

Mahindra & Mahindra

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	MM IN
Equity Shares (m)	1198
M.Cap.(INRb)/(USD\$b)	2060.6 / 24.8
52-Week Range (INR)	1758 / 1123
1, 6, 12 Rel. Per (%)	2/-5/0
12M Avg Val (INR M)	3827

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	850	977	1,073
EBITDA	104.4	125.7	141.2
Adj. PAT	77.7	106.6	112.4
Adj. EPS (INR)	64.9	89.0	93.8
EPS Gr. (%)	51.6	37.2	5.4
BV/Sh. (INR)	362	431	502

Ratios

RoE (%)	19.1	22.4	20.1
RoCE (%)	17.0	20.5	19.1
Payout (%)	30	22	24

Valuations

P/E (x)	25.6	18.6	17.7
P/BV (x)	4.6	3.8	3.3
Div. Yield (%)	1.0	1.2	1.4
FCF Yield (%)	2.9	6.2	5.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	18.9	18.9	18.9
DII	25.8	26.2	27.1
FII	45.9	45.4	44.5
Others	9.5	9.5	9.5

FII Includes depository receipts

CMP: INR1,657

TP: INR2,005 (+21%)

Buy

Operationally in line; demand outlook positive in FY25

Expects growth in mid-to-high teens for UV portfolio in FY25

- Mahindra & Mahindra's (MM) 3QFY24 operating performance was in line with our estimates. However, adj. PAT of INR24.5b (+10.7% YoY) beat our estimate of INR23.3b, led by higher other income and lower tax. Key growth drivers in FY25 are likely to be: i) SUV – the management's guidance of mid-teens growth on the back of healthy demand and new launches; ii) tractors – recovery after the base correction led by better growth prospects vs. FY24.
- We maintain our FY24E/FY25E EPS and **reiterate BUY with a TP of INR2,005 (based on FY26E SOTP; includes INR214 per share value for e-PV business).**

Adj. PAT beat estimate led by higher other income and lower tax

- 3QFY24 revenue/EBITDA/adj. PAT grew 17%/15%/11% YoY to INR252.9b/INR32.4b/INR24.5b. 9MFY24 revenue/EBITDA/adj. PAT grew 18%/25%/46% YoY.
- Revenue growth during the quarter was driven by volumes growth of ~11% YoY. ASP grew 5% YoY to INR807.6k per unit (est. INR814.4k/unit).
- Gross margins expanded 60bp YoY (-20bp QoQ) to 24.6% (vs. est. 24.3%), driven by softer commodity costs. EBITDA margins came in at 12.8% (in line, -20bp YoY/+20bp QoQ).
- Further, higher other income and lower tax costs drove adj. PAT growth of 11% YoY to INR24.5b (est. INR23.3b).
- **Auto:** Revenue grew 24% YoY to INR185.8b (est. INR188.1b). Volume/ASP grew 20%/3% YoY. PBIT margin came in at 8.3% (in line, +170bp YoY/-70bp QoQ). The company adjusted MTBD impairment of INR8.97b for 3QFY23; after adjusting it, PBIT margin stood at 0.6%.
- **FES:** Revenue grew 0.5% YoY to INR67.3b (in line). Volumes declined 3% YoY, while ASP grew 5% YoY. PBIT margin came in at 15.5% (-80bp YoY/-50bp QoQ; est. 16.4%), including 0.7% one-time impact of World Cup sponsorship.

Highlights from the management commentary

- **Automotive-** Expects the SUV portfolio to grow by mid-to-high teens in FY25 vs. SIAM's industry projection of 3-4% for overall PVs and 10-12% for UVs. MM is on track to achieve 4QFY24-exit capacity of 49k units per month for SUVs. Expects 4Q run rate to be flat due to XUV300 ramp-down for mid-cycle enhancement.
- **Open bookings stand at 226k units** (vs. 286k units in 2QFY24), including ~101k/71k/35k open bookings for Scorpio/Thar/XUV700.
- **Farm:** Expects tractor volumes to decline 10% YoY in 4QFY24 and 5% YoY in FY24. Guidance for FY25 tractor demand directionally positive. Retail demand is currently weak. Dealer inventory is slightly higher than 30 days and the company expects to bring it down in the next three months.

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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.motiloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **Last-mile mobility (LMM)**- LMM business has qualified for both PLI and FAME. Products are ready and will get the first disbursement in 1Q. NIIF's India-Japan Fund (IJF) invested at a valuation of INR66b, 10% higher than the previous valuation.

