

# Maruti Suzuki

Estimate change	↔
TP change	↓
Rating change	↔

**CMP: INR8,699      TP: INR10,500 (+21%)      Buy**

## Strong beat, led by better mix and higher 'other income' Expect further mix improvement, but Fx to dilute the benefits

Bloomberg	MSIL IN
Equity Shares (m)	302
M.Cap.(INRb)/(USDb)	2627.7 / 32.2
52-Week Range (INR)	9769 / 6540
1, 6, 12 Rel. Per (%)	5/-10/2
12M Avg Val (INR M)	6063

- MSIL reported a strong beat in 3QFY23, driven by better mix (8% beat on ASPs) and higher other income. Recently launched products to reflect in P&L from 1QFY24; commodity price benefit largely reflected in 3QFY23; and the impact of adverse JPY is expected to reflect from 1QFY24. We expect continued improvement in performance and response to new products to act as catalysts for the stock.
- We upgrade FY23 EPS estimates by 14% to reflect the benefit of mix and higher 'other income', but reiterate our FY24 estimates as the mix benefit is offset by the Fx impact. We reiterate our **Buy** rating with a TP of INR10,500.

### Financials & valuations (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	883	1,164	1,410
EBITDA	57	106	147
Adj. PAT	38	78	110
Cons. Adj. EPS (INR)	128	262	367
EPS Gr. (%)	-11.6	104.2	40.0
BV/Sh. (INR)	1,790	1,989	2,233

### Ratios

RoE (%)	7.0	13.0	16.3
RoCE (%)	8.7	16.8	21.3
Payout (%)	46.7	45.8	35.4

### Valuations

P/E (x)	67.7	33.2	23.7
P/BV (x)	4.9	4.4	3.9
EV/EBITDA (x)	38.5	20.1	14.1
Div. Yield (%)	0.7	1.4	1.5

### Good all-round performance

- Revenue/EBITDA/PAT grew 25%/82%/1.3x YoY to ~INR290.4b /INR28.3b/INR23.5b, respectively. 9MFY23 revenues/EBITDA/adj. PAT grew 39%/ 2.3x/ 2.8x YoY.
- Volumes grew 8% YoY. ASP grew 15.5% YoY (up 8% QoQ) to INR623.4k (est. INR575.6k) due to better mix, despite higher discounts.
- Gross margins improved 260bp YoY (up 40bp YoY) to 27.3% (vs est 27.6%), led by RM cost and Fx benefits, diluted by higher discounts.
- Further, lower other costs led to EBITDA margin expansion of 310bp YoY (up 50bp QoQ) to 9.8% (vs est 9.6%). EBIT margins were at 7.3% (vs est 6.9%, up 330bp YoY). Higher other income led to PAT beat with PAT growing 2.3x YoY to ~INR23.5b (vs est ~INR17.7b).

### Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	56.4	56.4	56.4
DII	18.3	18.2	15.3
FII	21.5	21.9	23.6
Others	3.8	3.6	4.7

FII Includes depository receipts

### Highlights from the management commentary

- Demand scenario is healthy, with both urban and rural market doing good. MSIL expects to grow faster than the industry in FY24. Driven by the new product launches, MSIL is looking at the SUV segment market leadership in FY24.
- Order book is at 366k units (vs 412k as of Sep-22), of which, 119k is for recently launched products.
- A large part of the commodity cost benefit is already realized by 3QFY23, whereas Fx is expected to turn unfavorable, and its impact is expected to reflect in FY24 due to hedges and lag effect.

### Valuation and view

- Good demand and favorable product lifecycle for MSIL augur well for market share and margins. We expect a recovery in both market share and margins in FY24, led by an improvement in supplies, favorable product lifecycle, mix and operating leverage.
- The stock trades at 23.7x/20x FY23E/FY24E consolidated EPS. We lower our target PE multiple to 25x from 27x, as we lower our estimated market share for MSIL. We reiterate our **Buy** rating with a TP of INR10,500 (Dec'24E consolidated EPS).

Jinesh Gandhi - Research analyst (Jinesh@MotilalOswal.com)

Research analyst: Amber Shukla (Amber.Shukla@MotilalOswal.com) | Aniket Desai (Aniket.Desai@motilalosal.com)

**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](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## S/A Quarterly Performance

(INR Billion)

