MOTILAL OSWAL

28 July 2021

1QFY22 Results Update | Sector: Automobiles

Maruti Suzuki

CMP: INR7,150 TP: INR8,200 (+15%) Buy

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	MSIL IN
Equity Shares (m)	302
M.Cap.(INRb)/(USDb)	2159.9 / 29
52-Week Range (INR)	8400 / 6040
1, 6, 12 Rel. Per (%)	-5/-18/-23
12M Avg Val (INR M)	7504

Financials & valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	703.3	946.4	1,043.5
EBITDA	53.5	72.1	116.3
Adj. PAT	42.3	55.6	90.9
Cons. Adj. EPS (INR)	145.3	187.7	304.7
EPS Gr. (%)	-22.7	29.2	62.3
BV/Sh. (INR)	1,700	1,840	2,040
Ratios			
RoE (%)	8.2	10.0	14.7
RoCE (%)	10.1	12.7	18.9
Payout (%)	31.0	53.3	39.4
Valuations			
P/E (x)	49.2	38.1	23.5
P/BV (x)	4.2	3.9	3.5
EV/EBITDA (x)	32.1	23.3	13.9
Div. Yield (%)	0.6	1.4	1.7

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	56.4	56.4	56.3
DII	15.8	15.1	17.1
FII	22.9	23.1	21.5
Others	5.0	5.4	5.2

FII Includes depository receipts

Weak performance in a tough quarter

Good demand recovery | RM cost inflation to persist in 2QFY22

- Maruti Suzuki (MSIL) reported a weak performance in 1QFY22, weighed by the impact of the lockdowns on volumes as well as commodity cost inflation. While commodity inflation would persist in 2Q, there are drivers in place for sustained volume and margin recovery from 2HFY22E.
- We lower our FY22E/FY23E EPS by 13%/3%, factoring in further cost inflation in 2Q, higher staff costs, and lower other income. Maintain **Buy**, with TP of INR8,200/share (27x Mar'23E consol. EPS).

Margins impacted by higher costs; lower other income hurts PAT

- Revenue grew to ~INR177.7b (+333% YoY / -26% QoQ) in 1QFY22, while EBITDA/PAT came in at INR8.2b/INR4.4b (-59% QoQ / -62% QoQ).
- Net realizations grew 3% QoQ (-6% YoY) to INR502.5k (v/s est. INR492.4k) on price hikes and lower discounts (at INR14k/unit v/s INR16.6k in 4QFY21).
- The gross margin declined 90bp QoQ (-3.3pp YoY) to 25.2% (v/s est. 25.5%), impacted by RM cost (350bp QoQ), but diluted by price hikes (~1.6% in Apr'21) and lower discounts (~60bp).
- The EBITDA margin declined 370bp QoQ to 4.7% (v/s est. 5.2%), impacted by higher staff costs (+18% QoQ / +46% YoY) and operating deleverage. The EBIT margin declined 480bp QoQ to 0.4% (v/s est. 0.9%). Lower other income resulted in PAT decline of 62% QoQ to INR4.4b (v/s est. INR6.2b).

Highlights from management commentary

- **Update on demand**: Recovery is seen in both urban and rural. Inquiries are similar to 4QFY21 levels and bookings are at 80–85% of 4QFY21. Inquiries in July'21 are at 120% of Jun'21 levels, with retail similar to Jun'21. Wholesale in Jul'21 should be higher v/s Jun'21. It has 170k pending bookings currently, whereas network inventory stands at 135–138k units (27 days at 4Q retail).
- **SUV segment:** The segment share stood at 38% in 1QFY22 (v/s 32% in FY21), with a similar split between Entry and Mid-SUV. Based on its experience in other countries, MSIL expects SUV's share to rise to 42–43% over the next five years and plateau at these levels. Mid-SUV is a weak area for MSIL, and going forward, it would take a closer look at this segment.
- **Chip shortage**: MSIL is faring relatively better as it is able to adjust its production by manufacturing cars with a lower intensity of semi-conductors.
- **Commodity price impact:** In 1QFY22, it saw an impact of 3.5pp QoQ. It expects a further impact in 2Q as well and should see some stability thereafter. It took price increases in January (1.3%) and April (1.6%) and has taken one in July as well (small increase). It is attempting to strike a balance between cost pass-through, demand, and market share.

Jinesh Gandhi – Research Analyst (Jinesh@MotilalOswal.com)

Research Analyst: Vipul Agrawal (Vipul.Agrawal@MotilalOswal.com) / **Aniket Desai** (Aniket.Desai@motilaloswal.com)

Valuation and view

- While MSIL has seen strong demand recovery, the sharp commodity cost inflation is expected to keep near-term performance in check. We expect recovery in 2HFY22 in both market share and margins, led by a favorable product lifecycle and mix as well as price action / cost-cutting.
- The stock trades at 38.1x/23.5x FY22E/FY23E consolidated EPS. Maintain Buy, with TP of INR8,200/share (27x Mar'23E consolidated EPS).

