

Mahindra & Mahindra

Estimate change



TP change



Rating change



	MM IN
Bloomberg	
Equity Shares (m)	1,209
M.Cap.(INRb)/(USD\$b)	1110 / 15
52-Week Range (INR)	971 / 610
1, 6, 12 Rel. Per (%)	1/-6/3
12M Avg Val (INR M)	3993

Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	444	579	688
EBITDA	68.2	72.4	93.2
Adj. PAT	40.4	48.2	61.5
Adj. EPS (INR)	33.8	40.3	51.4
EPS Gr. (%)	12.8	19.3	27.5
BV/Sh. (INR)	296	326	367
Ratios			
RoE (%)	11.6	13.0	14.8
RoCE (%)	10.2	11.5	13.9
Payout (%)	113	20	19
Valuations			
P/E (x)	26.4	22.1	17.4
P/BV (x)	3.0	2.7	2.4
Div. Yield (%)	1.0	0.8	1.1
FCF Yield (%)	5.9	4.0	5.2

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	18.9	18.9	18.9
DII	26.4	25.4	29.9
FII	44.7	45.8	41.1
Others	10.1	9.9	10.2

FII Includes depository receipts

CMP: INR893

TP: INR1150 (+29%)

Buy

Above our estimate; strength in the Auto business drives performance

Huge order book, easing semiconductor supplies, and upcoming new Scorpio launch to dilute weakness in the Tractor business

- The beat in MM's 2QFY22 performance was driven by better mix in the Auto business, cost-saving initiatives, and higher other income. Growth in Tractors is slowing, particularly on a high base of FY21. However, the Auto segment is expected to see strong momentum in both SUVs (led by new products and the easing of supply issues) and LCVs (cyclical recovery).
- We increase our FY22E/FY23E EPS estimate by 9%/8% to factor in stronger than expected XUV700 response as well as an improving LCV cycle. We maintain our **Buy** rating, with a TP of INR1,150/share (Sep'23E SoTP).

Cost savings, operating leverage, and higher other income drives beat

- MM's standalone revenue/adjusted PAT grew 15.5%/31% YoY and 13%/81% QoQ to INR133b/INR16.9b, while EBITDA declined by 17% YoY (+2% QoQ) to INR16.6b. Revenue/EBITDA/adjusted PAT grew 46%/28%/97% in 1HFY22.
- Volumes grew 3% YoY and 2% QoQ. Net realization grew 12% YoY and 11% QoQ to INR698k/unit (est. INR640.6k), driven by ~13% YoY and 12% QoQ growth in Auto segment realization to ~INR779k/unit. Tractor realizations grew by ~8% YoY and 4% QoQ to INR551k/unit.
- Gross margin declined by 6pp YoY (-320bp QoQ) to 27.2% (est. 28.5%), impacted by commodity cost and adverse mix (lower Tractor sales).
- Lower than estimated staff cost (-10% QoQ due to one-off) and other expenses (on account of operating leverage) supported EBITDA margin at 12.5% (est. 12.3%), a decline of 480bp YoY and 140bp QoQ. EBITDA declined by 17% YoY and 2% QoQ to INR16.6b (est. ~INR15b).
- PBIT margin for Tractor/Auto segment fell 6pp/270bp YoY, but rose 160bp/100bp QoQ to 18.7%/2.7%.
- Higher other income (driven by dividend from subsidiaries) boosted adjusted PAT growth by ~31% YoY and 81% QoQ to ~INR16.9b (est. INR11.2b).
- Investment in subsidiaries/JVs/associates stood ~INR4.6b in 1HFY22 (v/s INR29.4b in 1HFY21).

Highlights from the management commentary

- Delayed monsoon and harvesting has resulted in a deferment of demand to post-Diwali. The management maintained its FY22 guidance of flat to single-digit growth for the Tractor industry.
- In SUV business, it has over 160k bookings (~70k for XUV700).
- **Semiconductor shortage** led to a loss of 32k units in 2QFY22. While the availability of semiconductors is improving, the situation is dynamic, with visibility only till Dec'21.
- XUV700 enjoyed a positive contribution margin at its launch pricing, which has improved with subsequent price increases.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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

- **Product launch plans:** In the Auto business, MM plans to launch 13 new SUVs by FY27 (including eight new e-SUVs), 17 new LCVs by FY26 (including eight e-LCVs), and five innovative e-3Ws. In FES, it plans to launch four Tractor platforms and 37 new models on it by FY26. In Farm Machinery, it would be launching 15 new products by FY25.
- **EVs:** It is open to partnerships and external investors. It is currently consolidating its EV business by merging Mahindra Electric (100% subsidiary) with the standalone entity, bringing the entire EV business under one roof. It plans to have a sizeable share in e-3Ws, e-LCVs, and e-PVs.
- In the Farm Machinery business, it is targeting to grow its FY27 revenue by 10x to ~INR50b (including ~INR10b from exports), led by: a) strong growth in the domestic industry (to ~INR120b by FY27 from INR50b currently), and b) driving market share gains to over 30% from sub-10% currently.

Valuation and view

- We expect the Auto business to take over the growth mantle from Tractor, although deterioration in the mix would restrict EBITDA/EPS CAGR to ~17%/~23% over FY21-23E. MM's valuations are still at a substantial discount to its five-year average, reflecting a weaker Tractor cycle.
- Implied core P/E for MM stands at 12.3x/9.6x FY22E/FY23E EPS. This implies an over 30% discount (on an FY23E basis) to its five-year average core P/E. We maintain our Buy rating, with a TP of INR1,150/share (Sep'23E SoTP).

Quarterly performance (incl. MVML)

Y/E March	FY21				FY22				FY21	FY22E	FY22E
INR b	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Total Volumes ('000 units)	95.3	185.3	224.0	202.2	186.8	190.6	225.8	238.1	706.8	841.3	190.6
Growth YoY (%)	-56.3	-3.2	3.3	33.3	96.0	2.9	0.8	17.8	-9.1	19.0	2.9
Net Realization (INR'000/unit)	586.5	621.9	623.6	659.6	629.8	698.1	704.6	710.3	628.4	688.1	640.6
Growth YoY (%)	-0.1	8.9	11.5	11.1	7.4	3.0	13.0	7.7	9.0	9.5	3.0
Net Op. Income	55.9	115.2	139.7	133.4	117.6	133.1	159.1	169.1	444.2	578.9	122.1
Growth YoY (%)	-56.4	5.4	15.2	48.1	110.4	15.5	13.9	26.8	-1.0	30.3	6.0
RM Cost (as a percentage of sales)	64.8	66.8	68.9	69.2	69.6	72.8	73.5	74.2	68.0	72.8	71.5
Staff (as a percentage of sales)	13.8	6.9	6.3	6.0	7.5	6.0	5.5	5.2	7.3	5.9	7.0
Oth. Exp. (as a percentage of sales)	11.1	9.1	8.3	10.2	9.0	8.8	8.5	9.7	9.4	8.8	9.3
EBITDA	5.7	19.9	23.0	19.6	16.3	16.6	19.9	19.6	68.2	72.4	15.0
Growth YoY (%)	-68.0	29.1	28.3	59.7	184.7	-16.6	-13.4	0.2	7.4	6.2	-24.8
EBITDA Margin (%)	10.3	17.3	16.4	14.7	13.9	12.5	12.5	11.6	15.4	12.5	12.3
Other income	1.3	3.8	5.6	1.2	2.1	11.0	2.2	1.7	12.0	17.0	6.5
Interest	0.8	1.2	1.0	1.0	0.7	0.4	0.7	0.7	4.0	2.6	0.8
Depreciation	5.8	5.9	6.0	5.9	5.6	5.8	6.2	6.6	23.6	24.2	5.9
EO Income/(Exp.)	0.3	-10.8	-11.2	-8.4	-0.8	-2.6	0.0	0.0	-30.2	-3.3	0.0
PBT after EO	0.8	5.9	10.3	5.5	11.3	18.9	15.2	13.9	22.4	59.3	14.8
Effective Tax Rate (%)	12.7	72.4	48.2	70.5	24.2	24.1	24.3	24.7	58.8	24.3	24.3
Reported PAT	0.7	1.6	5.3	1.6	8.6	14.3	11.5	10.5	9.2	44.9	11.2
Adj. PAT	0.4	12.9	17.1	10.0	9.3	16.9	11.5	10.5	40.4	48.2	11.2
Change (%)	-95.8	-4.7	74.1	210.2	2,294.9	30.6	-32.7	4.7	13.0	19.3	-13.5