Y/E March	FY22				FY23E				FY22	FY23E	3QE
	1Q	2Q	3Q	4QE	1Q	2Q	3Q	4QE			
Volumes ('000 units)	353.6	379.5	430.7	488.7	467.9	517.4	465.9	501.2	1,652.5	1,952.4	465.9
Change (%)	361.6	-3.5	-13.2	-0.8	32.3	36.3	8.2	2.6	13.3	18.2	8.2
Realizations (INR/car)	5,02,545	5,41,151	5,39,766	5,47,222	5,66,319	5,78,490	6,23,387	6,17,042	5,34,324	5,96,183	5,75,598
Change (%)	-6.3	13.5	14.1	12.2	12.7	6.9	15.5	12.8	10.8	11.6	6.6
<b>Net revenues</b>	<b>177.7</b>	<b>205.4</b>	<b>232.5</b>	<b>267.4</b>	<b>265.0</b>	<b>299.3</b>	<b>290.4</b>	<b>309.3</b>	<b>883.0</b>	<b>1,164</b>	268
Change (%)	332.7	9.6	-0.9	11.3	49.1	45.7	24.9	15.7	25.5	31.8	15.4
RM Cost (% of sales)	74.8	75.8	75.3	73.5	74.6	73.1	72.7	72.3	74.8	73.1	72.4
Staff Cost (% of sales)	6.0	4.7	4.2	3.8	4.4	3.8	4.1	3.7	4.6	4.0	4.2
Other Cost (% of sales)	14.6	15.3	13.8	13.5	13.8	13.9	13.4	13.9	14.2	13.7	13.8
<b>EBITDA</b>	<b>8.2</b>	<b>8.5</b>	<b>15.6</b>	<b>24.3</b>	<b>19.1</b>	<b>27.7</b>	<b>28.3</b>	<b>31.4</b>	<b>57.0</b>	<b>106</b>	<b>26</b>
EBITDA Margins (%)	4.6	4.2	6.7	9.1	7.2	9.3	9.8	10.1	6.5	9.1	9.6
Depreciation	7.4	7.6	6.4	6.5	6.5	7.2	7.1	7.3	27.9	28.2	7
<b>EBIT</b>	<b>0.8</b>	<b>1.0</b>	<b>9.2</b>	<b>17.8</b>	<b>12.6</b>	<b>20.5</b>	<b>21.2</b>	<b>24.0</b>	<b>29.1</b>	<b>78</b>	<b>19</b>
EBIT Margins (%)	0.4	0.5	4.0	6.7	4.8	6.8	7.3	7.8	3.3	6.7	6.9
Interest	0.2	0.2	0.3	0.6	0.3	0.3	0.3	0.3	1.3	1.2	0.3
Non-Operating Income	5.1	5.2	3.3	4.7	0.9	6.1	8.6	7.3	17.9	22.9	4.8
<b>PBT</b>	<b>5.6</b>	<b>6.0</b>	<b>12.2</b>	<b>22.0</b>	<b>13.2</b>	<b>26.3</b>	<b>29.5</b>	<b>31.1</b>	<b>45.8</b>	<b>100.1</b>	<b>23.1</b>
Effective Tax Rate (%)	21.8	20.7	17.2	16.3	23.4	21.6	20.4	22.7	17.8	21.8	23.5
<b>Adjusted PAT</b>	<b>4.4</b>	<b>4.8</b>	<b>10.1</b>	<b>18.4</b>	<b>10.1</b>	<b>20.6</b>	<b>23.5</b>	<b>24.0</b>	<b>37.7</b>	<b>78.3</b>	<b>17.7</b>
Change (%)	LTP	-65.3	-47.9	57.7	129.8	333.7	132.5	30.5	-11.0	107.8	74.7

## Key Performance Indicators

Y/E March	FY22				FY23E				FY22	FY23E	3QE
	1Q	2Q	3Q	4QE	1Q	2Q	3Q	4QE			
Dom. PV Market Sh (%)	47.0	42.1	46.8	44.5	42.6	43.5	42.4		45.0		
Volumes ('000 units)	353.6	379.5	430.7	488.7	467.9	517.4	465.9	501.2	1,652.5	1,952.4	465.9
Change (%)	361.6	-3.5	-13.2	-0.8	32.3	36.3	8.2	2.6	13.3	18.2	8.2
Discounts (INR '000/unit)	13.9	18.6	15.2	11.1	12.8	13.8	18.3		14.5	18.5	0.0
% of Net Realn	2.8	3.4	2.8	2.0	2.3	2.4	2.9		2.7	3.1	0.0
ASPs (INR '000/unit)	502.5	541.2	539.8	547.2	566.3	578.5	623.4	617.0	534.3	596.2	575.6
Change (%)	-6.3	13.5	14.1	12.2	12.7	6.9	15.5	12.8	10.8	11.6	6.6
Gross Profit (INR/unit)	126.7	130.7	133.3	144.8	143.8	155.6	170.4	171.1	134.7	160.3	158.9
EBITDA (INR '000/unit)	23.2	22.5	36.2	49.7	40.9	53.5	60.8	62.6	34.5	54.5	55.5
EBIT (INR '000/unit)	2.2	2.6	21.3	36.4	26.9	39.6	45.6	47.9	17.6	40.1	39.9

E:MOFSL Estimates

**Highlights from the management commentary**

- Demand scenario is healthy, with both urban and rural looking good. FY24 MSIL is expected to grow faster than the industry. Driven by the new product launches, MSIL is looking at the SUV segment market leadership in FY24.
- Order book stands at 366k units (vs 412k as of Sep-22), of which, 119k for recently launched products. It had five days of inventory at the end of Dec-22.
- Commodity price has stabilized and the management does not expect any further benefits (just minor benefits in 4Q).
- JPY-USD is completely hedged for 4QFY23. USD-INR is unhedged for imports, but exports provide a natural hedge to a large extent. Hence, there will be some impact of adverse Fx movement in FY24.
- Chip shortage adversely impacted 46k production in 3Q. Supplies have improved, but uncertainty prevails as there is just a one month visibility on chip supplies.
- Regulatory norms: Safety regulations (six airbag norms) would result in an increase in cost by INR20k/unit. MSIL is well positioned to meet the upcoming emission norms (RDE and CAFÉ) without much impact on cost.
- Despite discounts going up QoQ by INR4.5k/unit (to INR18.3k), ASP grew 8% QoQ, driven by a mix in favor of bigger car.
- For Grand Vitara, strong hybrid penetration stood at 23-25% of volumes.
- Grand Vitara would be exported to 60 countries across LatAm, Africa, ASEAN, and neighboring countries.
- CNG penetration is fine, but prices are abnormally high. The industry has represented to the Dr. Kirit Parekh committee. If recommendations are accepted, some relief can be expected.

