TOP PICK 2023

20 December 2022

Update | Sector: Automobiles

Samvardhana Motherson

BSE SENSEX	S&P CNX
61,702	18,385

CMP: INR70 **TP: INR95 (+37%)** **Buy**

Well placed to benefit from easing supply issues

A big beneficiary of global mega trends in automotive industry

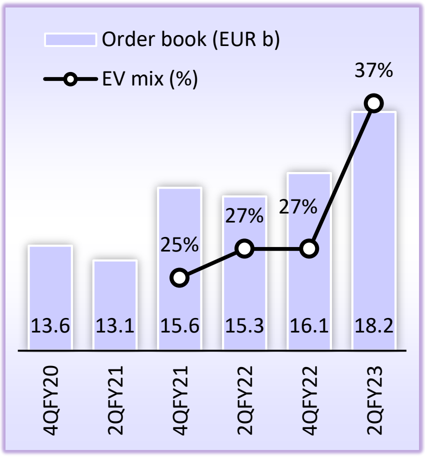
The last two to three years had been tough for MOTHERSO as it was adversely impacted by company-specific issues followed by tough operating environment, resulting in the stock underperforming the NSE Auto Index by 62%/72.5% over 1 year/3 years. However, we believe the worst is behind and operating performance should start recovering, led by improving supply-side issues and stable costs. With large part of investments already done, improving operating performance would drive down financial gearing as well. Buy with TP of INR95 (Sep-24 based SOTP).

- **Global production recovery underway…:** The last two years have witnessed a series of disruptions, leading to a ~17% fall in global light vehicle production in CY21 over CY19 and a 22% drop in US Class 8 production. However, the supply chain is now gradually regaining its normalcy, as reflected in global PV production growth of ~28% YoY/11% QoQ in 2QFY23 and growth in CV production across markets (excluding China). Demand continues to be strong, resulting in expansion in the order backlogs. This coupled with substantially lower channel inventory lends medium-term visibility for demand.
- **…MOTHERSO well positioned to benefit from OEM production recovery…:** After weathering the storm over the last two to three years, it would see the tide turning as OEM production benefits from improving supplies. The initial signs of recovery were visible in all the global businesses in 2QFY23 (in seasonally weakest quarter). We expect good growth across global businesses viz SMR (+17% CAGR over FY22-25E), SMP (+11% CAGR), and PKC (+5.6% CAGR), despite factoring in for the impact of commodity cost deflation. This recovery would be supported by the strong order book for SMRPBV, which has continued to grow to EUR18.2b in 2QFY23 from EUR13.6b in 4QFY20.
- **…as well as strong content increase, led by mega-trends in auto industry:** MOTHERSO's businesses are expected to benefit substantially from the mega-trends being witnessed in the global automotive industry. Content increase would be an important driver of growth for MOTHERO, leading to stronger than the underlying industry growth. This will be driven by trends such as premiumization (increase by 10% to 200% across businesses), rising SUV mix (by 50% to 200% increase), and electrification (40% to over 7x increase).
- **Expect strong financial recovery, led by normalization of production:** With improvement in supply-side issues (driving operating leverage) and correction in key commodity prices, we expect sharp recovery in profitability for key businesses. At a consolidated level, we estimate net sales/EBITDA/PAT to register a 10%/21.5%/63% CAGR over FY22-25E.

Stock Info

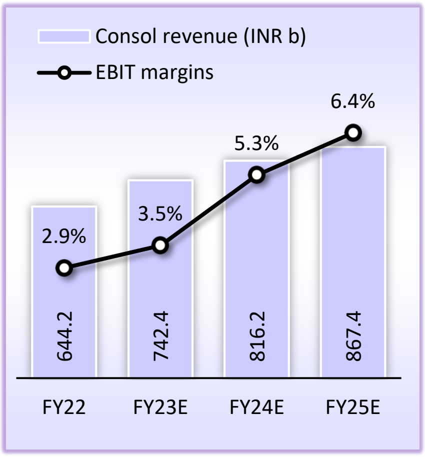
Bloomberg	MOTHERSO IN
Equity Shares (m)	6,776
M.Cap.(INRb)/(USDb)	471 / 5.7
52-Week Range (INR)	145 / 62
1, 6, 12 Rel. Per (%)	-4/-27/-50
12M Avg Val (INR M)	1385
Free float (%)	31.8

SMRP BV order book stood at EUR18.2b with 37% EV mix as on 2QFY23



Source: Company, MOFSL

Expect margin to recover back to FY18 levels



Source: Company, MOFSL

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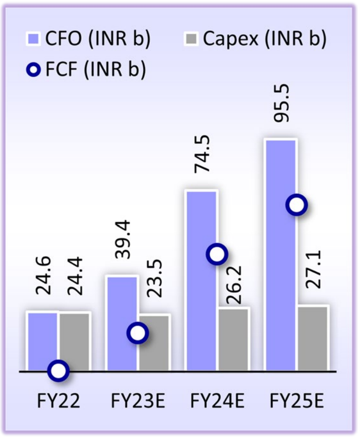
Capex to remain subdued resulting in better OCF/FCF



Source: Company, MOFSL

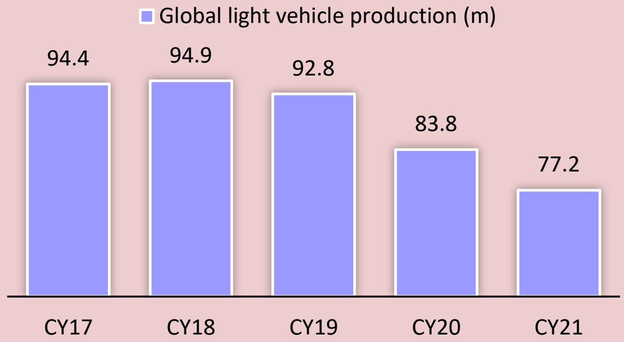
- **Valuation & view:** The stock trades at reasonable valuations at 17.5x/13.1x FY24E/FY25E consolidated EPS. With high operating leverage, reasonable financial gearing and no risk of EVs, MOTHERSO is our preferred pick in the auto component industry. We reiterate our Buy rating with a TP of INR95 (Sep-24 based SOTP).

Global production recovery underway…

- The last two years have witnessed a series of disruptions in supply chain globally (due to Covid, semi-conductor shortages, geo-political issues, etc.), adversely impacting production for the automotive industry. This is reflected in a ~17% fall in global light vehicle production in CY21 over CY19. Similarly, US Class 8 production declined 22% in the same period.
- However, the supply chain is now gradually regaining its normalcy, leading to normalization of automotive production. This is reflected in global PV production growth of ~28% YoY/11% QoQ in 2QFY23 and growth in CV production across geographies (excl. China).
- Underlying demand still continues to be strong for PVs and CVs, resulting in expansion in the order backlogs. This coupled with substantially lower channel inventory lends medium-term visibility for demand. Key global OEMs have indicated a healthy order book, especially in the premium vehicle category and expect the order bank to stretch to 1HCY23. Similarly, North America class 8 truck ordering remains strong, improving visibility for CY23.

WHAT WENT WRONG

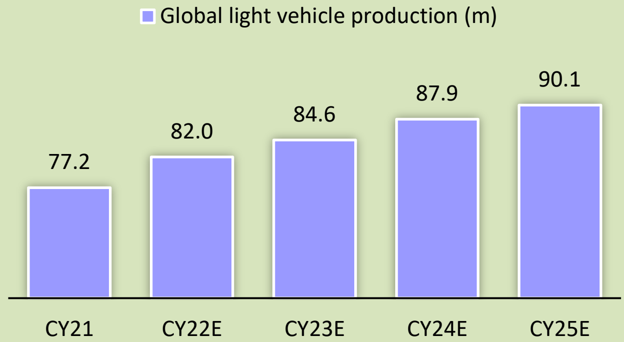
Exhibit 1: Global light vehicle production adversely impacted due to supply chain disruptions...