E: MOFSL estimates

Key performance indicators

Y/E March	FY21				FY22				FY21	FY22E	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Tractors ('000 units)	65.7	93.2	101.7	93.9	99.9	88.9	96.6	83.2	354.5	368.7	88.9
Change (%)	-24.0	29.8	20.4	58.4	52.2	-4.6	-5.0	-11.4	17.4	4.0	-4.6
Total UV ('000 units)	27.4	86.2	105.0	90.5	76.4	84.5	108.8	137.1	318.2	410.2	84.5
Change (%)	-74.4	-5.7	1.6	23.7	178.8	-1.9	3.6	51.4	-13.4	28.9	-1.9
Other Autos ('000 units)	2.3	5.8	17.3	17.8	10.5	17.2	20.3	17.9	43.2	62.4	17.2
Change (%)	-90.9	-79.3	-40.4	-7.4	364.5	194.1	17.6	0.4	-60.3	44.5	194.1
Cost Break-up											
RM Cost (as a percentage of sales)	64.8	66.8	68.9	69.2	69.6	72.8	73.5	74.2	68.0	72.8	71.5
Staff Cost (as a percentage of sales)	13.8	6.9	6.3	6.0	7.5	6.0	5.5	5.2	7.3	5.9	7.0
Other Cost (as a percentage of sales)	11.1	9.1	8.3	10.2	9.0	8.8	8.5	9.7	9.4	8.8	9.3
Gross Margin (%)	35.2	33.2	31.1	30.8	30.4	27.2	26.5	25.8	32.0	27.3	28.5
EBITDA Margin (%)	10.3	17.3	16.4	14.7	13.9	12.5	12.5	11.6	15.4	12.5	12.3
EBIT Margin (%)	-0.1	12.2	12.1	10.3	9.1	8.1	8.6	7.7	10.0	8.3	7.4

E: MOFSL estimates



Highlights from the management commentary

Auto business

- In the SUV business, it has over 160k bookings, with XUV700 leading the way with ~70k bookings.
- **Semiconductor shortage** led to a loss of 32k units in 2QFY22. While the availability of semiconductors is improving, the situation is dynamic, with visibility only till Dec'21.
- **In the Auto business, it is targeting to be numero uno in the core SUV segment** (which is currently 70% of the UV market) by focusing on the authentic SUV portfolio and four core brands (and may be a new brand for EVs). It plans to launch 13 new SUVs by FY27, including eight new electric SUVs. It is targeting 20% of FY27 volumes from EVs.
- **In the LCV business, the management is focusing on consolidating its rank one position** in the sub-3.5t LCV segment. It plans to launch 17 new LCVs by FY26, including eight e-LCVs. It also plans to offer CNG options in 12 LCVs. It would launch a new Pick-up range next year as well as a new platform in the sub-2t segment to address its weakness in this segment.
- **In 3Ws**, it expects over 30% penetration by EVs by FY25. It currently has a 68% market share. The management aims to launch five new 3Ws and increasing its sales and service reach.
- **Aggressive pricing for new products:** Despite being launched at an attractive price, XUV700 enjoyed a positive contribution margin, which has improved with subsequent price increases. It will continue to aggressively price its new product and then increase prices after the product gets established.
- **Thar capacity** is currently at 4k units/month (v/s 2-2.5k/month at its launch). MM is investing to increase it substantially. It would divulge its XUV700 capacity subsequently.

Tractor/FES business

- **Delayed monsoon and harvesting has resulted in a deferment of demand to post-Diwali.** Hence, analyzing Diwali sales for Tractors would not offer a correct picture. The management maintained its FY22 guidance of flat to single-digit growth for the Tractor industry. As all Agri indicators are positive, it expects rural buoyancy to return (though a high base will still be a factor).

- MM already started channel inventory destocking from Oct'21 and expects to correct it by Jan'22.
- It plans to **launch four Tractor platforms and 37 new models** on it by FY26.
- **In the Farm Machinery business, it is targeting to grow its FY27 revenue by 10x** to ~INR50b (including ~INR10b from exports), led by: a) strong growth in the domestic industry (to ~INR120b by FY27 from INR50b currently), and b) driving market share gains to over 30% from sub-10% currently. MM plans to gain market share through: a) launch of 15 new products by FY25, b) enabling access to customers through finance, lease, and rentals, and c) 3x expansion in dealers by FY25. It will have to innovate at multiple levels, viz: a) products customized at a hyper-local level, b) logistics/localized production facilities, and c) access to product/finance.

Other takeaways

- **EVs:** It is open to partnerships and external investors. It is currently consolidating its EV business by merging Mahindra Electric (100% subsidiary) with the standalone entity, bringing the entire EV business under one roof. It plans to have a sizeable share in e-3Ws, e-LCVs, and e-PVs. It is well-positioned on the e-3W front, but needs to demonstrate capabilities in e-PVs. It plans to launch an e-XUV400 in 4QFY23 in India. e-KUV will be primarily for export to North Africa and SAARC countries.
- **Farm subsidiaries recorded the fifth consecutive quarter of positive PBIT**, with the second quarter of more than INR1b PBIT. Auto subsidiaries have also turned PBIT positive at INR70m (v/s an INR240m loss in 2QFY21). Adjusted PAT for international subsidiaries (excluding SYMC) stood at INR10m v/s a loss of INR1.99b in 2QFY21.
- Porter, one of its digital platforms for Logistics, was valued at INR37.5b after an external funding round of INR7.5b. MM has 25-30% stake.
- It is **targeting cost reduction of 3pp** by: a) reducing product cost through platform configurability, parts commonality, and material cost reduction, and b) reducing fixed cost through new-age marketing, manufacturing, logistics, and manpower productivity.