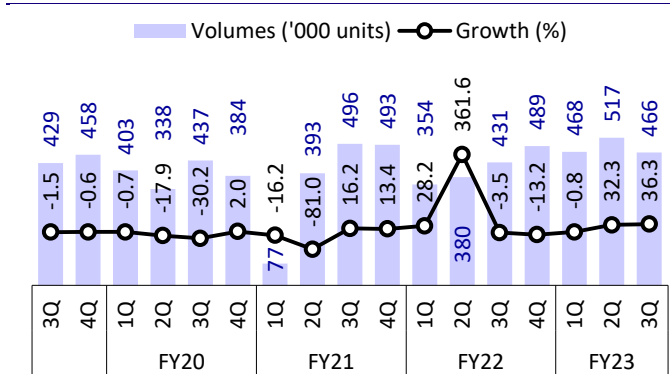
## Key exhibits

**Exhibit 1: Segment-wise growth and market share movement for MSIL**

('000 units)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	FY23E	FY22	YoY (%)
Mini	53.0	55.6	-4.8	72.1	-26.5	230.3	211.8	8.7
% of total	11.4	12.9		13.9		11.7	12.8	
MPV+LCVs	33.7	39.2	-13.9	46.4	-27.4	165.5	142.2	16.4
% of total	7.2	9.1		9.0		8.4	8.6	
Compact incl Dzire tour	207.2	181.3	14.3	241.1	-14.0	897.6	651.1	37.9
% of total	44.5	42.1		46.6		45.5	39.4	
Mid-size	4.6	3.4	36.6	4.3	7.9	15.6	91.8	-83.1
% of total	1.0	0.8		0.8		0.8	5.6	
UV	105.4	86.2	22.3	90.4	16.7	402.5	317.3	26.8
% of total	22.6	20.0		17.5		20.4	19.2	
Exports	62.0	65.0	-4.6	63.2	-1.9	260.3	238.4	9.2
% of total	13.3	15.1		12.2		13.2	14.4	
<b>Total Sales</b>	<b>465.9</b>	<b>430.7</b>	<b>8.2</b>	<b>517.4</b>	<b>-10.0</b>	<b>1,971.7</b>	<b>1,652.5</b>	<b>19.3</b>
<b>Total Dom. PV MS (%)</b>	<b>42.4</b>	<b>46.8</b>	<b>-430bp</b>	<b>43.5</b>	<b>-100bp</b>	<b>43.7</b>	<b>45.0</b>	<b>-130bp</b>