Source: IHS Markit, MOFSL

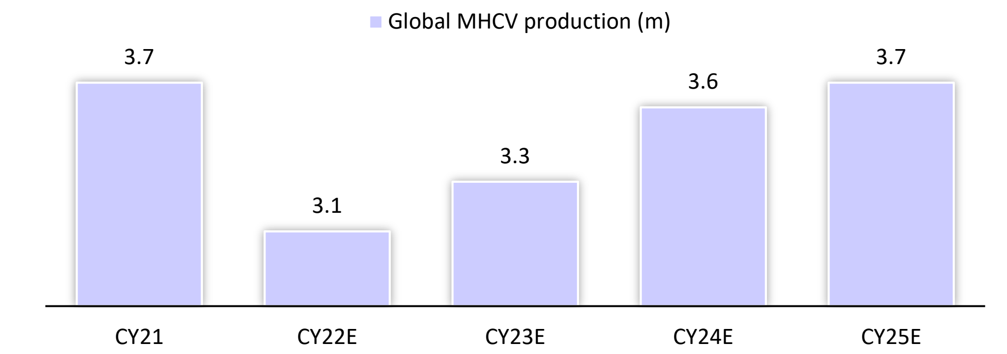
WHAT IS CHANGING

Exhibit 2: …however, normalizing supply chain and healthy order book will drive up production



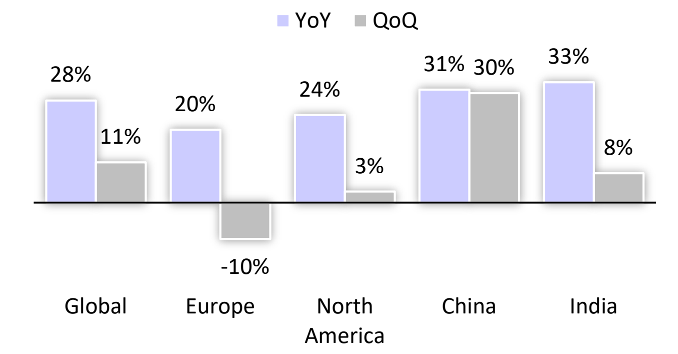
Source: IHS Markit, MOFSL

Exhibit 3: Improving supplies to drive healthy volume growth for CVs



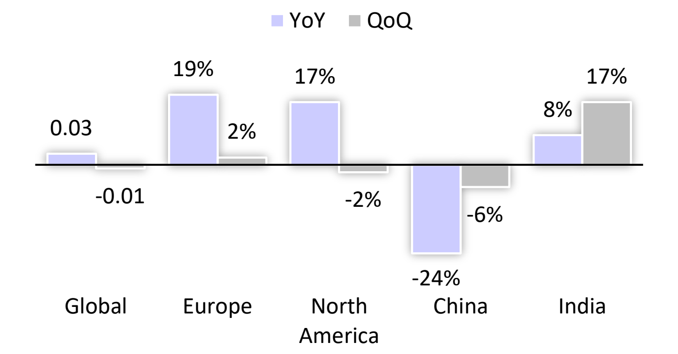
Source: HIS Markit, MOFSL

Exhibit 4: Global PV production recovery witnessed in 3QCY22



Source: Company, MOFSL

Exhibit 5: Global CV production recovered across markets except China



Source: Company, MOFSL

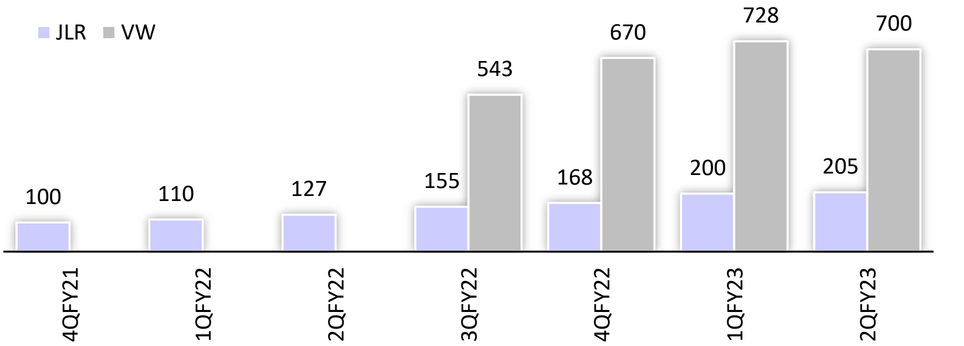
"In line with expectations, the industry has witnessed a surge in Class 8 orders into year end. The resulting growth in order backlogs supports higher production and gives OEMs and suppliers good visibility through 1H'23. With strong demand in place and inflation metrics moderating, we are now more convinced that the first half build rates will be sustained deeper into 2H'23. The more hopeful view on inflation leads us to modestly raise our 2023 Class 8 build expectations." Kenny Vieth, President and Senior Analyst, ACT Research

Exhibit 6: Global OEMs see good demand; chip shortage to gradually improve

Key OEMs	Commentary on current demand scenario and outlook
VW	❖ Recovery in China continues to accelerate with a 26% increase in deliveries in 3Q and a 33% increase in deliveries only in September. The demand for premium vehicles remained strong and the order bank is well filled. Order bank in Western Europe remains high and is expected to stretch well into the 1HFCY23. The supply of semiconductors has somewhat improved and although the impact of COVID has temporarily reduced, it will continue to linger on in the short-to-medium term. The company expects a growing market next year from today's perspective (not as high as double digits).
Mercedes	❖ The company has witnessed robust demand in all markets despite the volatility, supported by high backlogs. The demand in the US and overseas is healthy and Europe also continues to remain positive, mainly driven by longer order backlog carrying into the next year. The company continues to perform well in China. Semiconductor-related challenges are easing, but it is still not enough in terms of stability and reliability of supply, and expect it to stretch into 2023. The management indicated full-year sales to remain slightly above last year, as it continues to see demand being above supply.
JLR	❖ The company continues to actively manage the operational patterns of its manufacturing plants while the industry experiences ongoing global semiconductor shortage disruption. It expects operations to continue to improve in the second half of the year as new agreements with semiconductor partners take effect, enabling them to build and deliver more vehicles to their clients.

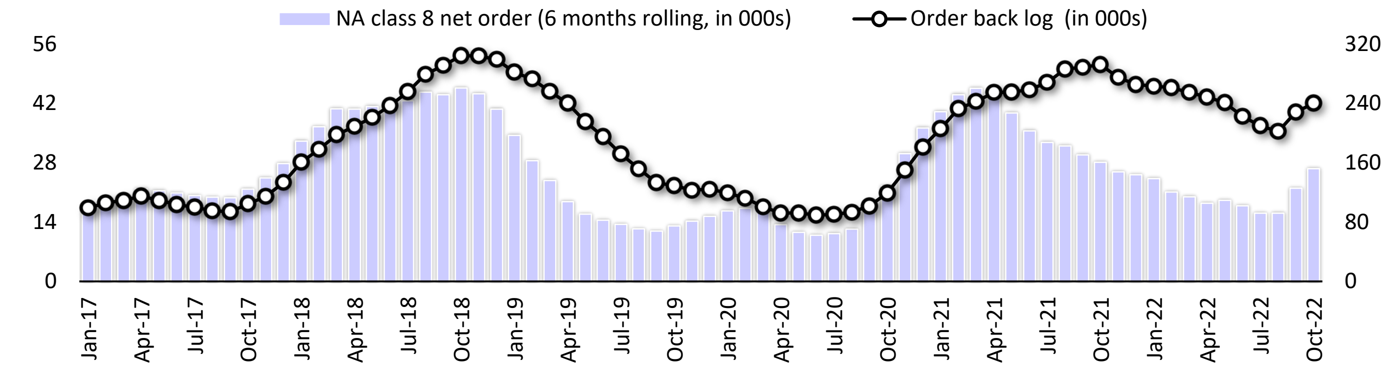
Source: Industry, MOFSL

Exhibit 7: Strong order backlog lends good visibility for CY23



Source: Company, MOFSL

Exhibit 8: NA Class 8 trucks: Increasing net orders gives comfort for good CY23

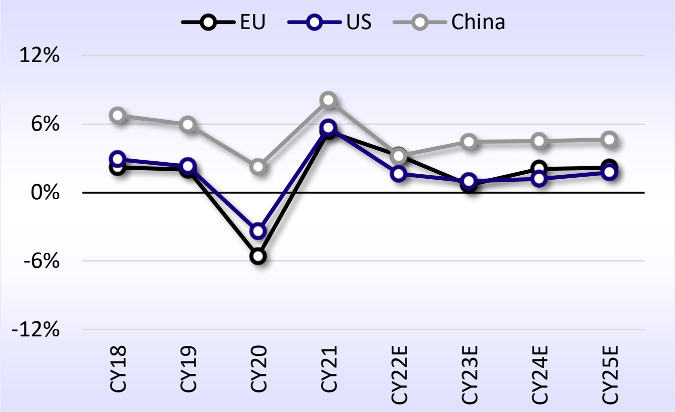


Source: Bloomberg, MOFSL

Low base to aid volumes, prevent a sharp decline despite macro headwinds

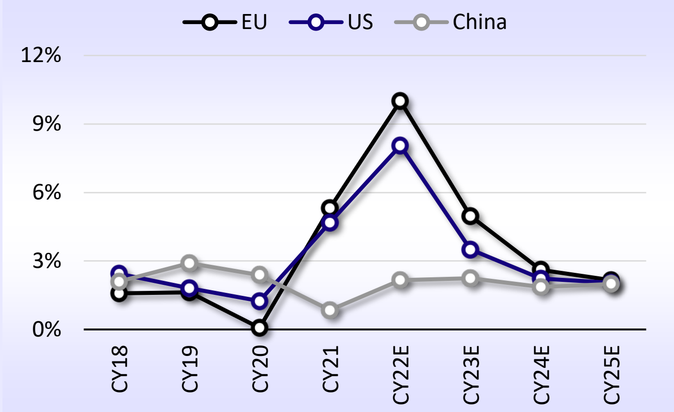
The macro environment in developed markets is deteriorating due to higher inflation and the resultant reaction of interest rate hikes by central banks. This led to increasing risk of a recession and a weakening outlook for CY23. While this doesn't bode well for the global Auto industry, the base of the last couple of years is low for PVs and CVs due to incessant headwinds to demand and production. A strong order book and improving supplies will cushion the impact of macro headwinds in the foreseeable future and prevent any sharp decline in volumes.