Exhibit 1: Trend in Passenger UV volumes

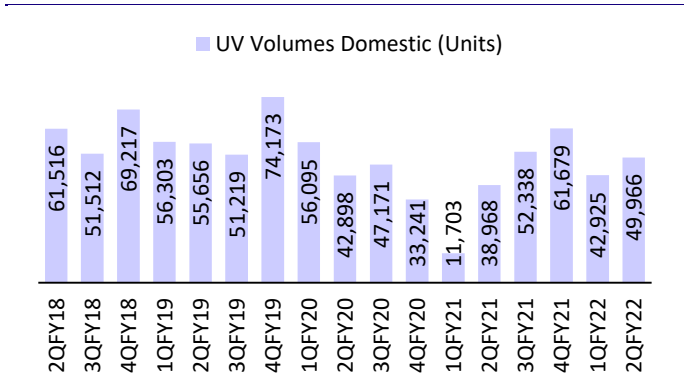


Exhibit 2: Trend in Passenger UV market share

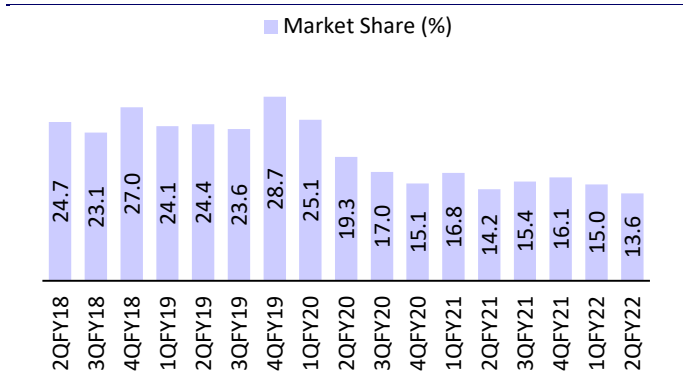


Exhibit 3: Trend in Tractor volumes

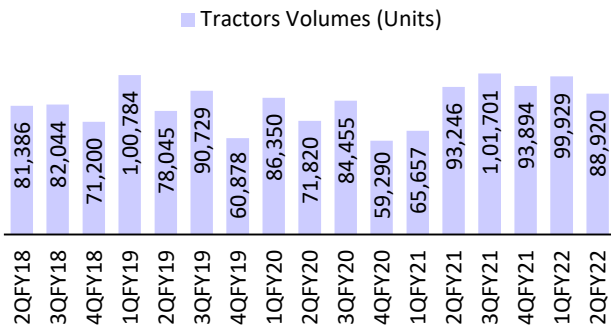


Exhibit 4: Market share trend for the Tractor segment

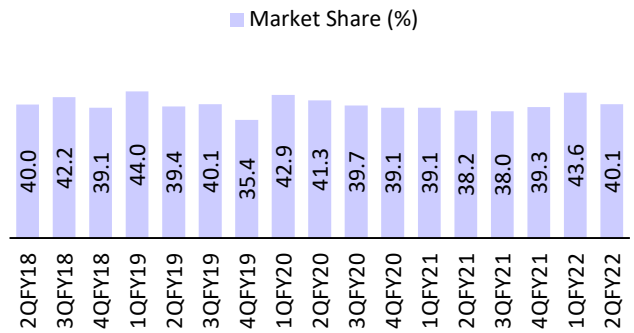


Exhibit 5: Trend in realization for the Auto segment

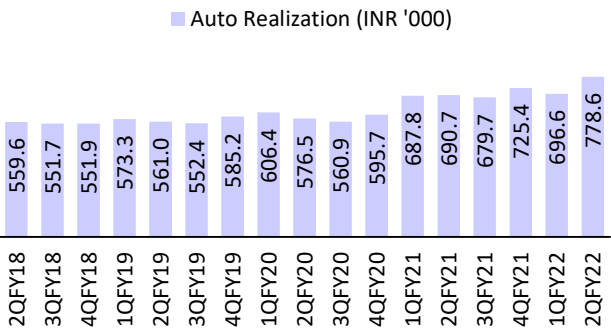


Exhibit 6: Trend in realization for the FES

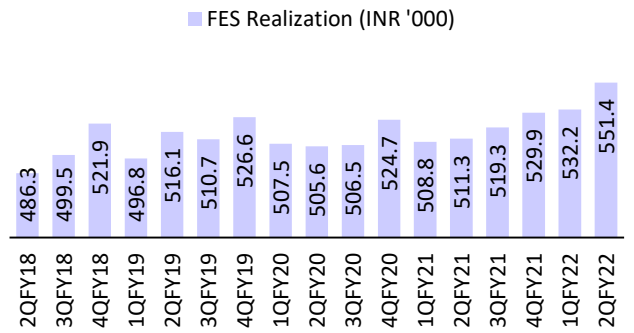
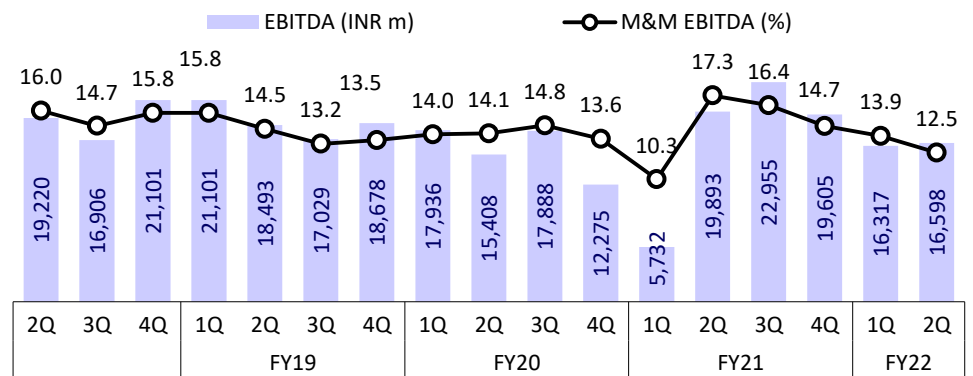
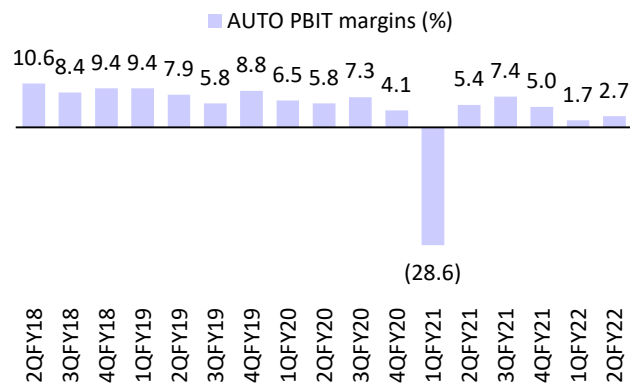


Exhibit 7: Trend in EBITDA margin



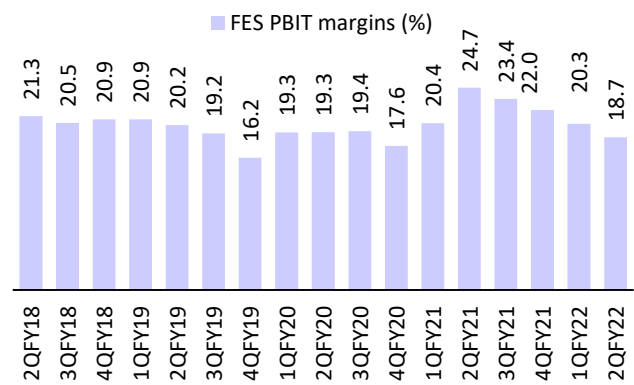
Source: Company, MOFSL

Exhibit 8: Trend in PBIT margin for the Auto segment







Source: Company, MOFSL

Exhibit 9: Trend in PBIT margin for the FES







Source: Company, MOFSL

Exhibit 10: Consolidated operating PAT (before EI): 2QFY22

CONSOLIDATED M&M		Q2 F21	Q2 F22
	Domestic Farm	887	606
	Domestic Auto	297	190
	Intl. Subsidiaries ¹⁾	(199)	1
	<i>Ssangyong</i>	(479)	-
	Group companies	401	1177
Total		1,385	1,975
<i>Total (incl. Ssangyong)</i>		<i>906</i>	<i>1,975</i>