S/A Quarterly Performance (INR Million)

Y/E March	FY21				FY22E				FY21	FY22E	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q
Financial Performance											
Volumes ('000 units)	76.6	393.1	495.9	492.8	353.6	498.2	516.4	520.6	1,458.4	1,888.9	353.6
Change (%)	-81.0	16.2	13.4	28.2	361.6	26.7	4.1	5.6	-6.7	29.5	361.6
Realizations (INR/car)	5,36,104	4,76,802	4,73,038	4,87,538	5,02,545	5,03,299	4,98,266	5,00,673	4,82,264	5,01,058	4,92,414
Change (%)	9.4	-5.0	-0.1	3.0	-6.3	5.6	5.3	2.7	-0.3	3.9	-8.1
Net operating revenues	**41,065**	**1,87,445**	**2,34,578**	**2,40,237**	**1,77,707**	**2,50,764**	**2,57,327**	**2,60,629**	**7,03,325**	**9,46,426**	1,74,124
Change (%)	-79.2	10.4	13.3	32.0	332.7	33.8	9.7	8.5	-7.0	34.6	324.0
RM Cost (% of sales)	71.5	70.0	72.5	73.9	74.8	75.5	74.0	72.8	72.3	74.2	74.5
Staff Cost (% of sales)	17.8	4.4	4.0	3.7	6.0	4.1	4.0	4.0	4.8	4.4	4.8
Other Cost (% of sales)	31.7	15.3	13.9	14.1	14.6	13.7	13.5	13.5	15.3	13.8	15.5
EBITDA	**-8,634**	**19,336**	**22,261**	**19,911**	**8,211**	**16,747**	**21,765**	**25,330**	**53,453**	**72,054**	**9,014**
EBITDA Margins (%)	-21.0	10.3	9.5	8.3	4.6	6.7	8.5	9.7	7.6	7.6	5.2
EBIT	**-16,467**	**11,677**	**14,848**	**12,501**	**779**	**9,297**	**14,015**	**17,229**	**23,138**	**41,321**	**1,564**
EBIT Margins (%)	-40.1	6.2	6.3	5.2	0.4	3.7	5.4	6.6	3.3	4.4	0.9
Non-Operating Income	13,183	6,025	9,937	898	5,078	7,500	8,500	9,335	29,464	30,413	6,500
PBT	**-3,457**	**17,478**	**24,498**	**13,075**	**5,635**	**16,597**	**22,315**	**26,356**	**51,594**	**70,904**	**7,914**
Adjusted PAT	**-2,494**	**13,716**	**19,414**	**11,661**	**4,408**	**13,021**	**17,506**	**20,689**	**42,297**	**55,624**	**6,200**
Change (%)	-117.4	1.0	24.1	-9.7	-276.7	-5.1	-9.8	77.4	-25.1	31.5	-348.6

Key Performance Indicators

Y/E March	FY21				FY22E				FY21	FY22E	FY22E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q
Dom. PV Market Sh (%)	42.8	50.1	50.7	47.9	47.0	61.6	53.1	50.5	49.1	52.9	65
Volumes ('000 units)	76.6	393.1	495.9	492.8	353.6	498.2	516.4	520.6	1,458.4	1,888.9	353.6
Change (%)	-81.0	16.2	13.4	28.2	361.6	26.7	4.1	5.6	-6.7	29.5	361.6
Discounts (INR '000/car)	25.0	17.3	20.2	16.6	14.0	0.0	0.0	0.0	18.4	16.7	0.0
% of Net Realn	4.7	3.6	4.3	3.4	2.8	0.0	0.0	0.0	3.8	3.3	0.0
Net Realizations (INR '000/car)	536.1	476.8	473.0	487.5	502.5	503.3	498.3	500.7	482.3	501.1	492.4
Change (%)	9.4	-5.0	-0.1	3.0	-6.3	5.6	5.3	2.7	-0.3	3.9	-8.1
Cost Break-up											
RM Cost (% of sales)	71.5	70.0	72.5	73.9	74.8	75.5	74.0	72.8	72.3	74.2	74.5
Staff Cost (% of sales)	17.8	4.4	4.0	3.7	6.0	4.1	4.0	4.0	4.8	4.4	4.8
Other Cost (% of sales)	31.7	15.3	13.9	14.1	14.6	13.7	13.5	13.5	15.3	13.8	15.5
Gross Margins (%)	28.5	30.0	27.5	26.1	25.2	24.5	26.0	27.2	27.7	25.8	25.5
EBITDA Margins (%)	-21.0	10.3	9.5	8.3	4.6	6.7	8.5	9.7	7.6	7.6	5
EBIT Margins (%)	-40.1	6.2	6.3	5.2	0.4	3.7	5.4	6.6	3.3	4.4	0.9

E:MOFSL Estimates

Highlights from management commentary

- **Update on demand**: All states, except two in NE, are open. An uptick is seen in inquiries and bookings. Inquiries are similar to 4QFY21 levels and bookings are at 80–85% of 4QFY21. Inquiries in July'21 are at 120% of Jun'21 levels and retail is similar to Jun'21. Recovery is led by both urban and rural. Wholesale in Jul'21 should be higher v/s Jun-21. It has 170k pending bookings currently, whereas network inventory stands at 135–138k units (27 days at 4Q retail).
- **Customer profile**: The share of first-time buyers declined to 45.4% in 1QFY22 (from 46.9% in 1QFY21). It expects replacement demand to recover and normalize to 25–26% levels (from 18% in FY21).
- **SUV segment**: The segment share stood at 38% in 1QFY22 (v/s 32% in FY21), with a similar split between Entry and Mid-SUV. Based on its experience in other countries, MSIL expects SUV's share to rise to 42–43% over the next five years and plateau at these levels. Mid-SUV is a weak area for MSIL, and going forward, it would take a closer look at this segment.
- **Retail market share:** Share was lower at 40% v/s wholesale share of 46% in 1QFY22 due to a) CNG availability being impacted for MSIL (impacted 5.1% of market share), b) faster growth in the SUV biz, and c) lower stock levels impacting retail in Apr–May'21.
- **Margins**: 1QFY22 EBITDA margins were impacted by a) commodity costs (~350bp QoQ) and b) operating deleverage (~400bp). Additionally, COVID-related costs impacted staff costs by ~20bp (~INR0.3b). The start of a 250k capacity in Gujarat had a further impact on 1QFY22 margins.
- **Commodity price impact:** In 1QFY22, it saw an impact of 3.5pp QoQ. It expects a further impact in 2Q as well and should see some stability thereafter. Precious metals have seen a sharp cost increase; it is already working on lowering the consumption of the same.
- **Price increase**: It took price increases in January (1.3%) and April (1.6%) and has taken one in July as well (small increase). It is attempting to strike a balance between cost pass-through, demand, and market share.
- **Chip shortage:** MSIL is faring relatively better as it is able to adjust its production by manufacturing cars with a lower intensity of semi-conductors.
- **Fuel-agnostic strategy**: It is focusing on the following areas: i) improving the ICE engine, ii) manufacturing products that utilize gas/bio-fuels, and iii) manufacturing hybrids and EVs – as different PV segments would have a different approach to lowering emissions. It believes hybrids would play a key role in electrification until EV charging infrastructure is developed in India.