Exhibit 9: GDP growth declines in key geographies..



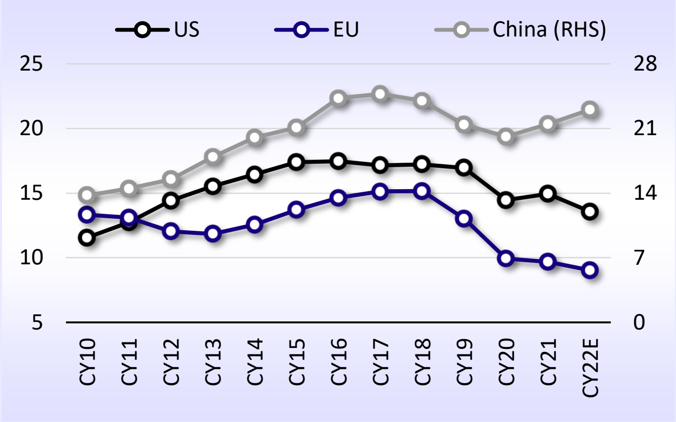
Source: Industry, MOFSL

Exhibit 10: ...along with higher inflation in CY22



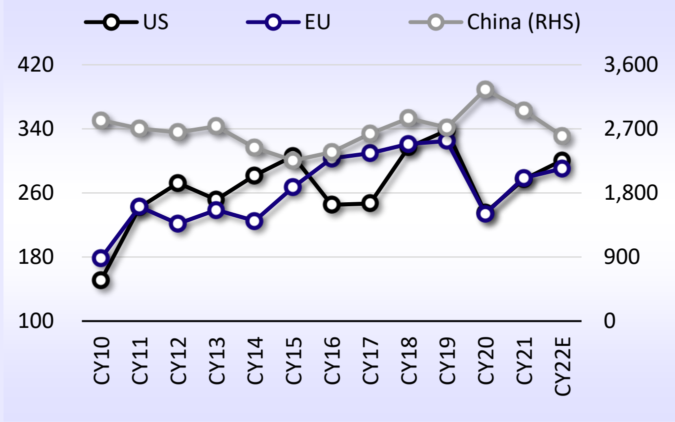
Source: Industry, MOFSL

Exhibit 11: PV volumes (in m units) across US, EU, and China



Source: Industry, MOFSL

Exhibit 12: HCV volumes (in '000 units) across the US and EU

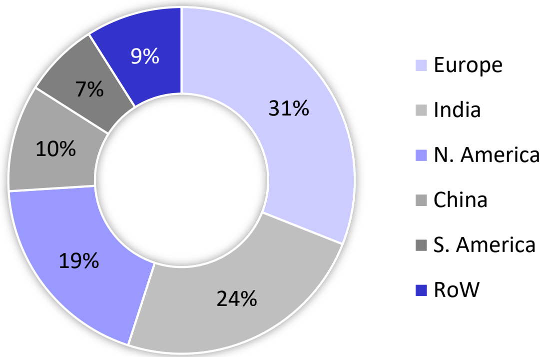


Source: Industry, MOFSL

…MOTHERSO well positioned to benefit from OEM production recovery…

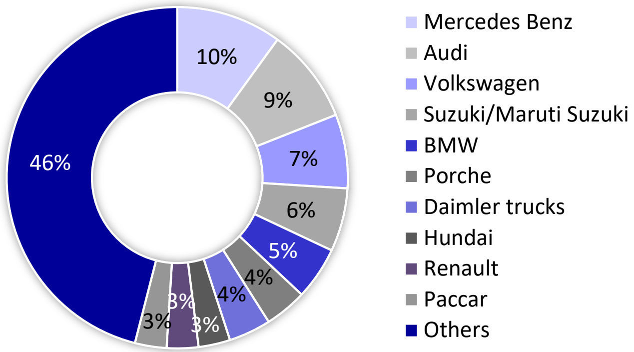
- MOTHERSO's strong linkages to the global auto cycle is reflected in its market mix (76% of consolidated revenues from international business and 50% of consolidated revenues from EU and the US) and customer mix (over 8 out of top-10 customers are global OEMs served from outside India).
- As a result, it has been adversely impacted by global supply-side issues witnessed by the automotive industry. This is reflected in decline in revenues in its key global businesses i.e., SMR (-8% CAGR over FY20-22), SMP (-4% CAGR over FY20-22), and PKC (+2% CAGR over FY20-22), despite benefitting from partial cost inflation pass through in these benefits.
- Going forward, OEM production is expected to improve with easing supply-side issues and demand remaining strong. MOTHERSO will benefit equally from this recovery as it is well entrenched with all key global OEMs in PVs and CVs. Initial signs of recovery were visible in all the global businesses in 2QFY23 (in seasonally weakest quarter). We expect good growth across global businesses viz SMR (+17% CAGR over FY22-25E), SMP (+11% CAGR over FY22-25E), and PKC (+5.6% CAGR over FY22-25E), despite factoring in for the impact of commodity cost deflation.
- This recovery would be supported by a strong order book for SMRPBV, which has continued to grow to EUR18.2b in 2QFY23 from EUR13.6b in 4QFY20, as well as strong competitive positioning of MOTHERSO in all its key businesses (among top-3 players).