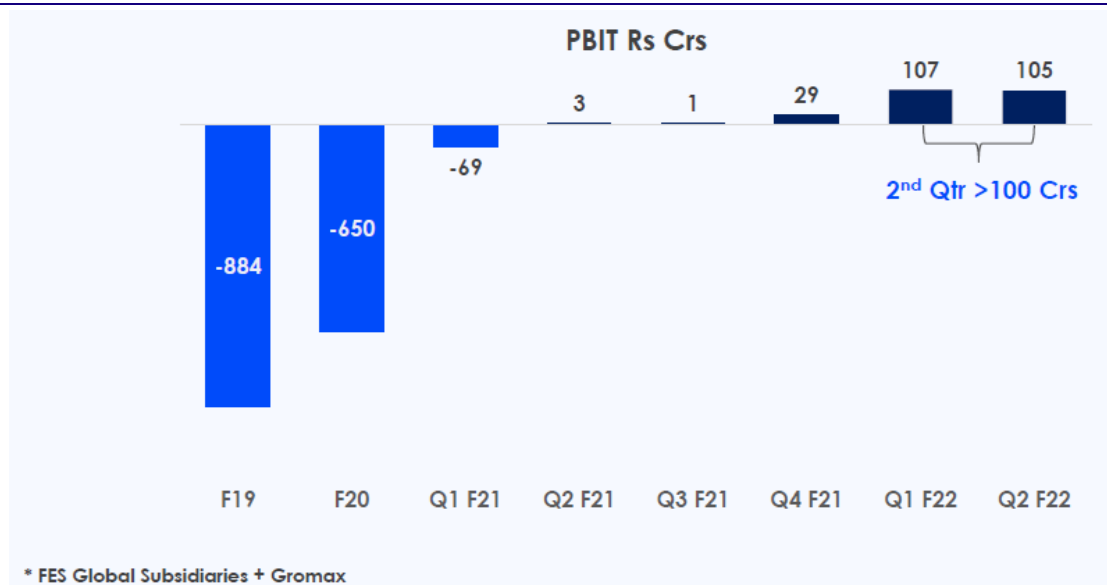
Source: Company, MOFSL

Exhibit 11: Standalone operating PAT (before EI): 2QFY22

STANDALONE M&M		Q2 F21	Q2 F22
	Domestic Farm	875	595
	Domestic Auto	310	193
	Intl. Subsidiaries	(9)	4
	Group companies	135	894
Total		1,311	1,687

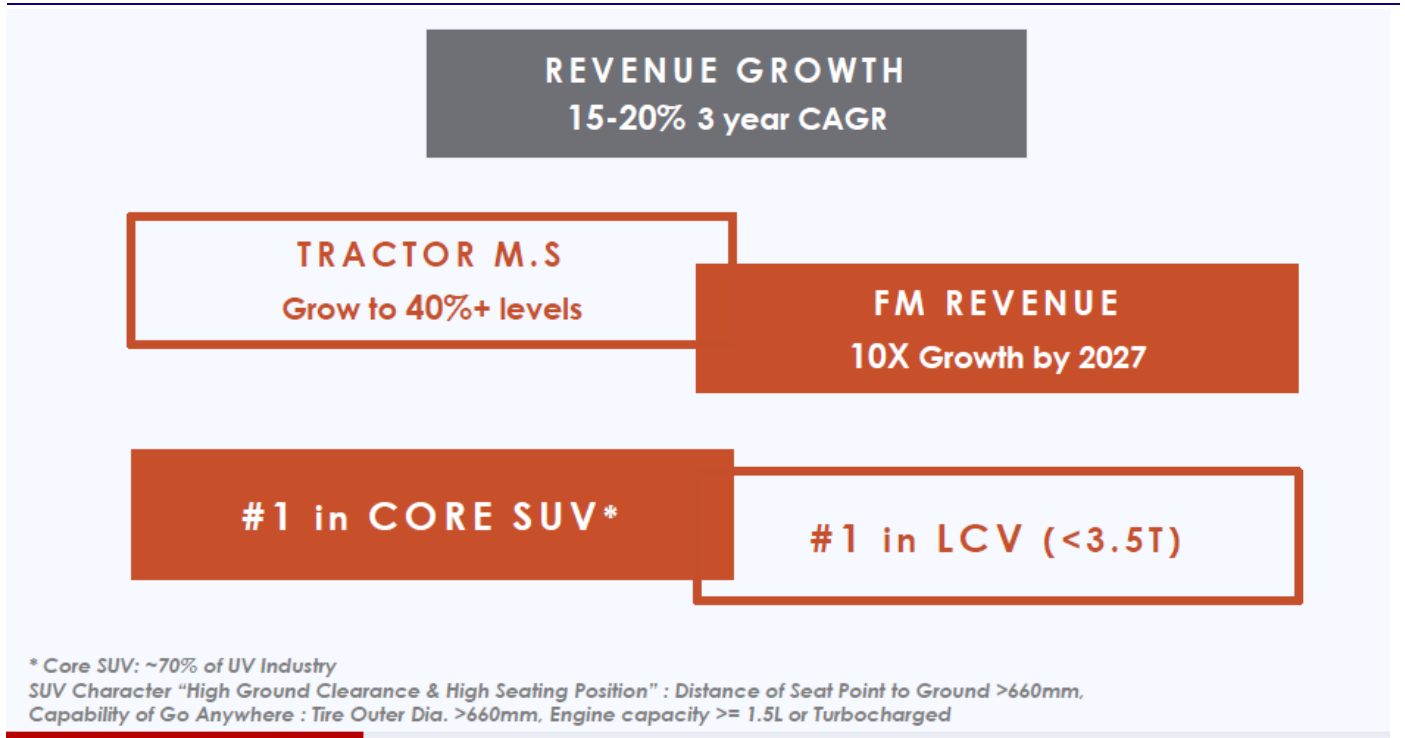
Source: Company, MOFSL

Exhibit 12: FES subsidiaries continue to be PBIT positive for the fifth consecutive quarter