Valuation and view

- MM's auto business is expected to be the key growth driver for the next couple of years on the back of its healthy order backlog and new launches. The near-term outlook for tractors remains weak, but we expect tractor demand to revive to mid-single digit growth amid favorable indicators. We estimate a CAGR of ~12%/15%/16% in revenue/EBITDA/PAT over FY23-26.
- The implied core P/E for MM stands at 16.8x/15.2x FY24E/FY25E EPS, which is still attractive vs. peers. **We maintain our BUY rating with a TP of INR2,005 (based on FY26E SOTP).**

Quarterly Performance (incl MVML)

Y/E March	FY23				FY24E				FY23	FY24E	
INR b	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Total Volumes ('000 units)	272	273	282	279	301	302	313	294	1,105	1,211	313
Growth YoY (%)	45.6	43.3	31.6	21.9	10.7	10.6	11.1	5.5	34.8	9.5	11.1
Net Realization (INR '000/unit)	725	769	768	809	799	805	808	817	769	807	814
Growth YoY (%)	15.2	10.2	7.2	7.4	10.1	4.6	5.1	1.0	9.1	5.0	6.0
Net Op. Income	197	210	217	226	241	243	253	240	850	977	255
Growth YoY (%)	67.7	57.9	41.1	30.9	22.0	15.7	16.8	6.5	47.0	15.0	17.8
RM Cost (% of sales)	76.6	76.5	76.0	75.0	75.3	75.6	75.4	75.7	76.0	75.5	75.7
Staff (% of sales)	4.3	4.4	4.3	4.2	4.3	4.6	4.5	4.6	4.3	4.5	4.7
Oth. Exp. (% of Sales)	7.3	7.2	6.7	8.4	6.9	7.2	7.3	7.1	7.4	7.1	6.9
EBITDA	23	25	28	28	32	31	32	30	104	126	32
EBITDA Margins (%)	11.8	11.9	13.0	12.4	13.4	12.6	12.8	12.6	12.3	12.9	12.7
Other income	2.3	13.1	6.7	3.3	9.7	21.5	7.4	3.5	25.5	42.1	6.5
Interest	0.7	0.6	0.7	0.7	0.3	0.3	0.3	0.4	2.7	1.4	0.3
Depreciation	7.0	7.9	8.3	8.4	8.3	8.2	8.2	8.2	31.5	32.8	8.3
EO Income/(Exp)	-0.4	-2.5	-6.3	-5.1	0.0	0.0	0.0	0.0	-14.3	0.0	0.0
PBT after EO	17.5	27.1	19.6	17.1	33.4	43.7	31.2	25.3	81.3	133.6	30.3
Tax	3.5	6.4	4.3	1.6	5.7	9.2	6.7	5.5	15.8	27.0	7.0
Effective Tax Rate (%)	20.0	23.6	21.9	9.5	17.1	21.0	21.4	21.6	19.5	20.2	23.0
Reported PAT	14.0	20.7	15.3	15.5	27.7	34.5	24.5	19.8	65.5	106.6	23.3
Adj PAT	14.0	23.4	22.2	19.8	27.7	34.5	24.5	19.8	77.7	106.6	23.3
Change (%)	50.3	38.6	66.0	66.7	97.6	47.6	10.7	0.2	51.8	37.2	14.9

E: MOFSL Estimates

Segmental (M&M + MVML)

Y/E March	FY23				FY24E				FY23	FY24E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Realizations (INR '000/unit)											
Auto	825	840	850	877	893	868	879	875	850	890	890
Farm Equipment	598	636	634	670	648	657	662	662	632	657	661
Blended	725	769	768	809	799	805	808	817	768.6	807	814
Segment PBIT Margins (%)											
Auto	5.3	5.9	0.6*	7.1	7.5	9.0	8.3	8.9	4.8	8.5	8.3
Farm Equipment	15.9	16.3	16.3	16.4	17.5	16.0	15.5	15.1	16.2	16.1	16.4