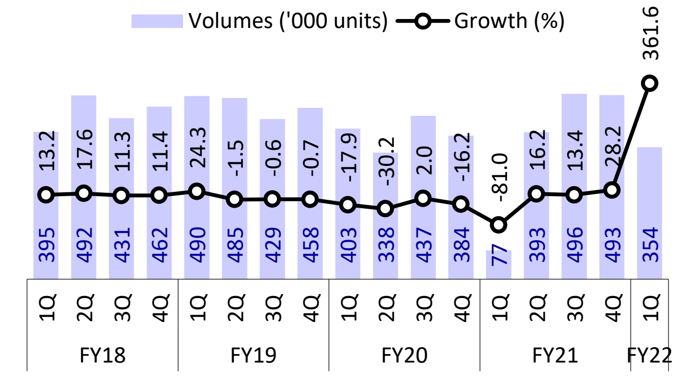
Key exhibits

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

Trend in volumes ('000 units)	1QFY22	1QFY21	YoY (%)	4QFY21	QoQ (%)	FY22E	FY21	YoY (%)
Mini	47.2	12.5	279.3	73.8	-36.0	281.4	226.2	24.4
% of total	13.4	16.3		15.0		14.9	15.5	
MPV+LCVs	25.8	6.6	291.0	44.8	-42.3	174.9	134.6	29.9
% of total	7.3	8.6		9.1		9.3	9.2	
Compact incl Dzire tour	167.4	33.8	395.0	247.8	-32.4	853.2	714.2	19.5
% of total	47.3	44.2		50.3		45.2	49.0	
Mid-size	2.5	0.7	238.0	4.5	-43.9	91.8	41.8	119.5
% of total	0.7	1.0		0.9		4.9	2.9	
UV	65.1	13.4	385.7	85.9	-24.3	331.5	245.4	35.1
% of total	18.4	17.5		17.5		17.5	16.8	
Exports	45.5	9.6	375.5	35.5	28.1	156.2	96.1	62.5
% of total	12.9	12.5		7.2		8.3	6.6	
Total Sales	**353.6**	**76.6**	**361.6**	**492.2**	**-28.2**	**1,888.9**	**1,458.4**	**29.5**
Total Dom. PV MS (%)	**47.0**	**42.8**	**420bp**	**47.9**	**-90bp**	**52.9**	**49.1**	**370bp**