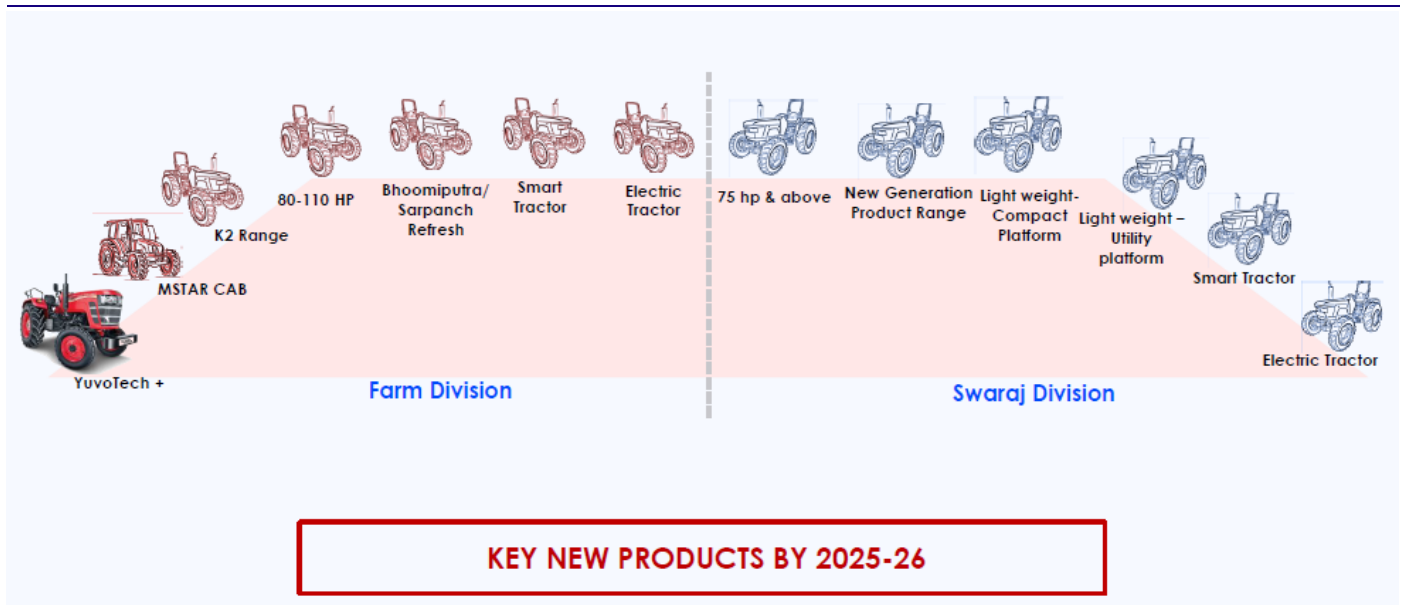
Source: Company

Exhibit 13: MM’s strategic priorities for the core businesses, with the objective of delivering 15-20% revenue CAGR over FY22-25E