E: Without MTBD impairment margins would have been 6.6%; MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24E				FY23	FY24E	3QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Tractors ('000 units)	118.5	93.5	105.8	89.7	115.0	90.1	101.7	78.4	407.5	385.1	101.7
Change (%)	18.6	5.2	13.8	23.1	-3.0	-3.7	-3.9	-12.6	14.9	-5.5	-3.9
Total UV ('000 units)	133.3	154.3	149.5	160.7	158.1	180.2	180.4	186.1	597.8	705.0	180.4
Change (%)	74.6	82.5	47.3	19.8	18.6	16.8	20.7	15.8	50.7	17.9	20.7
Other Autos ('000 units)	20.1	25.4	26.6	28.5	28.0	31.9	31.0	29.8	100.7	120.5	31.0
Change (%)	92.0	48.1	35.2	31.4	39.3	25.5	16.4	4.6	45.8	19.7	16.4
Cost Break-up											
RM Cost (% of sales)	76.6	76.5	76.0	75.0	75.3	75.6	75.4	75.7	76.0	75.5	75.7
Staff Cost (% of sales)	4.3	4.4	4.3	4.2	4.3	4.6	4.5	4.6	4.3	4.5	4.7
Other Cost (% of sales)	7.3	7.2	6.7	8.4	6.9	7.2	7.3	7.1	7.4	7.1	6.9
Gross Margins (%)	23.4	23.5	24.0	25.0	24.7	24.4	24.6	24.3	24.0	24.5	24.3
EBITDA Margins (%)	11.8	11.9	13.0	12.4	13.4	12.6	12.8	12.6	12.3	12.9	12.7
EBIT Margins (%)	8.3	8.1	9.2	8.7	10.0	9.3	9.6	9.2	8.6	9.5	9.5

E:MOFSL Estimates



Highlights from the management commentary

- **Auto: Expects MM's SUV portfolio to grow by mid-to-high teens in FY25 vs. SIAM's industry projection of 3-4% growth for PVs and 10-12% growth for UVs.**
- **Open bookings now stand at 226k units** (vs. 286k units in 2QFY24), including ~101k/71k/35k open bookings for Scorpio/Thar/XUV700. Cancellations were 10% in 3QFY24 due to year-end VIN change; however, they have now normalized to ~8% in Jan'24.
- **Average monthly bookings continue to be in the range of ~50k** and delivery average has increased to 40k units per month.
- **On track to achieve 4QFY24-exit capacity of 49k units per month.** However, MM would not be able to scale up to 49k units wholesales due to variant level demand-supply mismatch. 4Q is also likely to see some softness in wholesales due to XUV300 ramp-down for mid-cycle enhancement.
- **Product-wise bookings:** i) Thar- healthy bookings of 71k units; 2WD contributes 50% of overall volumes. Not been able to ramp up 2WD production due to engine-related capacity issues; ii) XUV700- 70% of the orders from higher-end series. They would now target to advocate capacity and supplies for entry and mid-level variants as well to get more breadth of customers in the same model. The company is now reaching out to old XUV500 customers and focusing on lower-end XUV700 models; iii) Scorpio Classic- continues to see better-than-expected momentum despite the launch of Scorpio N series.
- **New launches-** MM is mindful of having a strong ICE portfolio. Two new launches are coming in FY25: Thar 5 door and XUV300 mid-cycle refresh.
- **LCV-** 3QFY24 market share stood at 49.6%, up 3.1% YoY.
- **M&M enjoys market leadership in 3W EVs with 59.5% market share.** EV in L5 category now stands at 11.6% for YTD and the management expects this segment to see rapid electrification in the coming quarters.
- **Farm- MM expects tractor volumes to decline 10% YoY in 4QFY24 and 5% YoY in FY24.** Guidance for FY25 tractor demand is directionally positive. Some of the positive indicators for FY25 demand revival include: expectations of healthy monsoon, positive terms of trade for farmers, and normalized festive period next year.

- Retail demand is currently weak. Dealer inventory is slightly higher than 30 days and the company expects to bring it down in next 3 months. Weak tractor demand was partly attributed to reduced govt spending in rural regions in the recent past, as per the management.
- Tractor margins have been relatively low in FY24 due to adverse regional mix. The management indicated that Telangana, Karnataka and Maharashtra have underperformed other regions and these states see a higher mix of high-HP tractor sales, which have higher margins.
- **EVs**
 - PV EV industry has recently seen aggressive price cuts by competition due to reducing battery prices and in response to MM’s re-launch of XUV400.
 - CAFÉ norms- Likely to meet the norms comfortably in FY24.
 - LMM business has qualified for both PLI and FAME benefits. NIIF’s India-Japan Fund (IJF) invested in LMM at a valuation of INR66b, 10% higher than the previous valuation.
 - For the EV SUV business, MM is expected to meet the localization norms by 2QFY25 and then it will apply for PLI.
- **Truck and bus business-** Market share has increased from 2.2% to now 3.2%. Out of the top-40 dealers, 8 or 10 have more than 10% market share in their respective regions. MM expects to gradually ramp up its dealer network in CVs going forward while focusing on dealer viability. This business already has a revenue of INR30b with a 3% market share and MM targets to get to INR10b in revenue and 7% market share, which would make the business profitable.
- **Farm machinery business-** As per management, this business is 1.5 to 2 years away from breakeven; by the time, it is expected to meaningfully contribute to revenue.
- **Red Sea issues-** The only minor impact for MM is the delay in exports of Oja tractor to North America by 4-5 weeks, which is now factored in by distributors as well. MM does not see any material increase in input costs or any material disruptions in its supply chain currently.