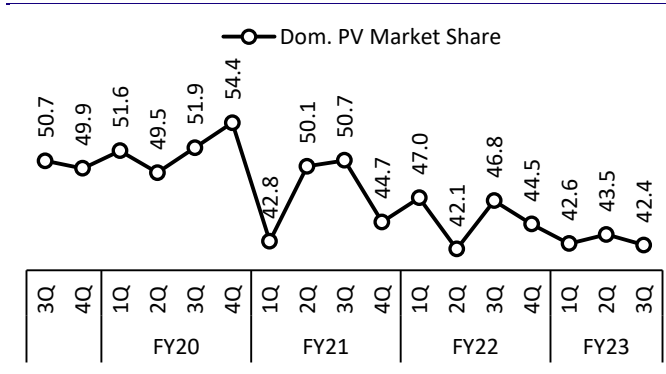
Source: Company, MOFSL

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



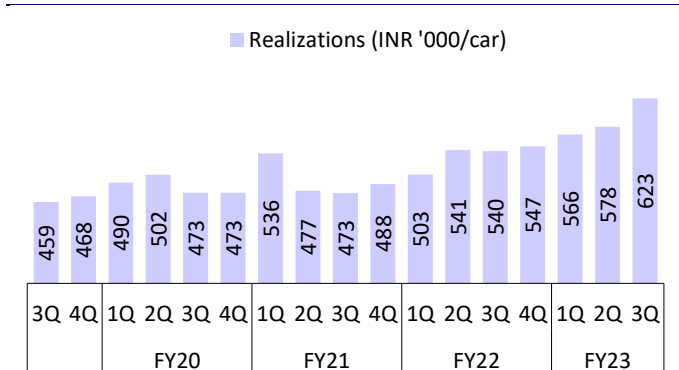
Source: Company, MOFSL

**Exhibit 3: Domestic PV market share trend for MSIL (%)**



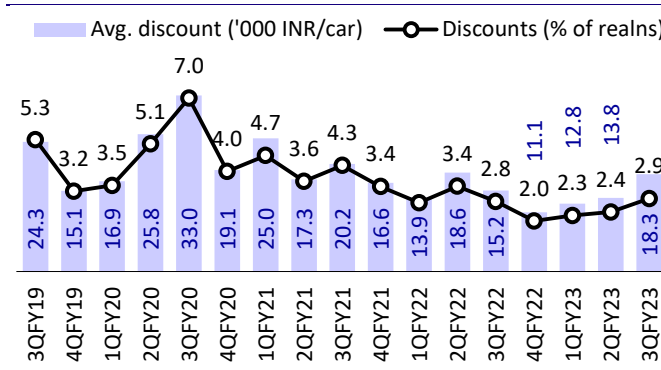
Source: Company, MOFSL

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

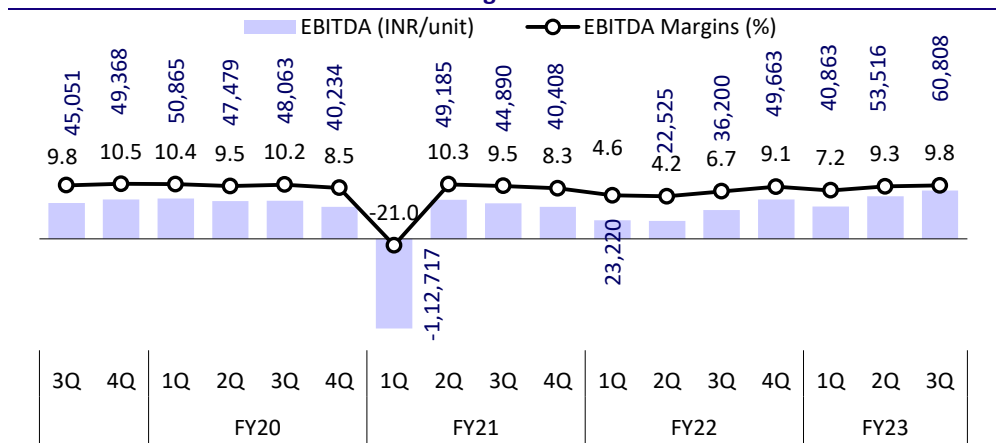


Source: Company, MOFSL

**Exhibit 5: Trend in average discounts per unit**



Source: Company, MOFSL

**Exhibit 6: Trend in EBITDA and EBITDA margin**

Source: Company, MOFSL

## Valuation and view

- Our long-term view on the PV industry remains intact:** Growth in the Indian PV industry had been weak even before Covid impacted demand (FY15-20: ~1.3% volume CAGR), due to several factors like weaker economic growth, stringent financing, regulatory impact on costs in FY19/FY20 etc. Considering low base, we expect industry volumes recovery to sustain driven by high aspirations, improving affordability, lower penetration (less than 30 cars per population of 1,000) and increasing preference toward personal mobility due to Covid. We estimate an 8.5% PV industry volume CAGR over FY23-25.
- Strong product portfolio, with numerous launches lined up for the next few years:** MSIL could emerge as the biggest beneficiary of a demand recovery in the post-COVID period, considering its stronghold in the entry-level segment and a favorable product lifecycle. New launches such as the Brezza and Grand Vitara are seeing good customer pull. The company could gain further market share, driven by an expected shift toward petrol /hybrid vehicles, resulting in ~11% volume CAGR over FY23-25E. This, coupled with an improved mix and lower discounts, is expected to drive ~16% revenue CAGR over FY23-25E.
- Operating performance recovery underway:** While FY21 witnessed the brunt of the COVID-19 outbreak on operations, FY22 was marred by a second lockdown and semiconductor shortages. The demand recovery would be supported by a favorable product lifecycle as well as the continued shift to personal mobility. EBITDA margin fell to a 20-year low of 6.5% in FY22 on account of higher commodity costs, weak forex, and operating deleverage. The recovery in EBITDA margin to ~11.1% in FY25E would be driven by: a) normalization in the product lifecycle, b) lower discounts, c) price increases and mix improvement, d) commodity cost/Fx benefit, e) lower royalty, and f) operating leverage.
- Strong margin and asset-light model to result in a 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 ~INR227.6b over FY23-25 (v/s ~INR50b over FY20-22) after budgeting for cumulative capex of ~INR170b. RoCE is estimated to improve gradually to ~22.3% by FY25 from 8.7% in FY22.

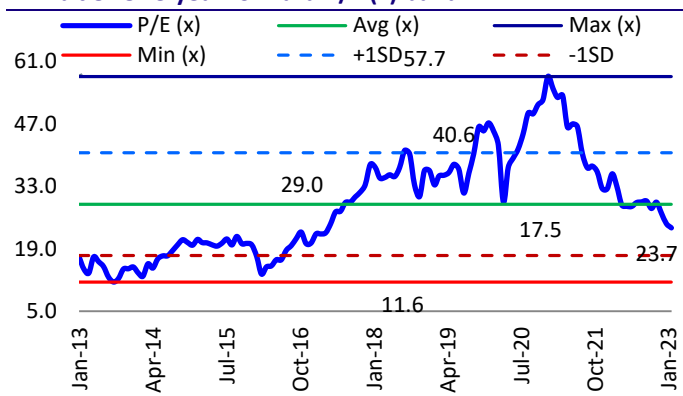
- Valuation & view:** We upgrade FY23 EPS estimates by 14% to reflect the benefit of mix and higher other income, but would maintain FY24 estimates as the mix benefit is offset by the Fx impact. Good demand and favorable product lifecycle for MSIL augurs well for market share and margins. We expect a recovery in both market share and margins in FY24, led by an improvement in supplies, favorable product lifecycle, mix, and operating leverage. The stock trades at 23.7x/20x FY23E/FY24E consolidated EPS. We lower our target PE multiple to 25x from 27x, as we lower our estimated market share for MSIL. We reiterate our Buy rating with a TP of INR10,500 (Dec'24E consolidated EPS).

**Exhibit 7: Revised forecast**

(INR B)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
<b>Total Volumes ('000)</b>	<b>1,952</b>	<b>1,972</b>	<b>-1.0</b>	<b>2,227</b>	<b>2,247</b>	<b>-0.9</b>
Net Sales	1,164	1,138	2.3	1,410	1,374	2.6
EBITDA	106	103	3.4	147	147	0.1
<b>EBITDA Margin (%)</b>	<b>9.1</b>	<b>9.0</b>	<b>10bp</b>	<b>10.4</b>	<b>10.7</b>	<b>-30bp</b>
PAT	78.3	68.5	14.2	109.8	109.7	0.1
<b>Consol EPS (INR)</b>	<b>262.3</b>	<b>230.0</b>	<b>14.0</b>	<b>367.0</b>	<b>366.7</b>	<b>0.1</b>