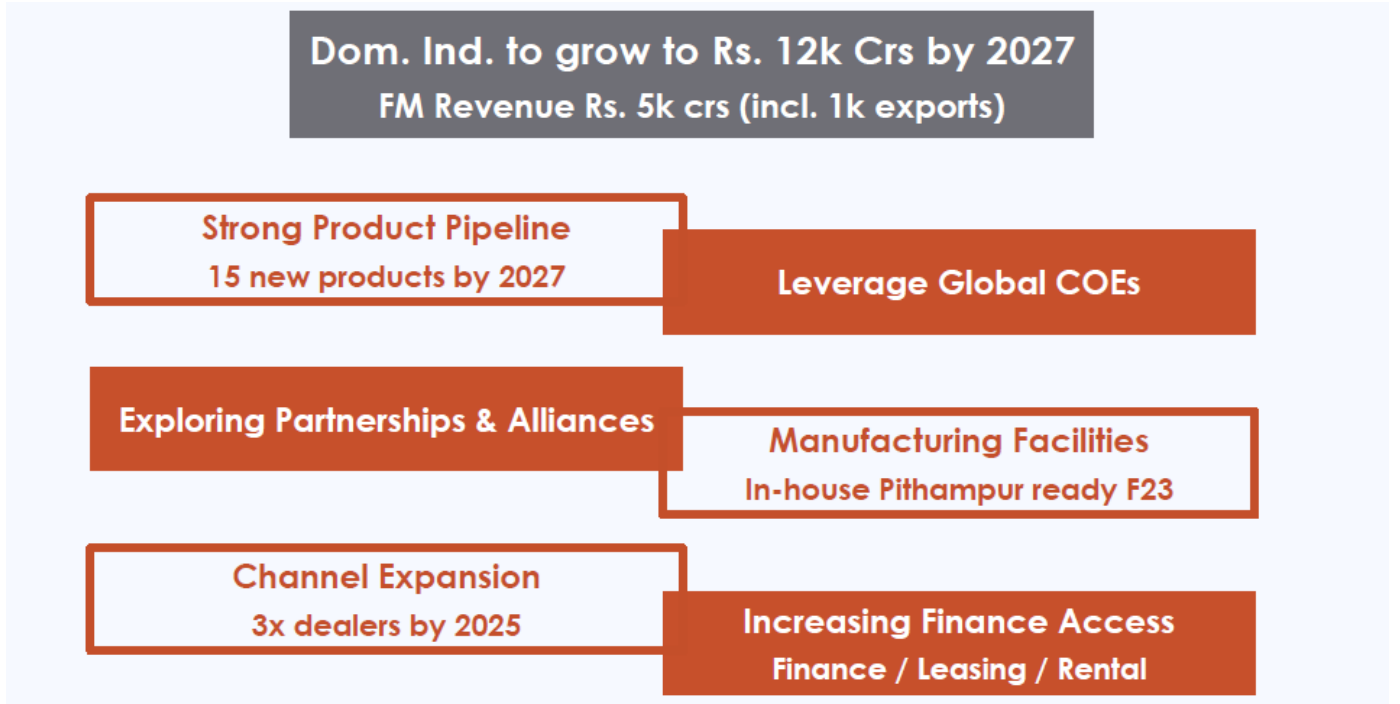
Source: Company

Exhibit 14: MM’s Tractor product pipeline till FY26



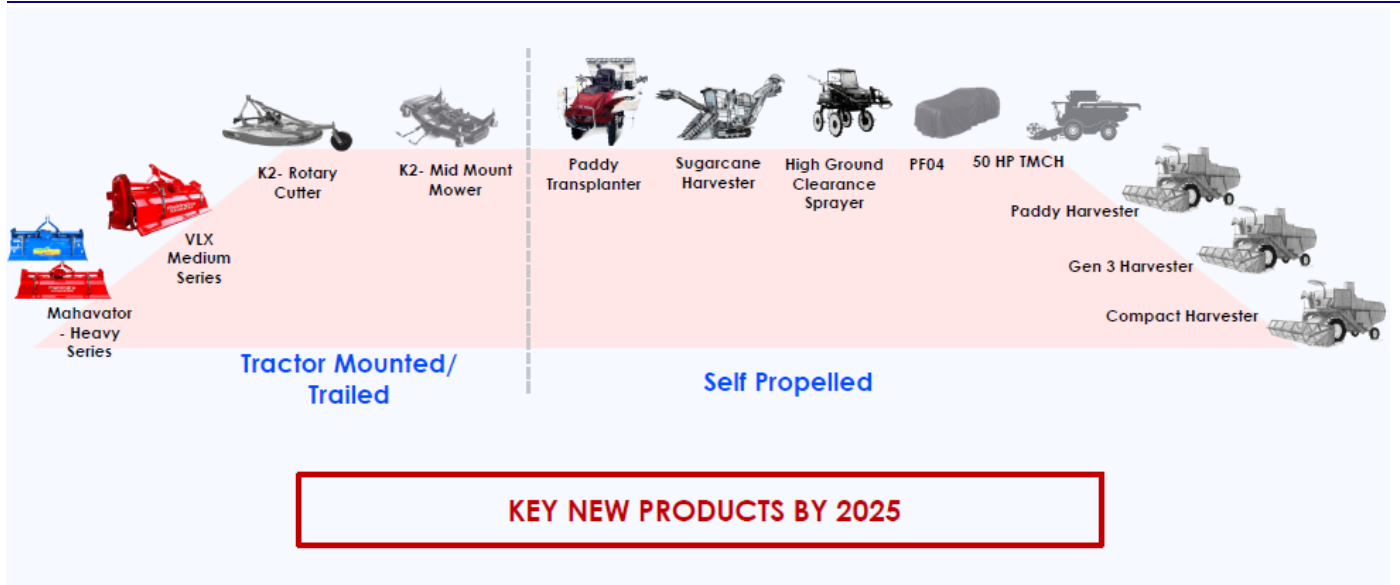
Source: Company

Exhibit 15: MM aims to grow Farm Machinery revenue by 10x by FY27



Source: Company

Exhibit 16: MM plans to launch 15 new products in the Farm Machinery segment



Source: Company

Exhibit 17: MM has 13 new SUVs lined-up for launch over the next five years, including eight new electric SUVs



Source: Company

Exhibit 18: MM has 17 new LCVs lined-up over the next five years, including eight e-LCVs

Tough Disruptive Products, with Least Cost of Ownership and Innovative solutions for operators & enterprises



Source: Company

Valuation and view

- Best rural proxy, with two of three core businesses on a strong footing:** MM has one of the highest exposures to the rural market (~65% of volumes), which would likely be less impacted by the ongoing COVID-19 disruption. We expect the rural market to contribute over 60%/~80%/~70% to revenue/core PAT/SoTP in FY22E. We have slotted MM's core business into three buckets – Tractor, Pickup UV, and Passenger UV. Tractor and Pickup UV are on a strong footing in

terms of outlook, MM's competitive positioning, and industry-level consolidation. However, MM's SUV business is severely challenged. We do not see any respite for the company in this category in the foreseeable future.

- **Slowdown in the Tractor business ahead, reforms to potentially drive the next phase of farm mechanization:** The Tractor segment has seen a volume recovery since Dec'19, driven by an improvement in farm-level indicators such as output prices, lower input prices, higher government spend in rural areas, and unusually high water reservoir levels. A good Rabi crop and expected normal monsoons have further improved the outlook for farm income. However, the very high base in FY21 would result in a slowdown in volumes from 2HFY22. We estimate industry volumes to grow by ~4% in FY22E, but decline by ~5% in FY23E.
- **MM's positioning in LCVs to further strengthen under BS-VI emission norms:** The LCV business is on a cyclical recovery, though the semiconductor shortage is influencing the pace of recovery. LCVs should continue to benefit from the increasing emergence of the 'Hub and Spoke' model. We expect the LCV industry to deliver an 8-10% CAGR over the next five years. MM enjoys ~39% market share in Cargo LCV and ~57% in the 2-3.5t segment. We estimate a 17% volume CAGR over FY21-23E.
- **MM to witness a volume recovery in the SUV segment, although the competitive intensity remains high:** The company is reorienting its SUV business to maintain its DNA and brand positioning as well as to garner market share. Based on its learnings from the Thar success as well as past failures, it is reorienting its SUV business to focus on maintaining its DNA and brand positioning. While the new Thar and XUV700 are products based on this renewed strategy, its upcoming new product Scorpio (4QFY22) would further extend this focus. We estimate Passenger UV to post a 41% volume CAGR over FY21-23E.
- **Valuation and view:** We increase our FY22E/FY23E EPS estimate by 9%/8% to account for improved performance in the domestic UV business. We estimate a revenue/EBITDA/adjusted PAT CAGR of 24%/17%/23% over FY21-23E. We expect the Auto business to take over the growth mantle from Tractor, although deterioration in the mix would restrict EBITDA/EPS CAGR to ~17%/~23% over FY21-23E. MM's valuations are still at a substantial discount to its five-year average, reflecting a weaker Tractor cycle. Implied core P/E for MM stands at 12.3x/9.6x FY22E/FY23E EPS. This implies an over 30% discount (on an FY23E basis) to its five-year average core P/E. We maintain our Buy rating, with a TP of INR1,150/share (Sep'23E SoTP), implying 12.6x core P/E for FY23E.

Exhibit 19: Revision to our estimates

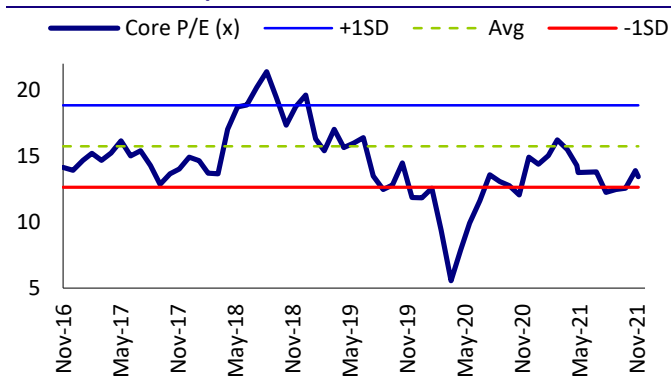
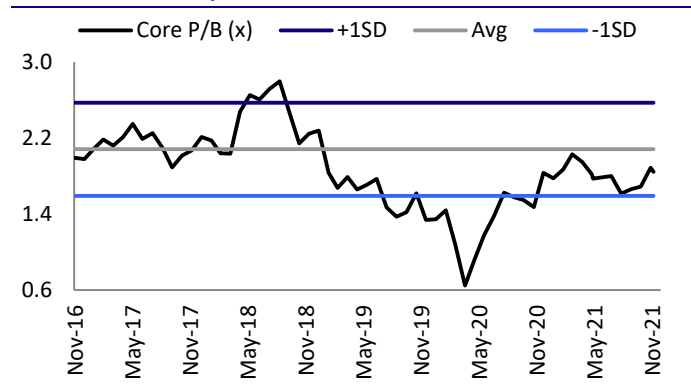
	FY22E			FY23E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Volumes ('000 units)	841	835	0.8	961	919	4.6
Net Sales	579	543	6.7	688	606	13.4
EBITDA (%)	12.5	12.9	-40bp	13.6	14.3	-70bp
Net Profit	48	44	8.9	61	57	8.3
EPS (INR)	40.3	37.0	8.9	51.4	47.5	8.3

Source: MOFSL

Exhibit 20: Sum-of-The-Parts (INR/share) valuation

SoTP (INR/share)	Target P/E (x)	FY22E	FY23E	FY24E
Tractors	15	388	331	399
Autos	12	93	261	392
Others	8	50	55	66
Value of the core business		530	647	857
Value of subsidiaries post holding company	20%	398	398	398
- Tech Mahindra	324	260	260	260
- MMFSL	107	86	86	86
- Mah. LifeSpaces	6	5	5	5
- Mah. Holidays	18	15	15	15
- Mah. Logistics	15	12	12	12
- Others	26	21	21	21
Fair Value (INR/share)		928	1,045	1,255