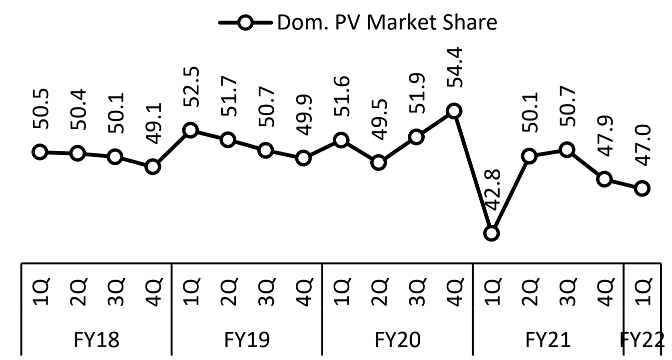
Source: Company, MOFSL

Exhibit 2: Trend in MSIL's volumes



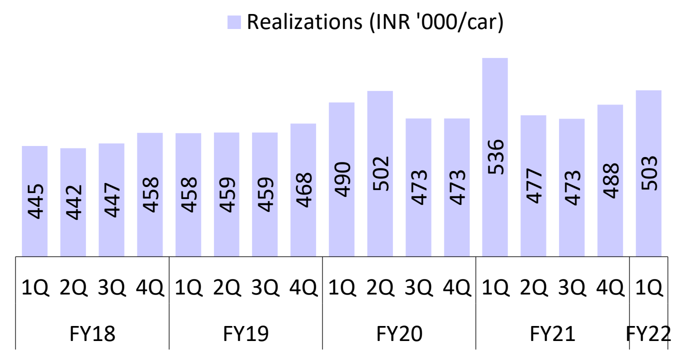
Source: Company, MOFSL

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



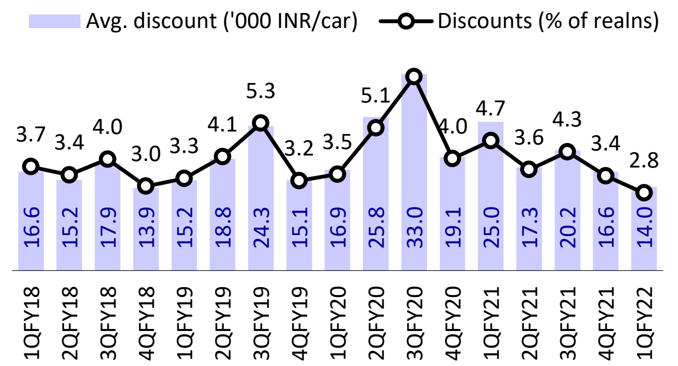
Source: Company, MOFSL

Exhibit 4: Trend in realization per unit



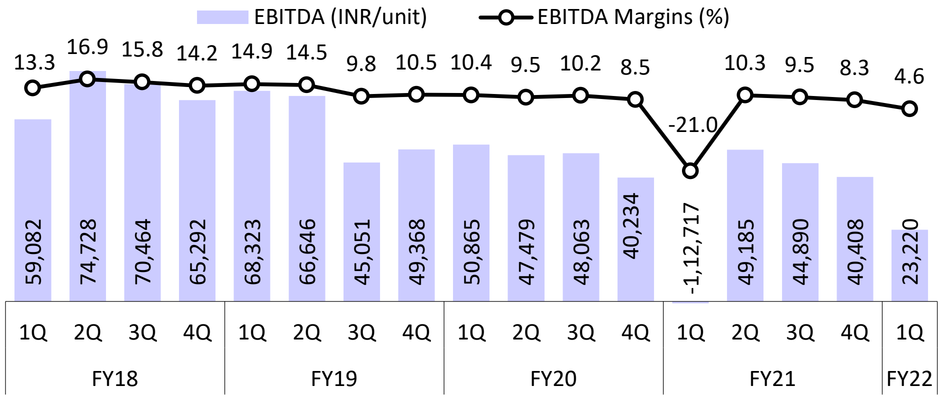
Source: Company, MOFSL

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 PV industry remains intact**: Growth in the Indian PV industry has undershot our expectations for 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 costs 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 population of 1,000). We estimate a 12% PV industry volume CAGR over FY21–25E (on the low base of ~8.2% CAGR decline over FY18–21).
- **Strong product portfolio with numerous launches lined up for next few years:** MSIL could emerge as the biggest beneficiary of demand recovery in the post-COVID period, considering its stronghold in the Entry-Level segment and a favorable product lifecycle. 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 towards petrol vehicles, resulting in a ~9% volume CAGR over FY20–23E. This, coupled with an improved mix and lower discounts, would drive a ~9.6% revenue CAGR over FY20–23E.
- **Recovery in operating performance postponed to 2HFY22E:** While FY21 witnessed the full impact of COVID-19 on operations, we expect demand recovery to resume post the lockdown impact in 1QFY22. Demand recovery would be supported by a favorable product lifecycle as well as the continued shift to personal mobility. The EBITDA margin declined to a nine-year low of 7.6% in FY21 on higher commodity costs, weak forex, and operating deleverage. With volume improvement, we expect the EBITDA margin to rebound to ~11.1% in FY23E, led by a) normalization in the product lifecycle, b) lower discounts, c) price increases and mix improvement, d) cost-saving initiatives, e) reducing JPY:INR exposure, and f) operating leverage.
- **Strong margins and asset-light model to result in strong FCF generation and RoE improvement:** The Gujarat plant's arrangement with its parent Suzuki would render MSIL's business asset-light, allowing the management to focus on marketing. We expect FCF generation to improve to ~INR148b over FY21–23E (v/s ~INR98b in FY18–20) – after budgeting for cumulative annual capex of

~INR98b. RoCE is estimated to improve gradually to ~18.9% by FY23E from 14.6% in FY20.

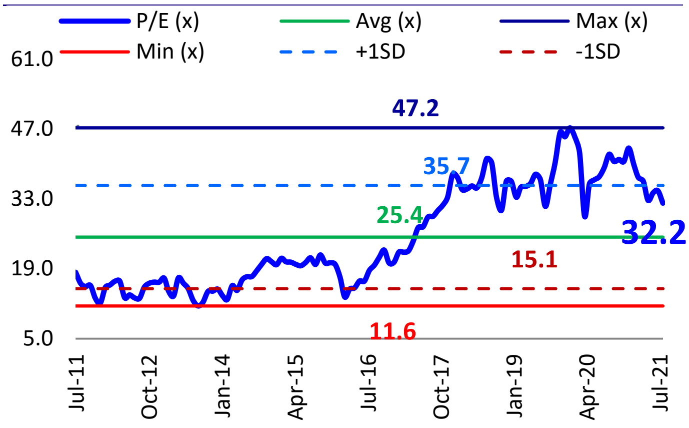
- **Structural improvement in business to support valuations**: We lower our FY22E/FY23E EPS by 13%/3%, factoring in the impact of RM cost inflation, higher staff costs, and lower other income. After a gap of almost 20 months, we expect new product launches to resume with a mix of complete product upgrades (five within 2–3 years) and new model launches (three within two years). This should drive volume and market share growth. Profitability is near the trough, and margin improvement is expected from the lows of 1HCY21. We see scope for further improvement in dividend payouts and a resultant re-rating. The stock trades at 38.1x/23.5x FY22E/FY23E consolidated EPS. We value the company at 27x Mar'23E consolidated EPS. Maintain **Buy**, with TP of INR8,200.