Exhibit 13: India and EU contributes ~55% of overall revenue



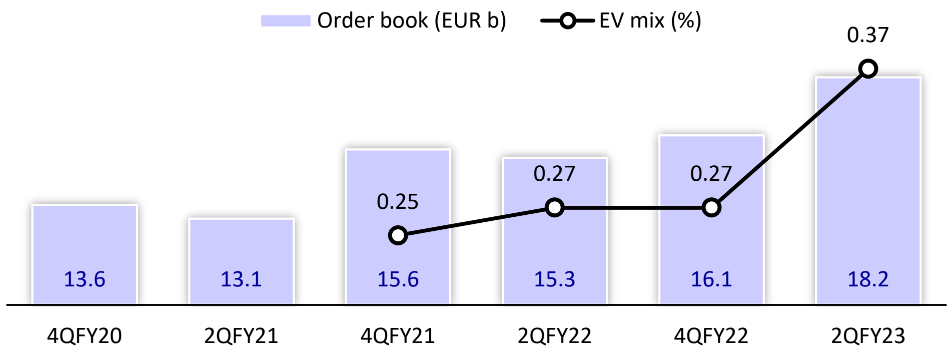
Source: Company, MOFSL

Exhibit 14: 54% revenue is contributed by top-10 customers



Source: Company, MOFSL

Exhibit 15: SMRP BV order book stood at EUR18.2b with 37% EV mix as on 2QFY23

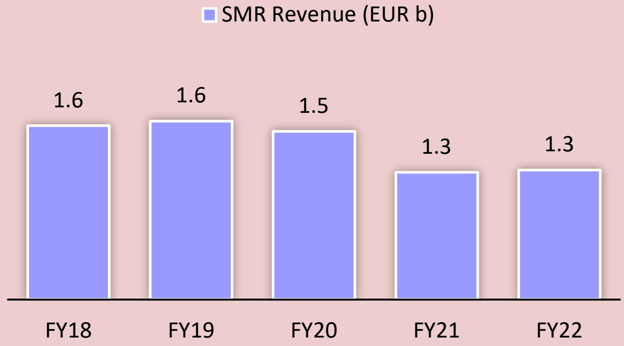


Source: Company, MOFSL

WHAT WENT WRONG

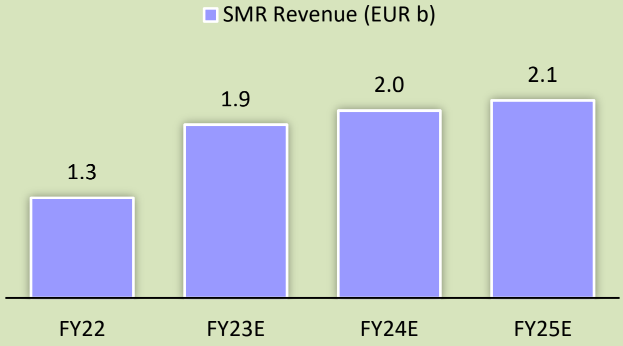
WHAT IS CHANGING

Exhibit 16: SMR - Revenue was at five years low in FY21…



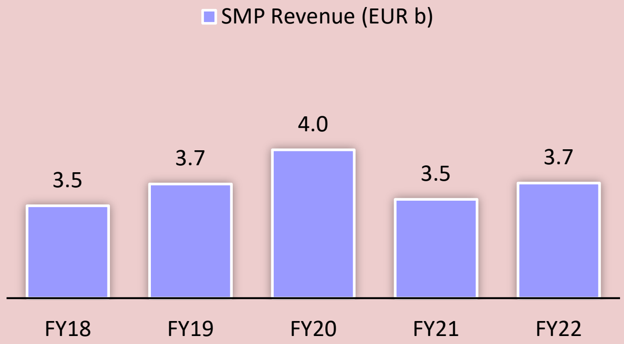
Source: Company, MOFSL

Exhibit 17: …expected to register ~17% CAGR over FY22-25E



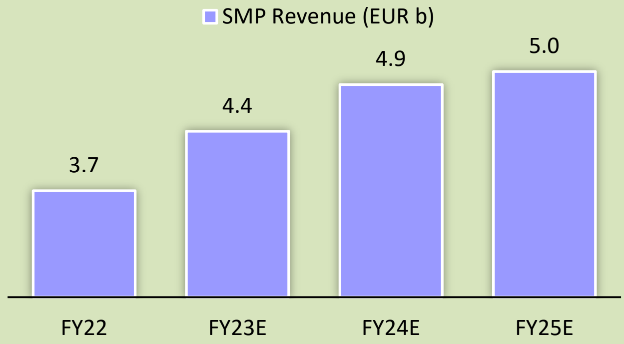
Source: Company, MOFSL

Exhibit 18: SMP - Revenues has largely been flat over 3 years



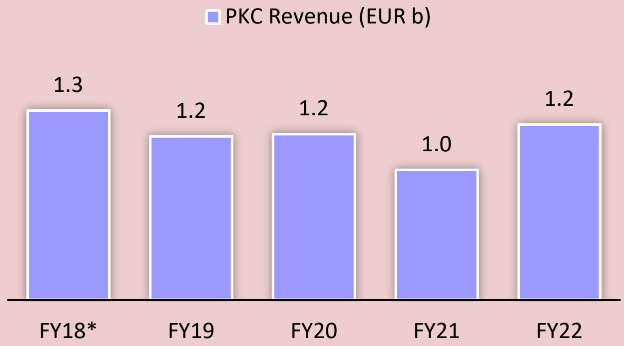
Source: Company, MOFSL

Exhibit 19: …expected to register ~11% CAGR over FY22-25E



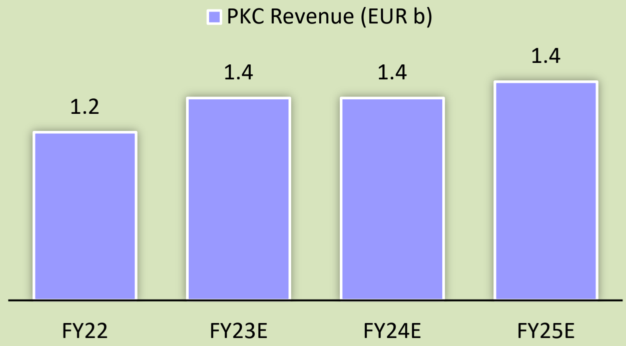
Source: Company, MOFSL

Exhibit 20: PKC - Revenues flat in last 3 years



*FY18 revenue is for 15 months; Source: Company, MOFSL

Exhibit 21: …expected to register ~6% CAGR over FY22-25E



Source: Company, MOFSL

Strong content increase led by mega trends in the Auto industry

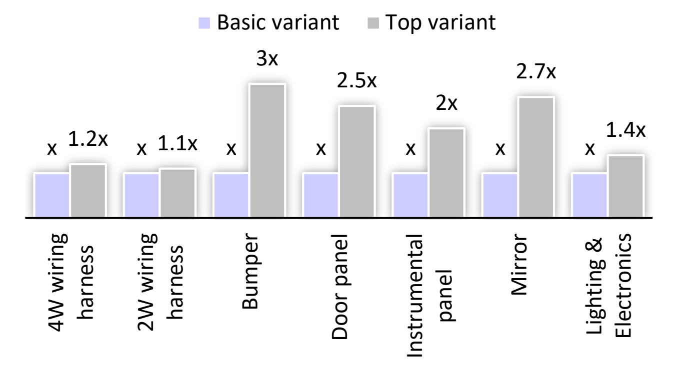
- MOTHERSO's businesses are fuel agnostic and will benefit substantially from the mega trends being witnessed in the global Auto industry: electrification, electronification, premiumization, light weighting, etc.
- Content increase will be an important growth driver for the company, leading to stronger than the underlying industry growth. Content will materially be driven by:
  - Premiumization: Content is higher in the top variant (v/s the base variant) by 20% in 4W wiring harness, 10% in 2W wiring harness, 200% higher in bumpers, 150% in door panels, and 170% in mirrors.
  - Higher SUV share: Content is higher in SUVs (v/s Hatchbacks) by 50% in wiring harness, 70% in bumpers, 150% in door panels, and 200% in mirrors.
  - Electric vehicle: The content in EVs (v/s ICE) is higher by 140% in 4W wiring harness, over 700% in 2W wiring harness, 50% in bumper, 230% in door panels, and 40% in mirrors.
- It is going to benefit from vendor consolidation, led by its: i) dominant presence in most of the segments it operates in, ii) strong relations with customers, and iii) scale benefits.

Exhibit 22: On the right side of evolving megatrends

Trends	Wiring harness	Mirrors	Polymers
Electrification (EVs)	☺☺☺☺☺	😐	😐
Connected cars/higher electronics	☺☺☺	😐	☺☺☺
Autonomous cars	☺☺☺☺	☹☹	☺☺☺
Shared mobility	☹☹	☹☹	☹☹
Light weighting	☺☺	😐	☺☺☺☺
Platform consolidation	😐	😐	😐
Vendor consolidation	☺☺☺	☺☺☺	☺☺☺
Premiumization	☺☺☺	☺☺☺☺☺	☺☺☺☺☺

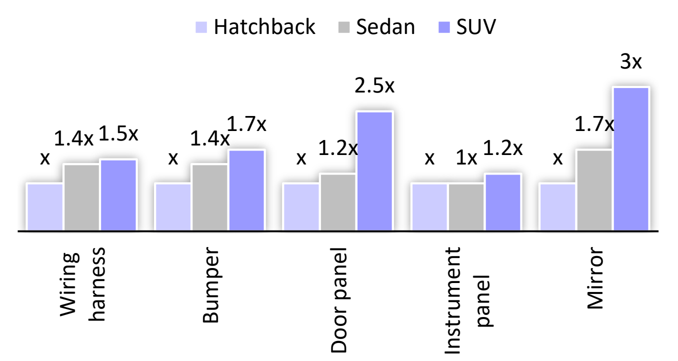
Source: Company, MOFSL

Exhibit 23: Premiumization – Content to increase by 1.1-3x



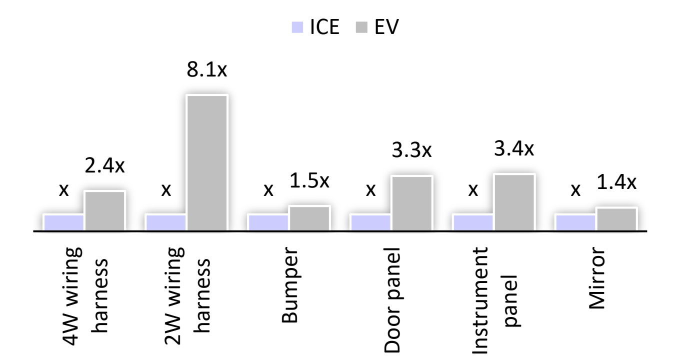
Source: Company, MOFSL

Exhibit 24: Rising SUV mix – Content to rise by 1.2-3x



Source: Company, MOFSL

Exhibit 25: Electrification – Content to increase by 1.4-8.1x



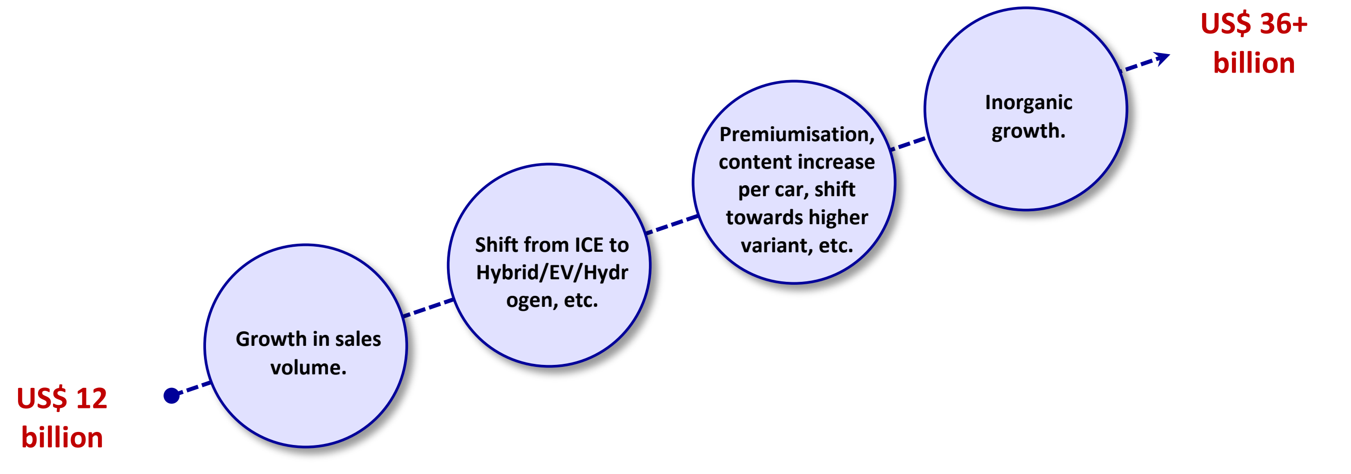
Source: Company, MOFSL

Expect a strong financial recovery led by normalization of production

- MOTHERSO's performance has been adversely impacted by hyper-inflation in input cost (resin, copper, energy, etc.), operating deleverage (higher fixed cost for overseas operations at 32-38% of sales), and increase in debt (due to higher working capital), resulting in a sharp erosion in operating performance in its key businesses (SMRPBV and PKC). EBIT for SMRPBV/PKC declined by 68%/PTL over FY19-22.