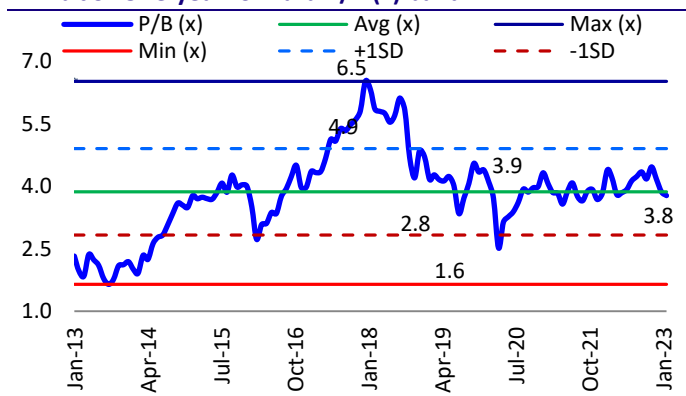
Source: Company, MOFSL

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



Source: MOFSL

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



Source: MOFSL

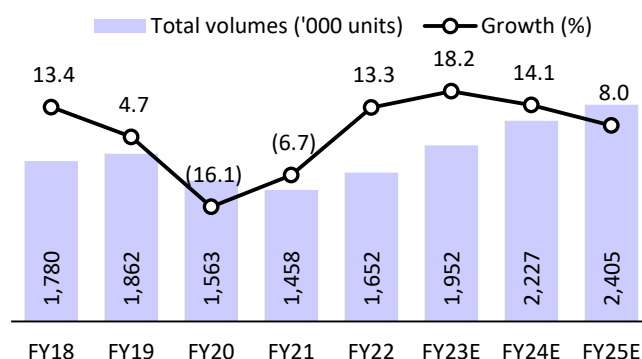
## Story in charts – expect 29% EPS CAGR over FY23-25

**Exhibit 10: Market share declines (excluding Mini) due to the absence of the diesel portfolio**

	FY18	FY19	FY20	FY21	FY22
Mini	71.3	72.3	79.0	84.5	88.5
Compact	52.2	56.4	57.4	54.8	55.3
Compact-Sedan	61.8	57.9	61.9	57.9	57.1
Mid-Size	30	25.8	25.8	19.1	20.0
UVC	40	40.4	27.9	20.2	18.6
UV1	38.8	38.2	31.4	25.7	25.8
<b>MSIL Dom. PV market share (%)</b>	<b>50.2</b>	<b>51.4</b>	<b>51.1</b>	<b>47.7</b>	<b>43.4</b>

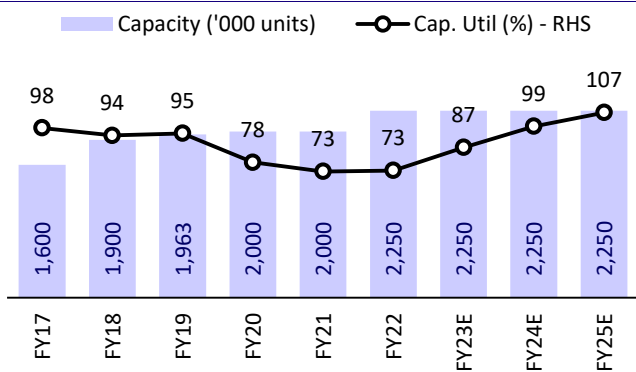
\*Excluding supplies to Toyota; Source: Company, MOFSL