Exhibit 7: Revised forecast

(INR B)	FY22E			FY23E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Total Volumes ('000)	**1,889**	**1,877**	**0.6**	**2,053**	**2,031**	**1.1**
Net Sales	946	926	2.2	1,044	1,017	2.6
EBITDA	72	81	-10.5	116	116	-0.1
EBITDA Margin (%)	**7.6**	**8.7**	**-110bp**	**11.1**	**11.4**	**-30bp**
PAT	55.6	64.2	-13.4	90.9	93.8	-3.2
Consol EPS (Rs)	187.7	**216.1**	**-13.1**	304.7	**314.6**	**-3.1**
JPY/INR	0.70	0.70	0.0	0.69	0.69	0.0

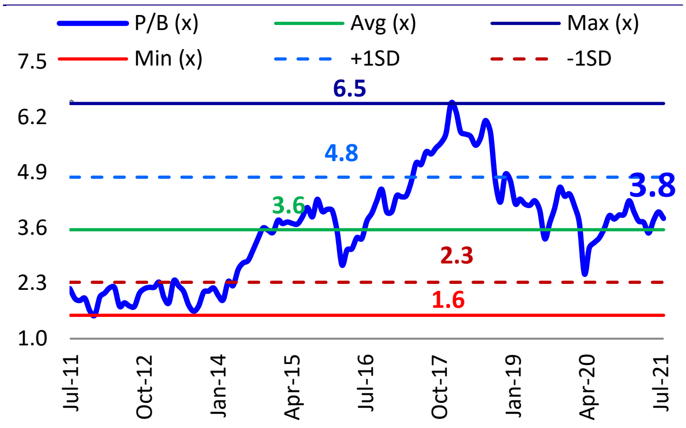
Source: Company, MOFSL

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



Source: MOFSL

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



Source: MOFSL

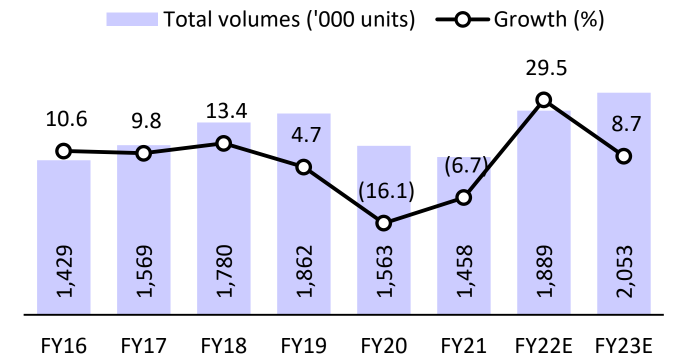
Story in charts – expect 19% EPS CAGR over FY20–23E

Exhibit 10: Market share decline (excluding Mini) due to absence of 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
Dom. PV	**47.2**	**47.6**	**50.3**	**51.4**	**51.2**	**47.7**

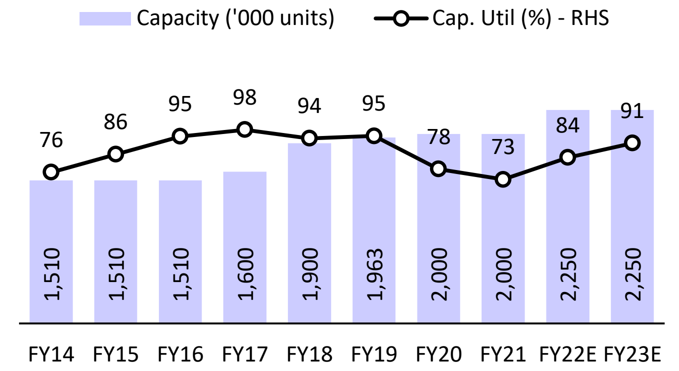
*Excluding supplies to Toyota; Source: Company, MOFSL