- With an improvement in supply-side issues (driving operating leverage) and correction in key commodity prices, we expect a sharp recovery in profitability for key businesses. We expect EBIT margin to improve for SMRPBV/PKC/ MSUMI by 340bp/250bp/180bp (over FY22-25E) to 5.6%/3%/12.9%.
- At the consolidated level, we expect net sales/EBITDA/PAT to grow at 10%/21.5%/63% CAGR over FY22-25.
- We expect partial normalization in working capital, led by a reduction in inventory (as several bottlenecks ease-up), and capex to remain under control, given the lion's share of investments being undertaken in the last three-to-four years. This will result in lower net debt over the next two-to-three years. We expect a consolidated cumulative CFO/FCF (post interest) of INR209b/ INR111.7b to a net debt of ~INR85.5b in 2QFY23 and turn marginally net cash by FY25.

Exhibit 26: Roadmap for revenue aspiration of USD36b

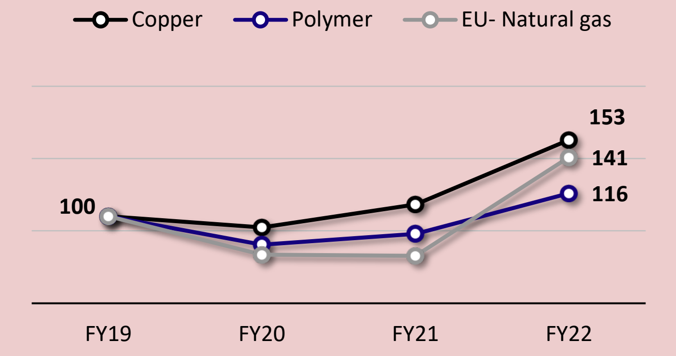


Source: Company, MOFSL

WHAT WENT WRONG

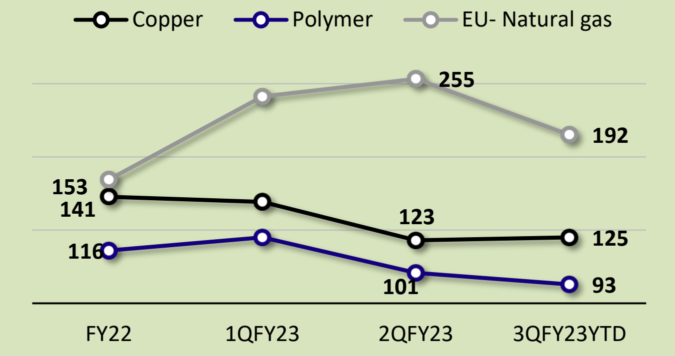
WHAT IS CHANGING

Exhibit 27: Input prices flared-up in FY22 (indexed)…



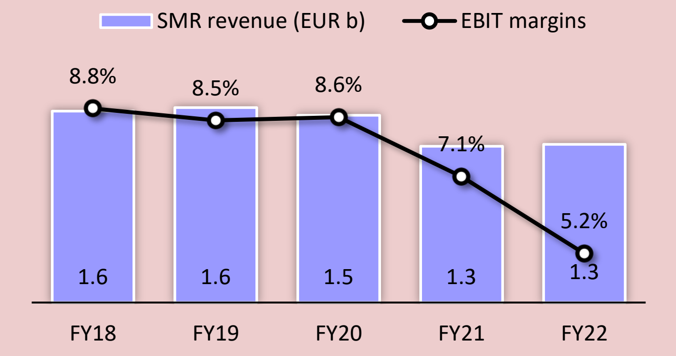
Source: Company, MOFSL

Exhibit 28: …but has started moderating since 2QFY23



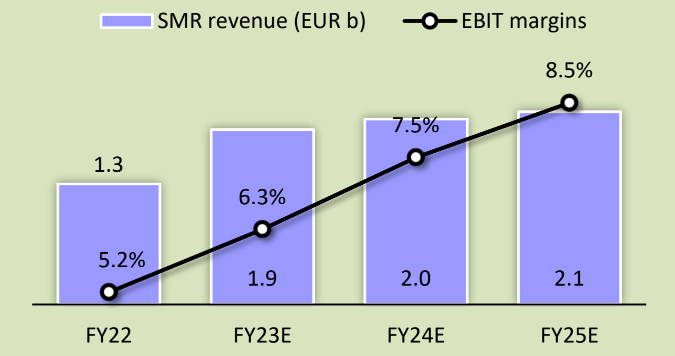
Source: Company, MOFSL

Exhibit 29: SMR hit by cost pressures & op. deleverage…



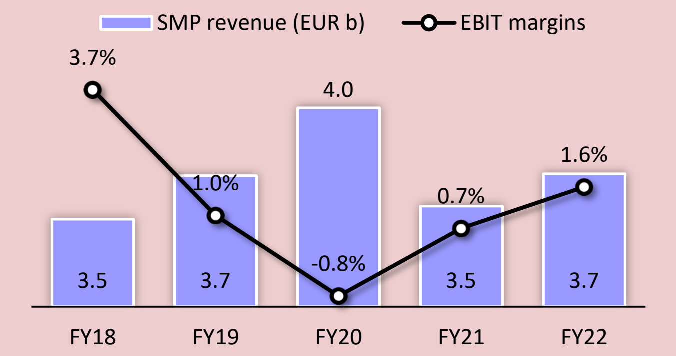
Source: Company, MOFSL

Exhibit 30: …but likely to recover to FY19 levels by FY25E



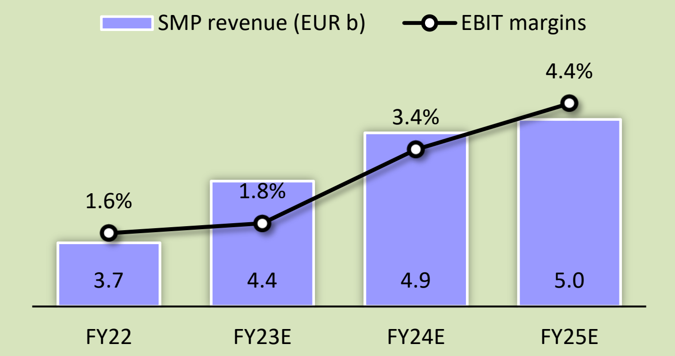
Source: Company, MOFSL

Exhibit 31: SMP performance has been bit by several factors since FY19…



Source: Company, MOFSL

Exhibit 32: …but would see significant traction over the next three years

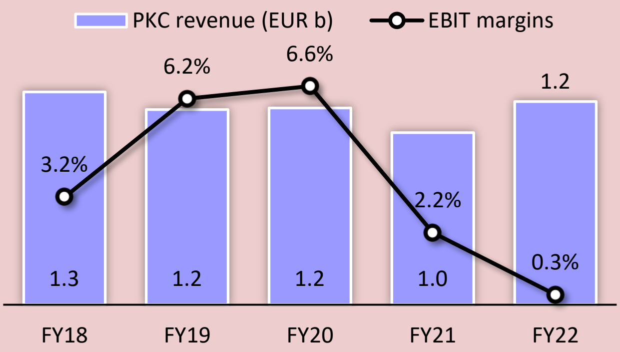


Source: Company, MOFSL

WHAT WENT WRONG

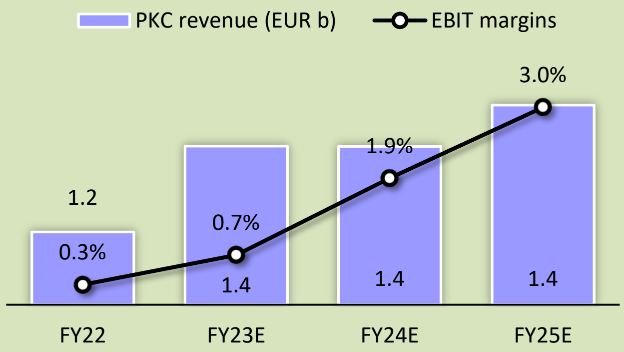
WHAT IS CHANGING

Exhibit 33: PKC margins impacted by higher RM, new program related cost and op. deleverage…