Source: MOFSL

Exhibit 21: Core P/E trend**Exhibit 22: Core P/B trend**

Source: Bloomberg, MOFSL

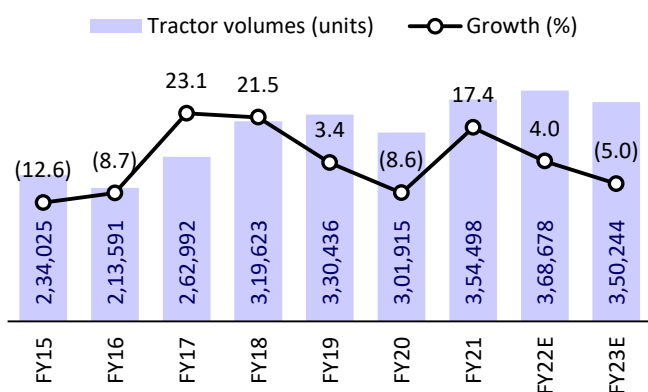
Exhibit 23: Snapshot of the revenue model (standalone)

'000 units	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Tractors	263	320	330	302	354	369	350
Growth (%)	23.1	21.5	3.4	-8.6	17.4	4.0	-5.0
As a percentage of total volumes	34.3	36.8	35.2	38.8	50.2	43.8	36.4
Autos							
Pick-up/LCVs (sub-3.5t)	168	200	229	188	154	161	210
Growth (%)	7.7	19.1	14.9	-18.1	-18.3	5.0	30.0
SUVs	223	235	237	179	165	249	327
Growth (%)	-4.4	5.7	0.9	-24.4	-8.2	51.2	31.3
3Ws	52	55	67	62	21	34	41
Growth (%)	-4.9	4.4	22.1	-6.8	-69.5	65.0	20.0
LCVs (over 3.5t)	8	8	8	6	2	2	2
Growth (%)	18.7	1.6	8.6	-26.5	-75.0	36.0	15.0
M&HCVs (MTBL)	7	9	11	5	3	4	6
Growth (%)	17.7	41.2	14.3	-53.0	-50.0	60.0	30.0
Others and Exports	47	42	56	35	9	22	25
Growth (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Autos	504	549	609	476	352	473	611
Growth (%)	2.5	8.9	10.8	-21.8	-26.0	34.2	29.2
As a percentage of total volumes	65.7	63.2	64.8	61.2	49.8	56.2	63.6
Total volumes ('000 units)	767	869	939	778	707	841	961
Growth (%)	8.8	12.9	8.1	-17.2	-9.1	19.0	14.2
ASP (INR'000/Unit)	572	560	571	585	635	654	664
Growth (%)	0.3	-2.1	1.9	2.4	7.5	3.0	1.5
Net Sales (INR b)	441	487	536	455	449	550	638
Growth (%)	9.1	10.5	10.1	-15.2	-1.3	22.6	15.9