Exhibit 11: Trends in volumes and growth over FY20–23E



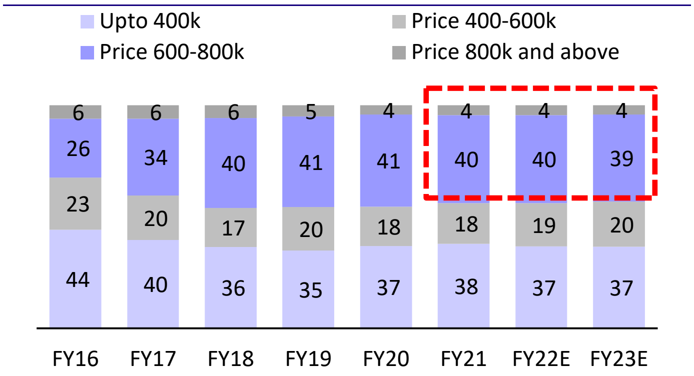
Source: Company, MOFSL

Exhibit 12: MSIL to operate at low utilization



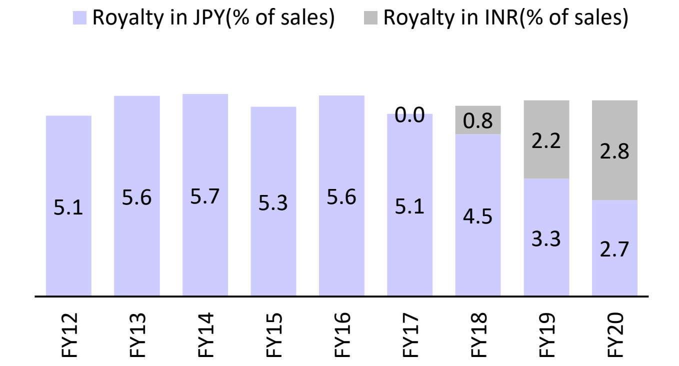
Source: Company, MOFSL

Exhibit 13: Trend in product mix



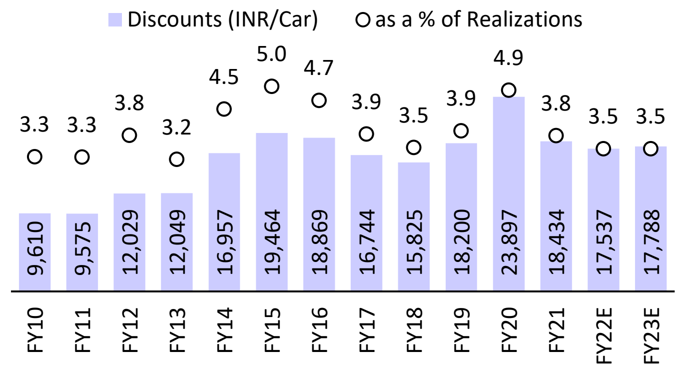
Source: Company, MOFSL

Exhibit 14: JPY-based royalty to reduce gradually



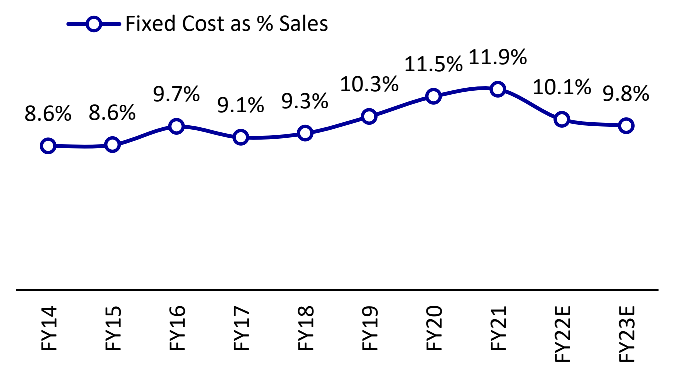
Source: Company, MOFSL

Exhibit 15: Discounts to normalize in FY21E



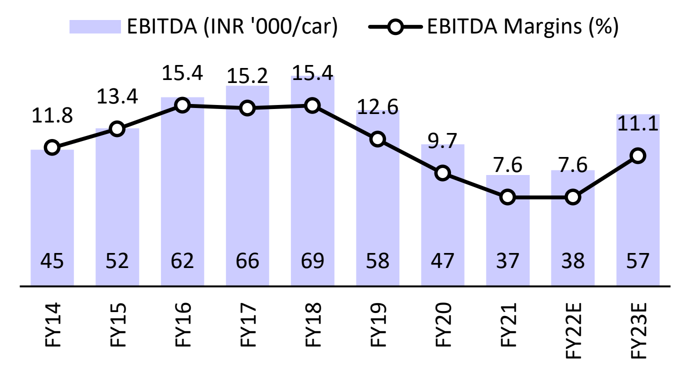
Source: Company, MOFSL

Exhibit 16: Fixed cost as a percentage of sales



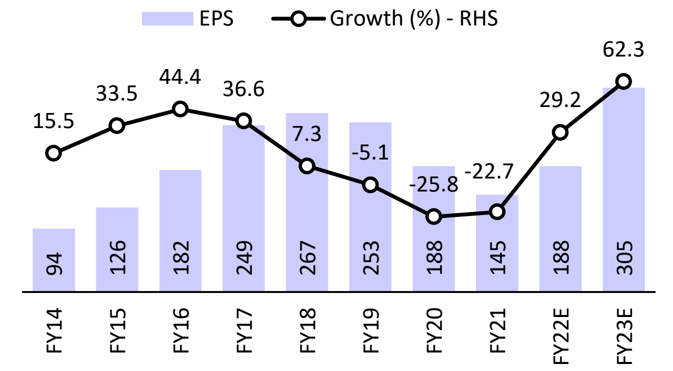
Source: Company, MOFSL

Exhibit 17: EBITDA margin and EBITDA per car



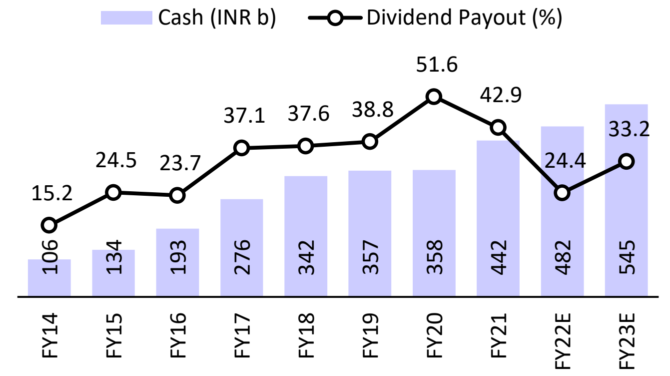
Source: Company, MOFSL

Exhibit 18: EPS (INR) and growth in EPS



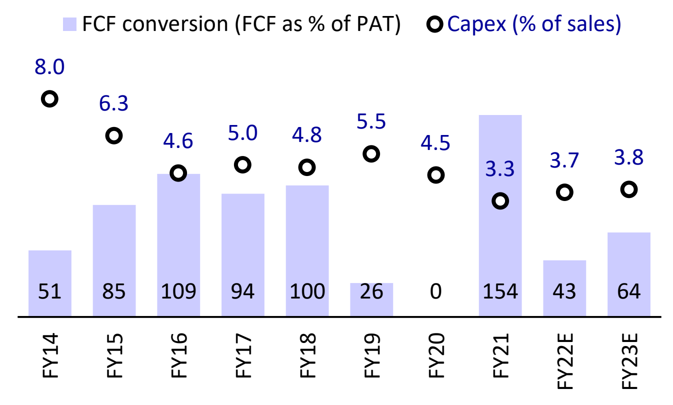
Source: MOFSL, Company

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



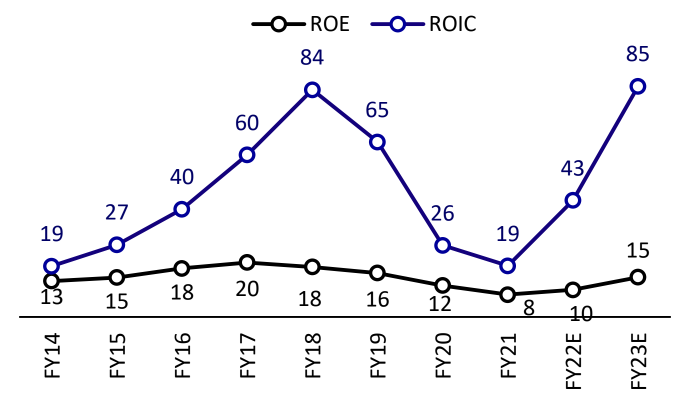
Source: MOFSL, Company

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	FY21	FY22E	FY23E
A1/LCVs	0	1	10	24	22	30	39	47
Growth (%)				138.0	-8.8	35.7	33.0	20.0
% of Dom vols	0.0	0.1	0.6	1.4	1.5	2.2	2.3	2.5
MPV (Vans)	143	152	155	179	118	105	136	146
Growth (%)	11.2	6.0	2.1	15.1	-33.7	-11.3	29.0	8.0
% of Dom vols	11.0	10.5	9.4	10.2	8.1	7.7	7.8	7.8
A2 (other hatchbacks)	779	832	936	987	881	840	1,046	1,118
Growth (%)	6.8	6.7	12.5	5.5	-10.8	-4.6	24.5	6.9
% of Dom vols	59.7	57.6	56.6	56.3	60.3	61.7	60.4	59.2
A3 (Dzire, Ciaz)	288	264	299	300	204	142	180	198
Growth (%)	18.3	-8.4	13.1	0.3	-31.9	-30.5	26.9	9.6
% of Dom vols	22.1	18.3	18.1	17.1	14.0	10.4	10.4	10.5
Uvs (Ertiga, Compact SUV)	94	196	254	264	235	245	331	378
Growth (%)	38.4	107.3	29.6	4.1	-10.9	4.3	35.1	13.9
% of Dom vols	7.2	13.6	15.3	15.1	16.1	18.0	19.1	20.0
Total Domestic	**1,305**	**1,445**	**1,654**	**1,754**	**1,460**	**1,362**	**1,733**	**1,887**