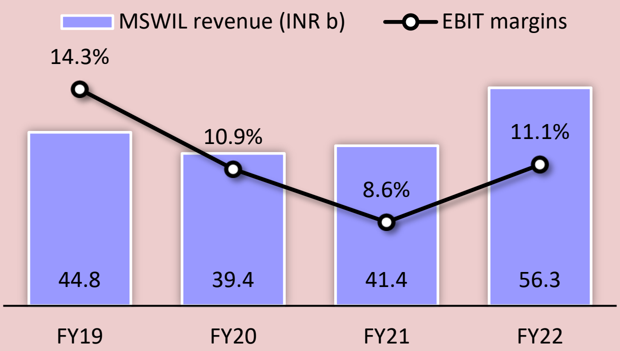
Source: Company, MOFSL

Exhibit 34: …but volume recovery and decline in copper prices to drive partial margin recovery



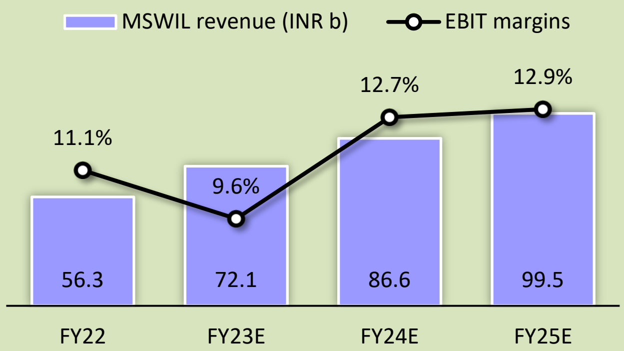
Source: Company, MOFSL

Exhibit 35: MSUMI margins impacted by higher copper prices and operating deleverage…



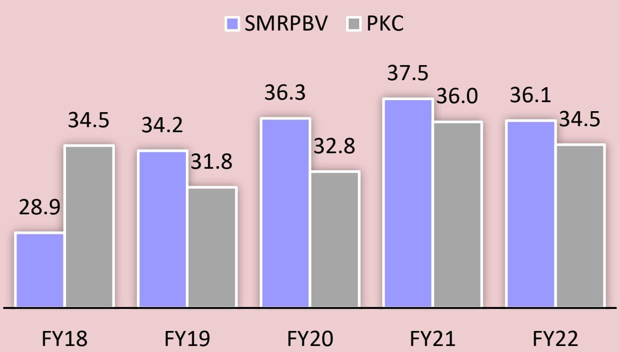
Source: Company, MOFSL

Exhibit 36: …but with volumes coming back and copper prices correcting, margins to recovery smartly



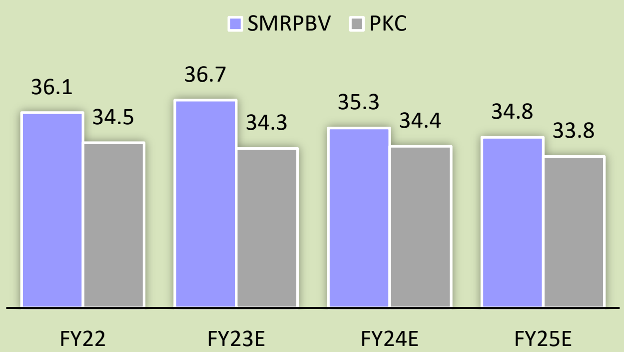
Source: Company, MOFSL

Exhibit 37: Fixed cost to sales (%)- Operating deleverage hurts global operations…



Source: Company, MOFSL

Exhibit 38: …expect benefits of operating leverage from FY24 onwards

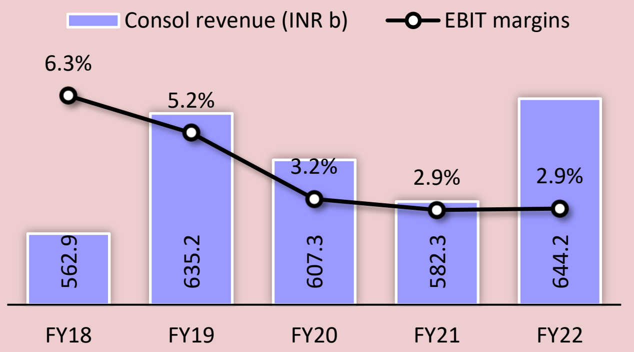


Source: Company, MOFSL

WHAT WENT WRONG

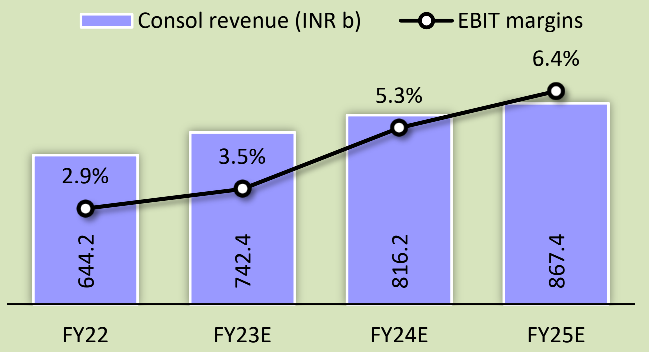
WHAT IS CHANGING

Exhibit 39: Consol. performance under pressure over last 3 years…



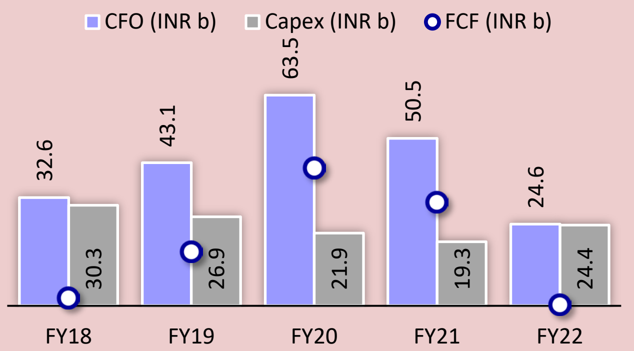
Source: Company, MOFSL

Exhibit 40: …expect margin to recover back to FY18 levels



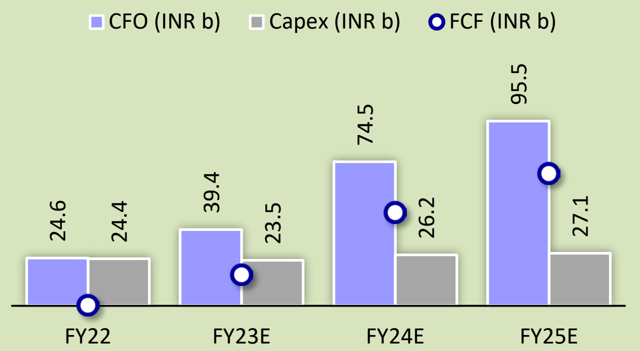
Source: Company, MOFSL

Exhibit 41: Weak operating performance, higher working capital and sustained capex hurts FCF…