Source: Company, MOFSL

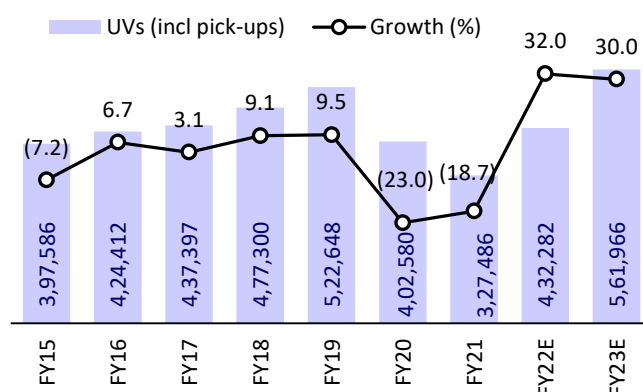
Story in charts

Exhibit 24: Trend in Tractor volumes



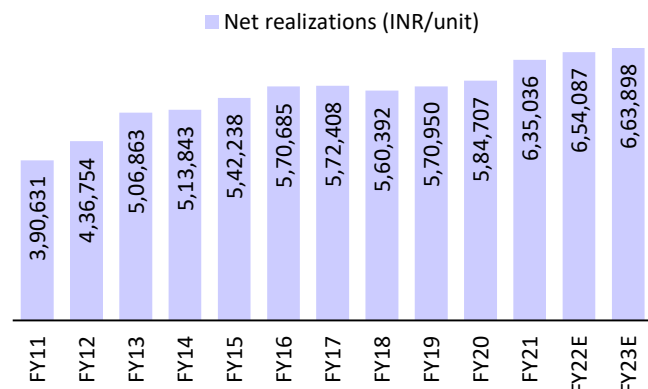
Source: Company, MOFSL

Exhibit 25: New product launches to drive UV sales



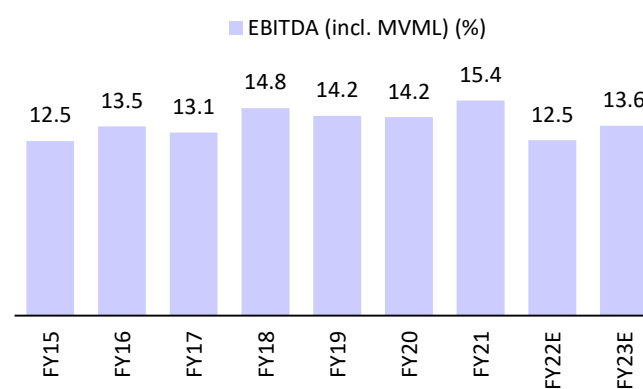
Source: Company, MOFSL

Exhibit 26: Realization trend



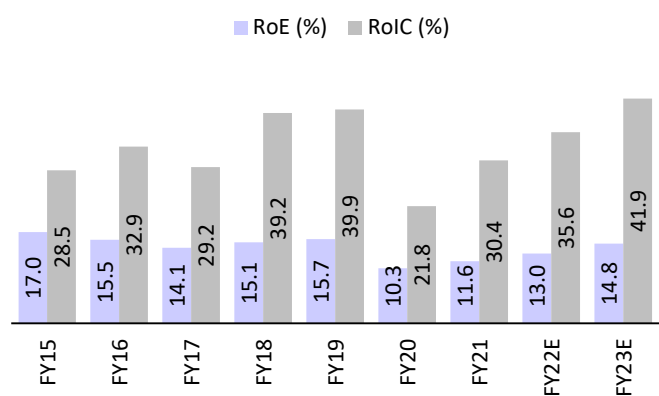
Source: Company, MOFSL

Exhibit 27: Trend in EBITDA margin



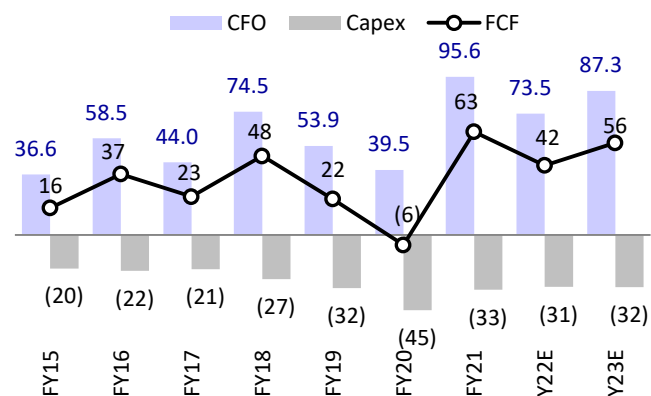
Source: Company, MOFSL

Exhibit 28: Trend in return profile



Source: Company, MOFSL

Exhibit 29: FCF to improve despite higher capex plans



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement (incl. MVML)						(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Op. Income	4,75,774	5,28,482	4,48,655	4,44,164	5,78,920	6,87,703
Change (%)	15.0	11.1	-15.1	-1.0	30.3	18.8
EBITDA	70,434	75,301	63,506	68,186	72,437	93,196
Margin (%)	14.8	14.2	14.2	15.4	12.5	13.6
Depreciation	16,254	20,030	23,631	23,624	24,235	27,331
EBIT	54,181	55,271	39,875	44,562	48,202	65,865
Int. and Finance Charges	1,882	1,467	1,245	3,957	2,572	2,146
Other Income	9,517	16,303	15,391	11,973	16,962	17,467
Non-recurring Income	4,336	3,723	-28,112	-30,165	-3,335	0
Profit before Tax	66,152	73,829	25,910	22,413	59,257	81,186
Eff. Tax Rate (%)	30.1	26.8	71.5	58.8	24.3	24.3
Profit after Tax	46,232	54,012	7,397	9,229	44,858	61,458
Adj. Profit after Tax	43,202	51,288	35,770	40,405	48,194	61,458
Change (%)	23.0	18.7	(30.3)	13.0	19.3	27.5

E: Inquire estimates

Balance Sheet						(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	5,950	5,958	5,965	5,974	5,974	5,974
Reserves	2,98,924	3,43,979	3,40,326	3,47,239	3,83,135	4,32,645
Net Worth	3,04,874	3,49,937	3,46,291	3,53,212	3,89,109	4,38,619
Deferred tax	4,557	7,896	15,068	14,497	14,497	14,497
Loans	32,142	26,803	31,530	72,143	25,948	23,948
Capital Employed	3,41,573	3,84,636	3,92,889	4,39,852	4,29,554	4,77,064
Gross Fixed Assets	2,01,985	2,42,262	2,66,446	2,88,225	3,31,553	3,61,753
Less: Depreciation	1,05,160	1,23,730	1,45,935	1,68,155	1,91,095	2,17,127
Net Fixed Assets	96,826	1,18,532	1,20,511	1,20,070	1,40,457	1,44,626
Capital WIP	33,244	26,437	48,582	61,255	47,933	47,933
Investments	1,93,999	2,06,262	1,75,329	2,22,862	2,07,977	2,34,977
Curr. Assets, Loans, and Adv.	1,69,224	1,97,940	1,73,757	2,14,923	2,20,837	2,52,168
Inventory	33,271	47,631	40,408	47,827	55,728	66,199
Sundry Debtors	30,984	38,119	29,012	22,012	33,365	39,635
Cash and Bank Bal.	29,242	38,321	42,365	62,556	58,550	71,248
Loans and Advances	10,182	8,612	6,511	19,399	10,064	11,955
Others	65,545	65,257	55,460	63,130	63,130	63,130
Current Liab. and Prov.	1,51,720	1,64,535	1,25,290	1,79,258	1,87,651	2,02,641
Sundry Creditors	93,737	1,03,607	72,006	1,06,438	1,12,994	1,24,805
Other Liabilities	42,297	44,775	37,503	57,744	57,744	57,744
Provisions	15,687	16,154	15,781	15,077	16,913	20,091
Net Current Assets	17,504	33,405	48,467	35,665	33,186	49,527
Application of Funds	3,41,573	3,84,636	3,92,889	4,39,852	4,29,554	4,77,064

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)						
Fully diluted EPS	36.3	43.0	30.0	33.8	40.3	51.4
FD EPS (incl. MVML)	36.3	43.0	30.0	33.8	40.3	51.4
Cash EPS	50.0	59.9	49.8	53.6	60.6	74.3
Book Value per Share	256.2	293.7	290.3	295.6	325.7	367.1
DPS	7.5	8.5	2.4	8.8	7.5	10.0
Div. Payout (%)	22.4	21.8	44.0	113.3	20.0	19.4
Valuation (x)						
P/E	24.6	20.7	29.8	26.4	22.1	17.4
Cash P/E	17.9	14.9	17.9	16.7	14.7	12.0
EV/EBITDA	14.6	13.6	16.2	15.1	14.1	10.7
EV/Sales	2.2	1.9	2.3	2.3	1.8	1.4
Price-to-Book Value	3.5	3.0	3.1	3.0	2.7	2.4
Dividend Yield (%)	0.8	1.0	0.3	1.0	0.8	1.1
Profitability Ratios (%)						
RoE	15.1	15.7	10.3	11.6	13.0	14.8
RoCE	13.3	14.1	9.3	10.2	11.5	13.9
RoICE	39.2	39.9	21.8	30.4	35.6	41.9
Turnover Ratios						
Debtors (Days)	24	26	24	18	21	21
Inventory (Days)	26	33	33	39	35	35
Creditors (Days)	72	72	59	87	71	66
Core. Work. Cap. (Days)	-23	-12	-2	-30	-15	-10
Asset Turnover (x)	1.4	1.4	1.1	1.0	1.3	1.4
Leverage Ratio						
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
(INR m)						
OP/(Loss) before Tax	56,688	70,106	54,021	54,158	48,202	65,865
Int./Dividends Received	-8,084	-12,339	-12,918	-9,441	16,962	17,467
Depreciation and Amort.	14,794	20,030	23,631	23,624	24,235	27,331
Direct Taxes Paid	-12,887	-17,006	-11,986	-11,377	-14,400	-19,728
(Inc.)/Dec. in Wkg. Capital	17,803	-6,722	-14,954	35,643	-1,527	-3,642
Other Items	1,957	-153	1,657	3,016		
CF from Oper. Activity	70,271	53,916	39,451	95,623	73,473	87,292
(Inc.)/Dec. in FA+CWIP	-26,688	-32,150	-45,418	-33,119	-31,300	-31,500
Free Cash Flow	43,583	21,766	-5,967	62,504	42,173	55,792
(Pur.)/Sale of Invest.	-24,416	4,431	16,423	-1,13,558	14,885	-27,000
CF from Inv. Activity	-51,104	-27,720	-28,994	-1,46,677	-16,415	-58,500
Change in Net Worth	0	0	0	0	0	0
Inc./(Dec.) in Debt	592	-5,224	3,892	42,286	-46,195	-2,000
Interest Paid	-1,695	-2,016	-1,904	-4,137	-2,572	-2,146
Dividends Paid	-9,230	-10,267	-12,132	-2,936	-9,129	-12,116
CF from Fin. Activity	-10,333	-17,507	-10,144	35,213	-57,896	-16,262
Inc./(Dec.) in Cash	8,834	8,689	312	-15,841	-839	12,531
Add: Beginning Balance	5,346	14,234	22,923	23,235	7,394	6,555
Closing Balance	14,180	22,923	23,235	7,394	6,555	19,254

E: MOFSL estimates; Note: FY18 cash flows are for the standalone entity (excluding MVML)

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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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* 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.