**Exhibit 11: Trends in volume and growth over FY22-25E**



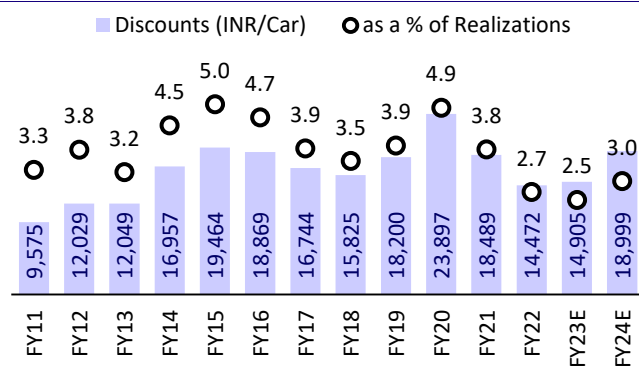
Source: Company, MOFSL

**Exhibit 12: MSIL's utilization to improve materially**



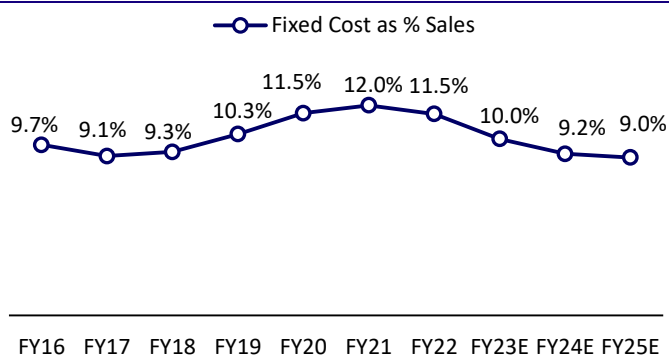
Source: Company, MOFSL

**Exhibit 13: Discounts to increase from lows of FY23E**



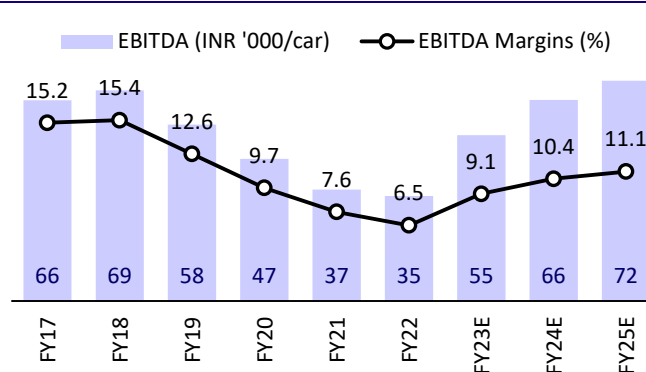
Source: Company, MOFSL

**Exhibit 14: Fixed cost as a percentage of sales**



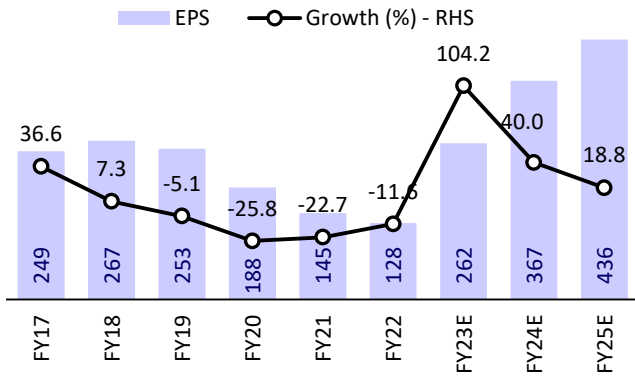
Source: Company, MOFSL

**Exhibit 15: EBITDA margin and EBITDA per car**



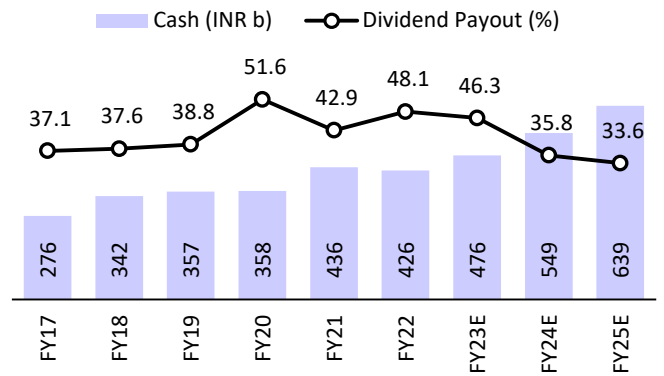
Source: Company, MOFSL

**Exhibit 16: EPS (INR) and growth in EPS**



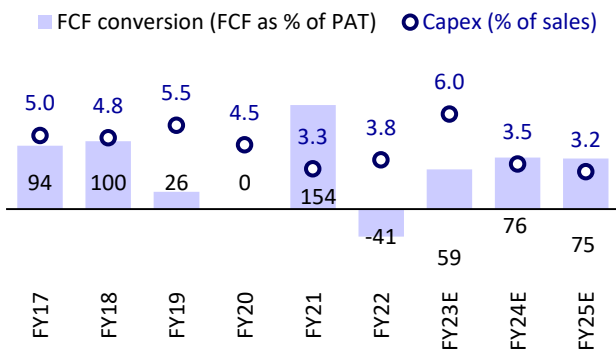
Source: MOFSL, Company

**Exhibit 17: Dividend payout (%) and cash balance (INR b)**



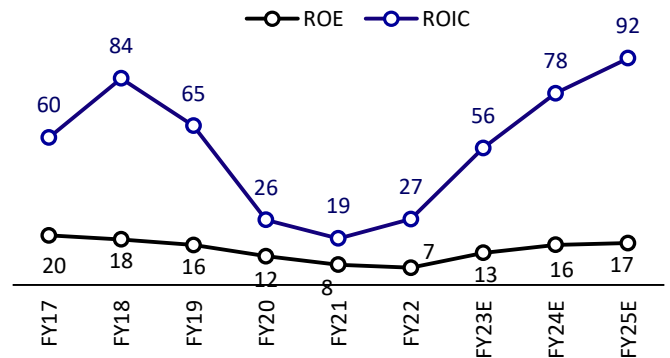
Source: MOFSL, Company

**Exhibit 18: Expect FCF conversion to recover**



Source: Company, MOFSL

**Exhibit 19: RoE v/s RoIC (%)**



Source: Company, MOFSL



**Exhibit 20: Snapshot of the revenue model**

<b>000 units</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
A1/LCVs	24	22	30	34	36	37	39
Growth (%)	138.0	-8.8	35.7	14.4	5.0	5.0	5.0
% of Dom vols	1.4	1.5	2.2	2.4	2.1	1.9	1.9
MPV (Vans)	179	118	105	108	130	138	146
Growth (%)	15.1	-33.7	-11.3	3.1	20.0	6.0	6.0
% of Dom vols	10.2	8.1	7.7	7.7	7.7	7.1	6.9
A2 (other hatchbacks)	987	881	840	810	951	990	1,042
Growth (%)	5.5	-10.8	-4.6	-3.6	17.5	4.1	5.2
% of Dom vols	56.3	60.3	61.7	57.3	56.2	50.7	49.3
A3 (Dzire, Ciaz)	300	204	142	145	173	181	189
Growth (%)	0.3	-31.9	-30.5	1.8	19.4	4.5	4.6
% of Dom vols	17.1	14.0	10.4	10.2	10.2	9.3	8.9
Uvs (Ertiga, Compact SUV)	264	235	245	317	402	606	699
Growth (%)	4.1	-10.9	4.3	29.3	26.8	50.5	15.4
% of Dom vols	15.1	16.1	18.0	22.4	23.8	31.0	33.0
<b>Total Domestic</b>	<b>1,754</b>	<b>1,460</b>	<b>1,362</b>	<b>1,414</b>	<b>1,692</b>	<b>1,952</b>	<b>2,114</b>
Growth (%)	6.1	-16.7	-6.7	3.8	19.7	15.3	8.3
% of Total vols	94.2	93.5	93.4	85.6	86.7	87.6	87.9
Exports	109	102	96	238	260	275	290
Growth (%)	-14	-6	-6	148	9	6	5
% of Total vols	6	7	7	14	13	12	12
<b>Total Volumes</b>	<b>1,862</b>	<b>1,563</b>	<b>1,458</b>	<b>1,652</b>	<b>1,952</b>	<b>2,227</b>	<b>2,405</b>
Growth (%)	4.7	-16.1	-6.7	13.3	18.2	14.1	8.0
<b>ASP (INR 000/unit)</b>	<b>462</b>	<b>484</b>	<b>482</b>	<b>534</b>	<b>596</b>	<b>633</b>	<b>655</b>
Growth (%)	3.0	4.8	-0.3	10.8	11.6	6.2	3.4
<b>Net Sales (INR b)</b>	<b>860</b>	<b>756</b>	<b>703</b>	<b>883</b>	<b>1,164</b>	<b>1,410</b>	<b>1,574</b>
Growth (%)	8	-12	-7	26	32	21	12

