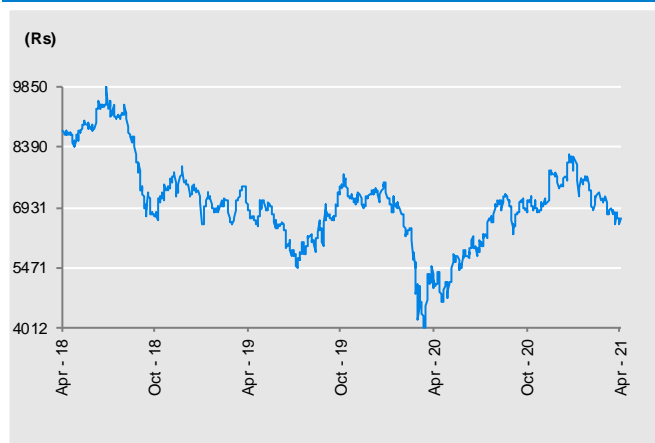
Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
<b>Net Revenue</b>	<b>41,065</b>	<b>1,87,445</b>	<b>2,34,578</b>	<b>2,40,237</b>
YoY gr. (%)	(79.2)	10.4	13.3	32.0
Raw Material Expenses	29,364	1,31,143	1,70,156	1,77,509
Gross Profit	11,701	56,302	64,422	62,728
Margin (%)	28.5	30.0	27.5	26.1
<b>EBITDA</b>	<b>(8,634)</b>	<b>19,336</b>	<b>22,261</b>	<b>19,911</b>
YoY gr. (%)	(142.2)	20.4	5.9	28.8
Margin (%)	(21.0)	10.3	9.5	8.3
Depreciation / Depletion	7,833	7,659	7,413	7,410
<b>EBIT</b>	<b>(16,467)</b>	<b>11,677</b>	<b>14,848</b>	<b>12,501</b>
Margin (%)	(40.1)	6.2	6.3	5.2
Net Interest	173	224	287	324
Other Income	13,183	6,025	9,937	898
<b>Profit before Tax</b>	<b>(3,457)</b>	<b>17,478</b>	<b>24,498</b>	<b>13,075</b>
Margin (%)	(8.4)	9.3	10.4	5.4
Total Tax	(963)	3,762	5,084	1,414
Effective tax rate (%)	27.9	21.5	20.8	10.8
<b>Profit after Tax</b>	<b>(2,494)</b>	<b>13,716</b>	<b>19,414</b>	<b>11,661</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(2,494)</b>	<b>13,716</b>	<b>19,414</b>	<b>11,661</b>
YoY gr. (%)	(117.4)	1.0	24.1	(9.7)
Margin (%)	(6.1)	7.3	8.3	4.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(2,494)</b>	<b>13,716</b>	<b>19,414</b>	<b>11,661</b>
YoY gr. (%)	(117.4)	1.0	24.1	(9.7)
Margin (%)	(6.1)	7.3	8.3	4.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>(2,494)</b>	<b>13,716</b>	<b>19,414</b>	<b>11,661</b>
Avg. Shares O/s (m)	302	302	302	302
<b>EPS (Rs)</b>	<b>(8.3)</b>	<b>45.4</b>	<b>64.3</b>	<b>38.6</b>

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY20	FY21	FY22E	FY23E
Volume (units)	15,63,297	14,58,392	16,82,746	18,63,321
Net realisation (Rs/unit)	4,58,585	4,56,407	4,65,368	4,76,349

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Apr-21	BUY	7,915	6,751
2	28-Jan-21	BUY	8,428	7,589
3	11-Jan-21	BUY	8,465	8,015
4	29-Oct-20	BUY	7,642	7,118
5	9-Oct-20	BUY	7,642	7,062
6	29-Jul-20	BUY	6,858	6,192
7	11-Jul-20	BUY	6,442	5,956
8	14-May-20	BUY	5,830	5,036

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	149	113
2	Bajaj Auto	Hold	3,710	3,613
3	Bharat Forge	Hold	602	619
4	CEAT	Accumulate	1,667	1,542
5	Eicher Motors	Accumulate	2,958	2,487
6	Endurance Technologies	BUY	1,605	1,369
7	Exide Industries	BUY	227	184
8	Hero Motocorp	Accumulate	3,451	2,888
9	Mahindra & Mahindra	BUY	939	781
10	Maruti Suzuki	BUY	7,915	6,751
11	Motherson Sumi Systems	BUY	249	207
12	Tata Motors	Reduce	271	308
13	TVS Motors	Sell	470	574

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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