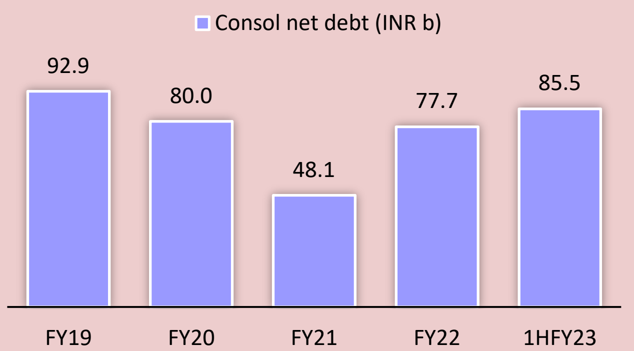
Source: Company, MOFSL

Exhibit 42: …expect most of these factors to reverse



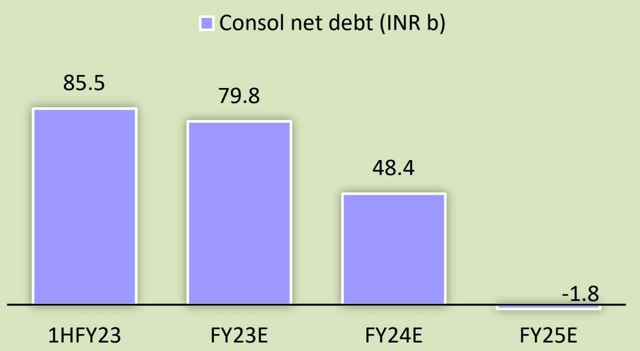
Source: Company, MOFSL

Exhibit 43: Consol. net debt increased in last 3 years



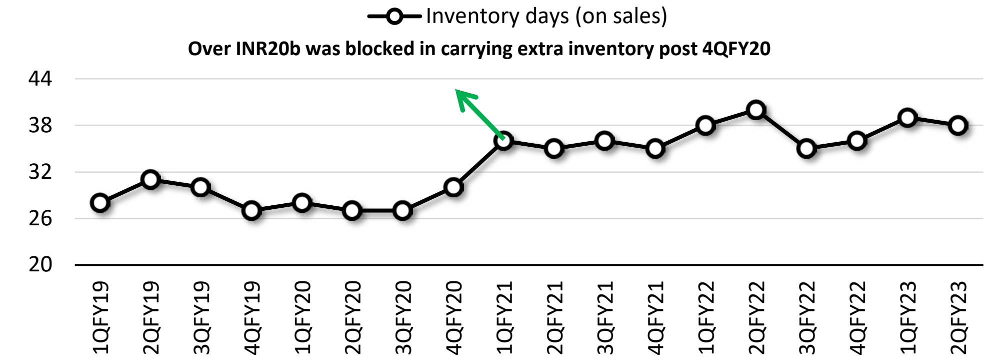
Source: Company, MOFSL

Exhibit 44: Expect MOTHERSO to become net cash by FY25



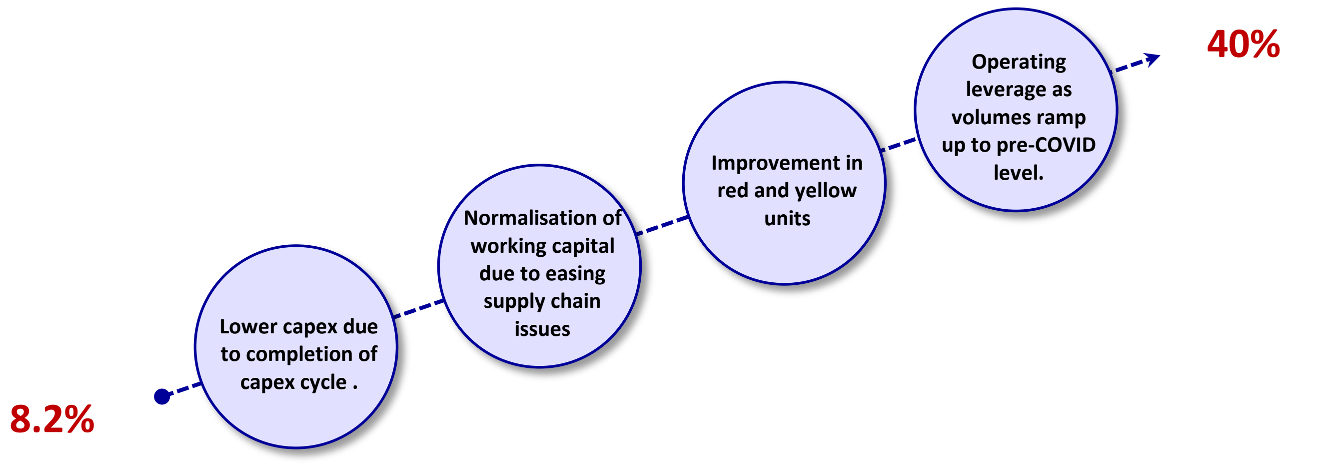
Source: Company, MOFSL

Exhibit 45: Working capital requirements to moderate led by an improvement in supply



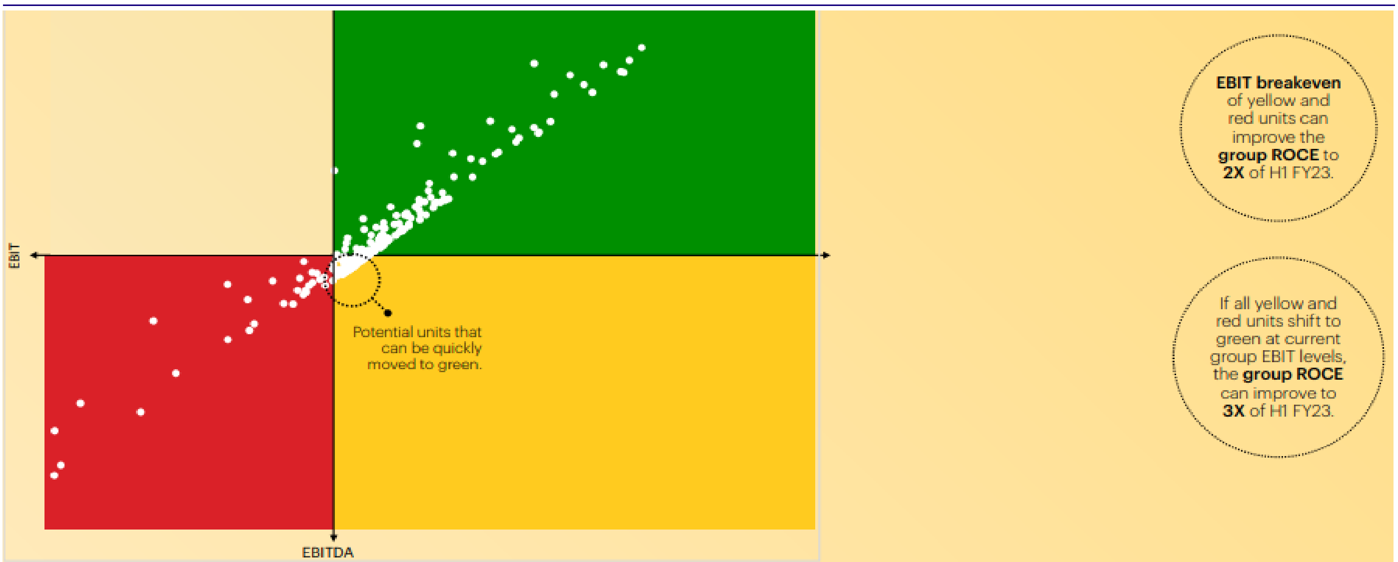
Source: Company, MOFSL

Exhibit 46: Roadmap to 40% RoCE



Source: Company, MOFSL

Exhibit 47: Turnaround of underperforming plants can substantially contribute to an improvement in RoCE



Source: Company, MOFSL

Valuation and view

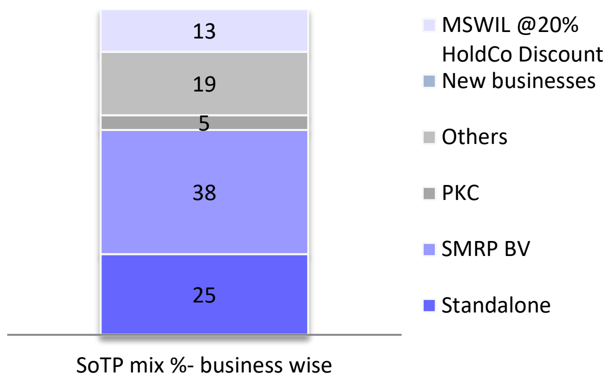
- **On the right side of global Auto megatrends:** The global Auto industry is on the cusp of disruption, led by megatrends in the form of: a) EVs, b) connect cars, c) autonomous cars, d) shared mobility, e) stricter emission norms, and f) platform and vendor consolidation. These trends have the potential to disrupt the Auto supply chain and challenge incumbents. With its diverse product base and market presence, MOTHERSO is set to leverage these trends to drive its next wave of growth.
- **Cyclical recovery in all key businesses:** All of MOTHERSO's key businesses are on the brink of a cyclical recovery, with India PVs, global PVs, and the US and the EU CVs well placed for a revival from 2HFY23. The company enjoys strong positioning in its respective product categories (either rank one or two), and hence will benefit from this cyclical recovery. This will drive operating leverage, mainly in its overseas businesses.
- **SMRPBV fully prepared for growth:** Growth in order book lends us comfort in building a faster recovery for SMRPBV. As of Sep'22, its order book stood at EUR18.2b (with 37% of orders accruing from BEVs). SMP offers revenue visibility, with orders in hand and ready capacity to execute those orders. We expect ~11% revenue CAGR to EUR5b for SMP over FY22-25, and EBITDA margin to expand by 2.2pp to ~8.5% by FY25, driven by improving efficiencies of new plants, cost absorption, and operating leverage. SMR remains the numero uno manufacturer of PV mirrors globally and has gained share across markets through continuous innovation. We expect revenue for SMR to recover at 17% CAGR over FY22-25 and EBITDA margin to expand by 230bp to 11.5% by FY25, led by absorption of cost inflation and operating leverage.
- **MSUMI's Wiring Harness business** is likely to grow faster than the PV industry, led by an increase in content (due to the ongoing premiumization and electrification). It is estimated to clock 21% CAGR over FY22-25. EBITDA margin is likely to expand by 1.7pp to 14.7% over the same period, led by product mix and operating leverage, driving PAT CAGR of 29%.
- **PKC – cyclical downturn ahead:** After benefitting from strong growth for Class 8 Trucks in the US, we expect a stable FY24, but expect a cyclical downturn in its biggest market (~45% of revenue) in FY25. PKC is highly focused on the world's largest Truck market (China), where it has three JVs targeting different customers. It entered the Rolling Stock business (~USD2b opportunity) in CY15. The company already has global partnerships with Bombardier since CY16, and is working with other OEMs to develop a global supply chain for electrical systems in rolling stocks. We expect ~6% revenue CAGR over FY22-25E, and expect its margin to improve to 6.5% (v/s 4.1% in FY22), led by a ramp-up in new programs, cost absorption, and operating leverage.
- **Valuation and view:** Our positive view on MOTHERSO remains intact based on an industry recovery, execution of a strong order book for SMRPBV, receding cost inflation, and capacities in place for growth. MOTHERSO will benefit substantially from easing of supply-side issues and receding cost headwinds, thereby driving strong growth and help deleverage the Balance Sheet. The stock trades at 17.5x/13.1x FY24E/FY25E consolidated EPS. We maintain our **Buy** rating with a TP of ~INR95 (premised on Sep'24 SoTP).