Source: MOFSL, Company

## Financials and valuations

Income Statement					(INR Billion)		
Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
<b>Net Op Income</b>	<b>860.2</b>	<b>756.1</b>	<b>703.3</b>	<b>883.0</b>	<b>1,164.0</b>	<b>1,410.2</b>	<b>1,574.4</b>
Change (%)	7.8	-12.1	-7.0	25.5	31.8	21.1	11.6
<b>EBITDA</b>	<b>108.0</b>	<b>73.0</b>	<b>53.5</b>	<b>57.0</b>	<b>106.5</b>	<b>147.1</b>	<b>174.0</b>
EBITDA Margins (%)	12.6	9.7	7.6	6.5	9.1	10.4	11.1
Depreciation	30.2	35.3	30.3	27.9	28.2	30.6	35.5
<b>EBIT</b>	<b>77.8</b>	<b>37.8</b>	<b>23.1</b>	<b>29.1</b>	<b>78.3</b>	<b>116.5</b>	<b>138.5</b>
EBIT Margins (%)	9.0	5.0	3.3	3.3	6.7	8.3	8.8
Interest	0.8	1.3	1.0	1.3	1.2	1.1	1.1
Other Income	25.6	34.2	29.5	17.9	22.9	27.4	32.3
EO Expense	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
Def Revenue Exp. / Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>104.7</b>	<b>70.6</b>	<b>51.6</b>	<b>45.8</b>	<b>100.1</b>	<b>142.8</b>	<b>169.7</b>
Effective tax Rate (%)	28.3	20.0	18.0	17.8	21.8	23.1	23.1
<b>PAT</b>	<b>75.0</b>	<b>56.5</b>	<b>42.3</b>	<b>37.7</b>	<b>78.3</b>	<b>109.8</b>	<b>130.5</b>
<b>Adj. PAT</b>	<b>73.6</b>	<b>56.5</b>	<b>42.3</b>	<b>37.7</b>	<b>78.3</b>	<b>109.8</b>	<b>130.5</b>
Change (%)	-6.8	-23.2	-25.1	-11.0	107.8	40.3	18.8