Growth (%)	11.5	10.7	14.5	6.1	-16.7	-6.7	27.2	8.9
% of Total vols	91.3	92.1	92.9	94.2	93.5	93.4	91.7	91.9
Exports	124	124	126	109	102	96	156	167
Growth (%)	2	0	2	-14	-6	-6	63	7
% of Total vols	9	8	7	6	7	7	8	8
Total Volumes	**1,429**	**1,569**	**1,780**	**1,862**	**1,563**	**1,458**	**1,889**	**2,053**
Growth (%)	10.6	9.8	13.4	4.7	-16.1	-6.7	29.5	8.7
ASP (INR 000/unit)	**403**	**434**	**448**	**462**	**484**	**482**	**501**	**508**
Growth (%)	4.1	7.7	3.3	3.0	4.8	-0.3	3.9	1.4
Net Sales (INR b)	**575**	**680**	**798**	**860**	**756**	**703**	**946**	**1,044**
Growth (%)	15	18	17	8	-12	-7	35	10

Source: MOFSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E
Net Op Income	**5,75,381**	**6,80,348**	**7,97,627**	**8,60,203**	**7,56,106**	**7,03,325**	**9,46,426**	**10,43,510**
Change (%)	15.1	18.2	17.2	7.8	-12.1	-7.0	34.6	10.3
EBITDA	**88,844**	**1,03,517**	**1,23,122**	**1,07,993**	**73,026**	**53,453**	**72,054**	**1,16,270**
Change (%)	32.3	16.5	18.9	-12.3	-32.4	-26.8	34.8	61.4
EBITDA Margins (%)	15.4	15.2	15.4	12.6	9.7	7.6	7.6	11.1
Depreciation	28,202	26,021	27,579	30,189	35,257	30,315	30,733	33,435
EBIT	**60,642**	**77,496**	**95,543**	**77,804**	**37,769**	**23,138**	**41,321**	**82,835**
EBIT Margins (%)	10.5	11.4	12.0	9.0	5.0	3.3	4.4	7.9
Interest	815	894	3,457	758	1,329	1,008	830	830
Other Income	14,610	23,001	20,455	25,610	34,208	29,464	30,413	35,475
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**	**51,594**	**70,904**	**1,17,479**
Tax	20,794	26,101	32,816	29,650	14,142	9,297	15,280	26,615
Effective tax Rate (%)	27.9	26.2	29.8	28.3	20.0	18.0	21.6	22.7
PAT	**53,643**	**73,502**	**77,218**	**75,006**	**56,506**	**42,297**	**55,624**	**90,865**
Change (%)	44.5	37.0	5.1	-2.9	-24.7	-25.1	31.5	63.4
% of Net Sales	9.5	11.0	9.9	9.0	7.9	6.4	6.2	9.2
Adj. PAT	**53,643**	**73,502**	**78,977**	**73,573**	**56,506**	**42,297**	**55,624**	**90,865**
Change (%)	44.5	37.0	7.4	-6.8	-23.2	-25.1	31.5	63.4