Exhibit 48: SoTP-based target price

	Target P/E (x)	FY24E	FY25E
Standalone	25	22	26
SMRPBV	15	31	42
PKC	15	3	6
Others	20	17	20
New businesses	15	0	0
MSUMI at a 20% holding company discount	35	11	14
TP (INR/share)		**84**	**107**
Sep'24 TP			**95**

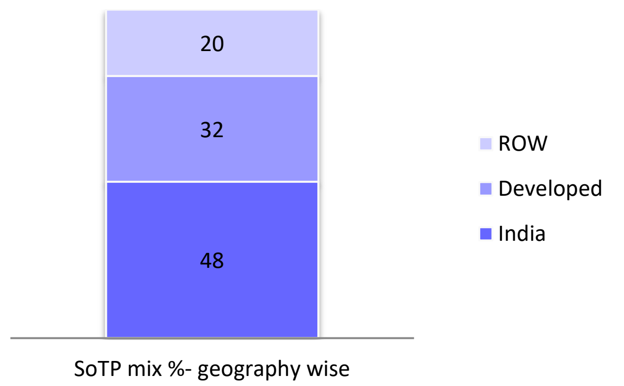
Source: Company, MOFSL

Exhibit 49: SoTP segment-wise breakup (%)



Source: Company, MOFSL

Exhibit 50: SoTP geography-wise breakup (%)



Source: Company, MOFSL

Exhibit 51: Comparative valuation for SMRPBV

Name	P/E (x) CY22/ FY23	P/E (x) CY23/ FY24	Sales growth (YoY %)	EBITDA margin (%)	EPS growth (YoY %)	Five-year sales CAGR (%)	RoIC (%)	Products similar to SMRPBV (as a percentage of revenue)	EV risk products (%)
SMRPBV	29.7	16.5	10.3	7.2	-35.4	8.4	2.5	68%	0
Gentex Corp.	14.7	12.0	2.5	29.4	7.1	0.6	14.1	90%	0
Magna	9.2	7.0	11.0	11.1	100.0	-0.1	6.6	71%	ICE exposure in Body Exterior & Structure business, Power & vision business and Complete vehicle assembly business.
Faurecia	5.3	3.3	8.1	13.1	NA	-3.5	-1.3	30%	26%
Plastic Omnium	7.3	5.5	2.3	10.0	NA	4.3	2.5	43%	30%

Source: Bloomberg, MOFSL

Financials and valuations

Consolidated Income Statement					(INR m)
Y/E March	**FY21**	**FY22**	**FY23E**	**FY24E**	**FY25E**
Total Income from Operations	**5,82,250**	**6,44,200**	**7,42,383**	**8,16,184**	**8,67,386**
Change (%)	-4.1	10.6	15.2	9.9	6.3
EBITDA	**46,880**	**49,030**	**56,403**	**74,864**	**87,992**
Margin (%)	8.1	7.6	7.6	9.2	10.1
Depreciation	30,260	30,390	30,540	31,340	32,140
EBIT	**16,620**	**18,640**	**25,863**	**43,524**	**55,852**
Interest Charges		5,115	7,200	7,020	6,669
PBT bef. EO Exp.	**16,620**	**18,482**	**21,663**	**39,504**	**52,183**
Tax Rate (%)	33.6	59.6	33.0	33.0	33.0
Minority Interest	440	-290	0	-473	-740
Reported PAT	**10,590**	**8,040**	**14,514**	**26,941**	**35,703**
Adjusted PAT	**10,590**	**8,234**	**14,514**	**26,941**	**35,703**
Change (%)	30.8	-22.2	76.3	85.6	32.5

Consolidated Balance Sheet					(INR m)
Y/E March	**FY21**	**FY22**	**FY23E**	**FY24E**	**FY25E**
Equity Share Capital	4,518	4,518	6,776	6,776	6,776
Total Reserves	1,21,088	2,01,365	2,09,266	2,28,124	2,53,116
Net Worth	**1,25,606**	**2,05,882**	**2,16,042**	**2,34,901**	**2,59,893**
Minority Interest	40,233	17,763	19,763	22,263	25,063
Total Loans	1,07,580	1,27,609	1,12,609	1,04,109	97,609
Deferred Tax Liabilities	-10,224	-13,767	-13,767	-13,767	-13,767
Capital Employed	**2,63,195**	**3,37,487**	**3,34,647**	**3,47,505**	**3,68,797**
Net Fixed Assets	**1,92,782**	**1,75,128**	**1,80,685**	**1,77,345**	**1,73,205**
Goodwill	24,718	33,743	33,743	33,743	33,743
Capital WIP	8,769	13,097	7,000	7,000	7,000
Total Investments	**2,581**	**7,212**	**7,212**	**7,212**	**7,212**
Curr. Assets, Loans, and Adv.	**1,78,716**	**1,94,908**	**2,12,401**	**2,41,976**	**2,79,510**
Inventory	49,956	64,417	77,289	78,264	78,421
Account Receivables	56,931	65,731	81,357	84,973	83,174
Cash and Bank Balance	59,062	49,994	32,815	55,717	99,378
Loans and Advances	12,768	14,766	20,940	23,022	18,537
Curr. Liability and Prov.	**2,07,430**	**2,11,447**	**2,31,240**	**2,44,616**	**2,56,718**
Account Payables	1,11,407	1,24,775	1,39,748	1,56,518	1,75,300
Other Current Liabilities	89,575	81,567	84,835	80,779	73,640
Provisions	6,449	5,104	6,657	7,318	7,777
Net Current Assets	**-28,714**	**-16,538**	**-18,838**	**-2,640**	**22,792**
Other non-current assets	63,060	1,24,846	1,24,846	1,24,846	1,24,846
Appl. of Funds	**2,63,195**	**3,37,487**	**3,34,647**	**3,47,505**	**3,68,797**

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)					
EPS	**1.6**	**1.2**	**2.1**	**4.0**	**5.3**
BV/share	18.5	30.4	31.9	34.7	38.4
DPS	0.5	0.4	0.6	1.2	1.6
Payout (%)	30.0	36.5	30.0	30.0	30.0
Valuation (x)					
P/E ratio	44.2	56.8	32.2	17.5	13.1
P/BV ratio	3.7	2.3	2.2	2.0	1.8
EV/sales ratio	0.6	0.6	0.7	0.6	0.5
EV/EBITDA ratio	7.1	7.7	9.2	6.5	4.9
Dividend yield (%)	0.7	0.6	0.9	1.7	2.3
FCF per share (Eco. Int. basis)	4.6	0.0	2.3	7.1	10.1
Return Ratios (%)					
RoE	8.9	5.0	6.9	12.0	14.5
RoCE (post-tax)	4.2	3.2	5.8	9.1	11.1
RoIC	5.6	3.3	6.2	10.3	14.1
Working Capital Ratios					
Fixed Asset Turnover (x)	2.4	2.4	2.6	2.6	2.5
Asset Turnover (x)	2.2	1.9	2.2	2.3	2.4
Inventory (Days)	31	36	38	35	33
Debtor (Days)	36	37	40	38	35
Creditor (Days)	70	71	69	70	74
Leverage Ratio (x)					
Current Ratio	0.9	0.9	0.9	1.0	1.1
Interest Coverage Ratio	NA	3.6	3.6	6.2	8.4
Net Debt/Equity ratio	0.4	0.3	0.3	0.2	0.0

Consolidated Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	16,129	19,088	21,663	39,504	52,183
Depreciation	29,764	29,964	30,540	31,340	32,140
Interest and Finance Charges	4,544	4,346	7,200	7,020	6,669
Direct Taxes Paid	-5,600	-8,324	-7,149	-13,036	-17,220
(Inc.)/Dec. in WC	6,432	-20,797	-14,879	6,704	18,229
Others	-757	351	2,000	2,973	3,540
CF from Operations incl. EO	**50,512**	**24,627**	**39,375**	**74,504**	**95,541**
(Inc.)/Dec. in FA	-19,325	-24,363	-23,482	-26,229	-27,142
Free Cash Flow	**31,187**	**264**	**15,893**	**48,275**	**68,399**
(Pur.)/Sale of Investments	-45	-123	0	0	0
Others	436	1,367	0	0	0
CF from Investments	**-18,934**	**-23,119**	**-23,482**	**-26,229**	**-27,142**
Issue of Shares	0	0	2,259	0	0
Inc./(Dec.) in Debt	-11,324	2,456	-15,000	-8,500	-6,500
Interest Paid	-4,141	-5,528	-7,200	-7,020	-6,669
Dividend Paid	-1,576	-6,457	-4,354	-8,082	-10,711
Others	-3,859	-2,570	0	0	0
CF from Fin. Activity	-20,900	-12,099	-24,295	-23,602	-23,880
Inc./Dec. in Cash	**10,678**	**-10,591**	**-8,402**	**24,673**	**44,520**
Opening Balance	48,688	59,367	48,775	40,373	65,046
Closing Balance	**59,367**	**48,775**	**40,373**	**65,046**	**1,09,566**

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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