Balance Sheet					(INR Billion)		
Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
<b>Sources of Funds</b>							
Share Capital	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Reserves	459.9	482.9	512.2	539.4	599.5	673.0	764.2
<b>Net Worth</b>	<b>461.4</b>	<b>484.4</b>	<b>513.7</b>	<b>540.9</b>	<b>601.0</b>	<b>674.5</b>	<b>765.7</b>
Loans	1.5	1.1	4.9	3.8	3.8	3.8	3.8
Deferred Tax Liability	5.6	6.0	3.8	-2.0	-2.0	-2.0	-2.0
<b>Capital Employed</b>	<b>468.6</b>	<b>491.4</b>	<b>522.4</b>	<b>542.7</b>	<b>602.8</b>	<b>676.3</b>	<b>767.5</b>
<b>Application of Funds</b>							
Gross Fixed Assets	263.3	297.3	314.6	324.9	354.2	384.2	504.2
Less: Depreciation	109.2	140.2	165.0	187.7	215.9	246.5	282.1
<b>Net Fixed Assets</b>	<b>154.1</b>	<b>157.1</b>	<b>149.6</b>	<b>137.2</b>	<b>138.3</b>	<b>137.6</b>	<b>222.1</b>
Capital WIP	16.0	14.1	14.9	29.3	70.0	90.0	20.0
Investments	365.2	364.7	417.9	407.6	407.6	407.6	407.6
<b>Curr.Assets, Loans</b>	<b>89.8</b>	<b>84.4</b>	<b>112.9</b>	<b>152.4</b>	<b>219.9</b>	<b>309.2</b>	<b>409.3</b>
Inventory	33.3	32.1	30.5	35.3	51.0	61.8	69.0
Sundry Debtors	23.1	21.3	12.8	20.3	22.3	27.0	30.2
Cash & Bank Balances	1.8	0.2	30.4	30.4	80.1	154.0	243.7
Loans & Advances	5.1	5.2	6.6	0.3	0.3	0.3	0.3
Others	26.5	25.5	32.7	66.1	66.1	66.1	66.1
<b>Current Liab &amp; Prov.</b>	<b>156.5</b>	<b>128.8</b>	<b>172.9</b>	<b>183.8</b>	<b>233.0</b>	<b>268.2</b>	<b>291.5</b>
Sundry Creditors	96.3	74.9	101.6	97.6	149.9	181.6	202.7
Others	51.1	44.9	60.3	71.1	71.1	71.1	71.1
Provisions	9.1	9.0	11.0	15.1	12.0	15.5	17.7
<b>Net Current Assets</b>	<b>-66.7</b>	<b>-44.4</b>	<b>-59.9</b>	<b>-31.4</b>	<b>-13.1</b>	<b>41.0</b>	<b>117.7</b>
<b>Appl. of Funds</b>	<b>468.6</b>	<b>491.4</b>	<b>522.4</b>	<b>542.7</b>	<b>602.8</b>	<b>676.3</b>	<b>767.5</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
<b>Basic (INR)</b>	0.0	0.0	0.0	0.0	0.000	0.0	0.0
<b>Adjusted EPS</b>	<b>243.6</b>	<b>187.1</b>	<b>140.0</b>	<b>124.7</b>	<b>259.0</b>	<b>363.4</b>	<b>431.8</b>
<b>Consol EPS</b>	<b>253.3</b>	<b>188.0</b>	<b>145.3</b>	<b>128.4</b>	<b>262.3</b>	<b>367.0</b>	<b>436.0</b>
Cash EPS	353.2	304.7	245.7	220.7	355.5	468.5	553.6
Book Value per Share	1,527	1,603	1,700	1,790	1,989	2,233	2,535
DPS	80.0	60.0	45.0	60.0	120.0	130.0	145.0
Div. payout (%)	38.8	38.5	31.0	46.7	45.8	35.4	33.3
<b>Valuation (x)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consol. P/E	34.3	46.3	59.9	67.7	33.2	23.7	20.0
Cash P/E	24.6	28.6	35.4	39.4	24.5	18.6	15.7
EV/EBITDA	20.9	31.0	40.9	38.5	20.1	14.1	11.4
EV/Sales	2.7	3.2	3.3	2.6	1.9	1.5	1.3
P/BV	5.7	5.4	5.1	4.9	4.4	3.9	3.4
Dividend Yield (%)	0.9	0.7	0.5	0.7	1.4	1.5	1.7
FCF Yield (%)	0.7	0.0	2.5	-0.6	1.8	3.2	3.7
<b>Profitability Ratios (%)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RoIC	64.7	26.5	18.9	26.8	55.7	78.0	92.2
RoE	16.3	11.7	8.2	7.0	13.0	16.3	17.0
RoCE	22.1	14.6	10.1	8.7	16.8	21.3	22.3
<b>Turnover Ratios</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors (Days)	10	11	7	9	7	7	7
Inventory (Days)	16	17	17	16	18	18	18
Creditors (Days)	59	51	73	54	64	65	65
Work. Cap. (Days)	-33	-23	-49	-29	-39	-39	-40
Asset Turnover (x)	1.8	1.5	1.3	1.6	1.9	2.1	2.1
<b>Leverage Ratio</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt/Equity (x)	-0.8	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8

### Cash Flow Statement

(INR Billion)

Y/E March	2019	2020	2021	2022	2023E	2024E	2025E
Profit before Tax	104.7	70.9	51.6	45.8	100.1	142.8	169.7
Interest	0.8	1.3	1.0	1.3	1.2	1.1	1.1
Depreciation	30.2	35.3	30.3	27.9	28.2	30.6	35.5
Direct Taxes Paid	-31.4	-14.4	-10.1	-11.8	-21.8	-33.0	-39.3
(Inc)/Dec in WC	-13.2	-25.7	43.4	-28.1	31.4	19.7	13.0
Other Items	-25.0	-33.5	-27.8	-17.2	-22.9	-27.4	-32.3
<b>CF from Oper. Activity</b>	<b>65.9</b>	<b>34.1</b>	<b>88.4</b>	<b>17.9</b>	<b>116.1</b>	<b>133.8</b>	<b>147.7</b>
(Inc)/Dec in FA	-47.0	-34.0	-23.3	-33.2	-70.0	-50.0	-50.0
<b>Free Cash Flow</b>	<b>18.9</b>	<b>0.1</b>	<b>65.1</b>	<b>-15.3</b>	<b>46.1</b>	<b>83.8</b>	<b>97.7</b>
(Pur)/Sale of Invest.	11.6	29.4	-49.6	31.3	22.9	27.4	32.3
<b>CF from Inv. Activity</b>	<b>-35.4</b>	<b>-4.6</b>	<b>-72.8</b>	<b>-1.9</b>	<b>-47.1</b>	<b>-22.6</b>	<b>-17.7</b>
Change in Networth	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Debt	0.4	-0.5	3.7	-1.1	0.0	0.0	0.0
Interest Paid	-0.7	-1.3	-1.0	-1.3	-1.2	-1.1	-1.1
Dividends Paid	-29.1	-29.1	-18.1	-13.6	-18.1	-36.2	-39.3
<b>CF from Fin. Activity</b>	<b>-29.5</b>	<b>-31.0</b>	<b>-15.4</b>	<b>-16.0</b>	<b>-19.3</b>	<b>-37.3</b>	<b>-40.4</b>
<b>Inc/(Dec) in Cash</b>	<b>1.1</b>	<b>-1.6</b>	<b>0.1</b>	<b>0.0</b>	<b>49.8</b>	<b>73.9</b>	<b>89.7</b>
Add: Op. Balance	0.7	1.8	0.2	0.3	0.3	50.1	123.9
<b>Closing Balance</b>	<b>1.8</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>50.1</b>	<b>123.9</b>	<b>213.6</b>
E: MOFSL Estimates	0						

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 be 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, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://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://online-reports.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](http://www.nseindia.com), [www.bseindia.com](http://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 at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- 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.
- 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.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

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.: 022-3980 4263; [www.motilaloswal.com](http://www.motilaloswal.com).  
Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN.: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dpgrievances@motilaloswal.com](mailto:dpgrievances@motilaloswal.com).