Balance Sheet								(INR m)
Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E
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	4,82,860	5,12,158	5,54,188	6,14,845
Net Worth	**2,98,842**	**3,64,311**	**4,17,573**	**4,61,415**	**4,84,370**	**5,13,668**	**5,55,698**	**6,16,355**
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
Capital Employed	**3,01,559**	**3,73,809**	**4,24,270**	**4,68,551**	**4,91,417**	**5,22,403**	**5,64,433**	**6,25,090**
Application of Funds								
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	2,01,205	2,34,640
Net Fixed Assets	**1,25,100**	**1,32,927**	**1,33,590**	**1,54,078**	**1,57,812**	**1,52,545**	**1,58,735**	**1,65,300**
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
Curr.Assets, Loans	**84,909**	**77,392**	**81,841**	**89,815**	**84,390**	**1,12,943**	**1,69,342**	**2,38,363**
Inventory	31,321	32,622	31,608	33,257	32,149	30,500	41,487	45,743
Sundry Debtors	13,222	11,992	14,618	23,104	21,270	12,766	18,151	20,013
Cash & Bank Balances	391	138	711	1,789	211	30,364	70,391	1,33,295
Loans & 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
Current Liab & Prov.	**1,17,841**	**1,33,843**	**1,65,322**	**1,56,493**	**1,28,835**	**1,72,875**	**1,91,511**	**2,06,440**
Sundry Creditors	74,073	83,673	1,04,970	96,330	74,941	1,01,617	1,21,869	1,34,370
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	9,390	11,819
Net Current Assets	**-32,932**	**-56,451**	**-83,481**	**-66,678**	**-44,445**	**-59,932**	**-22,169**	**31,923**
Appl. of Funds	**3,01,559**	**3,73,809**	**4,24,270**	**4,68,551**	**4,91,417**	**5,22,403**	**5,64,433**	**6,25,090**

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Basic (INR)								
Adjusted EPS	**177.6**	**243.3**	**261.4**	**243.6**	**187.1**	**140.0**	**184.1**	**300.8**
Consol EPS	**182.0**	**248.6**	**266.7**	**253.3**	**188.0**	**145.3**	**187.7**	**304.7**
Cash EPS	275.3	334.8	358.0	353.2	304.7	245.7	289.5	415.4
Book Value per Share	989	1,206	1,382	1,527	1,603	1,700	1,840	2,040
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	53.3	39.4
Valuation (x)								
Consol. P/E	39.3	28.8	26.8	28.2	38.0	49.2	38.1	23.5
Cash P/E	26.0	21.4	20.0	20.2	23.5	29.1	24.7	17.2
EV/EBITDA	22.1	18.2	14.7	16.6	24.6	32.1	23.3	13.9
EV/Sales	3.5	2.8	2.3	2.2	2.5	2.6	1.9	1.6
P/BV	7.2	5.9	5.2	4.7	4.5	4.2	3.9	3.5
Dividend Yield (%)	0.5	1.0	1.1	1.1	0.8	0.6	1.4	1.7
FCF Yield (%)	2.7	3.2	3.7	0.9	0.0	3.0	1.1	2.7
Profitability Ratios (%)								
RoIC	39.9	60.0	84.1	64.7	26.5	18.9	43.1	85.4
RoE	18.0	20.2	18.5	16.3	11.7	8.2	10.0	14.7
RoCE	25.0	26.9	27.3	22.1	14.6	10.1	12.7	18.9
Turnover Ratios								
Debtors (Days)	8	6	7	10	11	7	7	7
Inventory (Days)	23	21	17	16	17	17	17	18
Creditors (Days)	70	65	70	59	51	73	63	66
Work. Cap. (Days)	-39	-39	-46	-33	-23	-49	-39	-41
Asset Turnover (x)	1.9	1.8	1.9	1.8	1.5	1.3	1.7	1.7
Leverage Ratio								
Net Debt/Equity (x)	-0.6	-0.7	-0.8	-0.8	-0.7	-0.9	-0.9	-0.9

Cash Flow Statement								(INR m)
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Profit before Tax	74,437	99,603	1,10,034	1,04,656	70,948	51,594	70,904	1,17,479
Interest	815	894	3,457	758	1,329	1,008	830	830
Depreciation	28,202	26,021	27,579	30,189	35,257	30,315	30,733	33,435
Direct Taxes Paid	-19,099	-23,214	-30,550	-31,428	-14,357	-10,107	-15,280	-26,615
(Inc)/Dec in WC	14,631	21,940	28,058	-13,196	-25,659	43,352	2,264	8,812
Other Items	-14,141	-22,451	-20,728	-25,047	-33,467	-27,774	-30,413	-35,475
CF from Oper.Activity	**84,845**	**1,02,793**	**1,17,850**	**65,932**	**34,051**	**88,388**	**59,038**	**98,467**
(Inc)/Dec in FA	-26,327	-33,723	-38,653	-47,000	-33,990	-23,279	-35,000	-40,000
Free Cash Flow	**58,518**	**69,070**	**79,197**	**18,932**	**61**	**65,109**	**24,038**	**58,467**
(Pur)/Sale of Invest.	-45,947	-58,056	-44,168	11,617	29,351	-49,560	30,413	35,475
CF from Inv. Activity	**-72,274**	**-91,779**	**-82,821**	**-35,383**	**-4,639**	**-72,839**	**-4,587**	**-4,525**
Change in Networth	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	-830	-830
Dividends Paid	-9,090	-12,725	-27,268	-29,134	-29,134	-18,125	-13,594	-30,208
CF from Fin. Activity	**-12,364**	**-11,293**	**-34,460**	**-29,478**	**-31,000**	**-15,408**	**-14,424**	**-31,038**
Inc/(Dec) in Cash	**207**	**-279**	**569**	**1,071**	**-1,588**	**141**	**40,027**	**62,903**
Add: Op. Balance	183	390	111	699	1,770	182	323	40,350
Closing Balance	**390**	**111**	**680**	**1,770**	**182**	**323**	**40,350**	**1,03,253**

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

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

Disclosures

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

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

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

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

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

Regional Disclosures (outside India)

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

For Hong Kong:

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

For U.S.

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

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

For Singapore

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

Specific Disclosures

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

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

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

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

Terms & Conditions:

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

Disclaimer:

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

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.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, Contact No.:022-71881085.

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