Exhibit 1: Trend in Passenger UV volumes

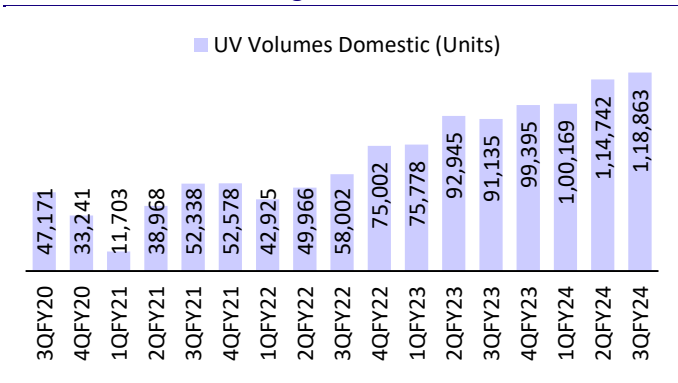


Exhibit 2: Trend in Passenger UV market share

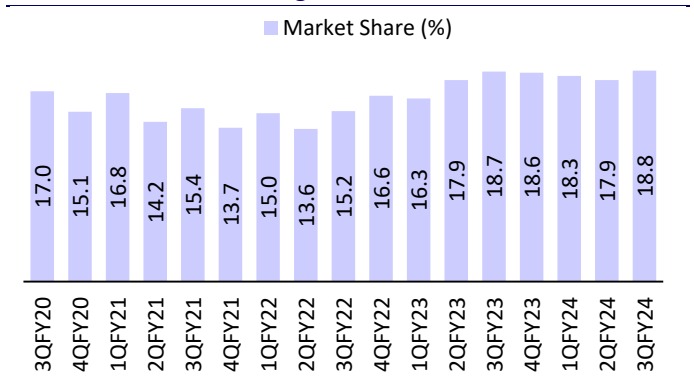


Exhibit 3: Trend in Tractor volumes

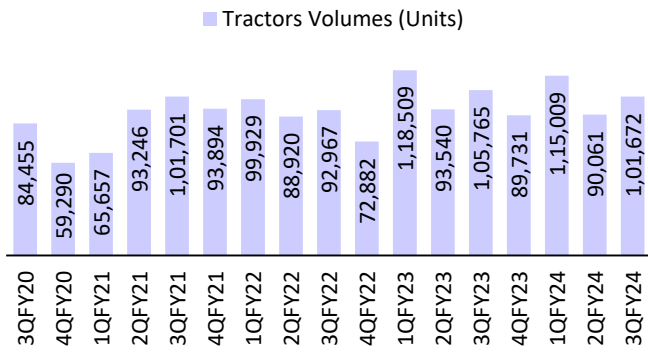


Exhibit 4: Market share trend for the Tractor segment

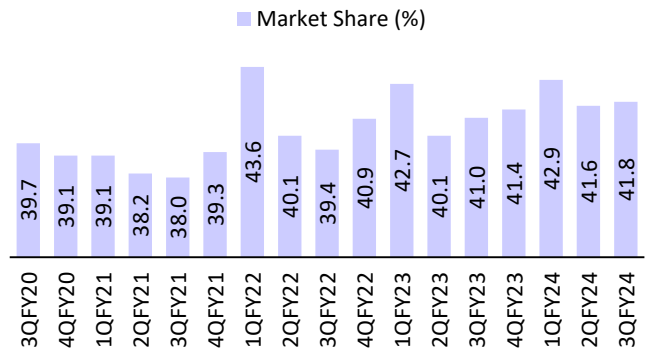


Exhibit 5: Trend in realization for the Auto segment

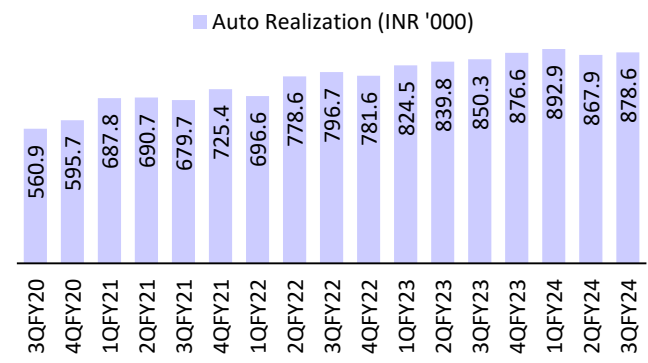


Exhibit 6: Trend in realization for FES

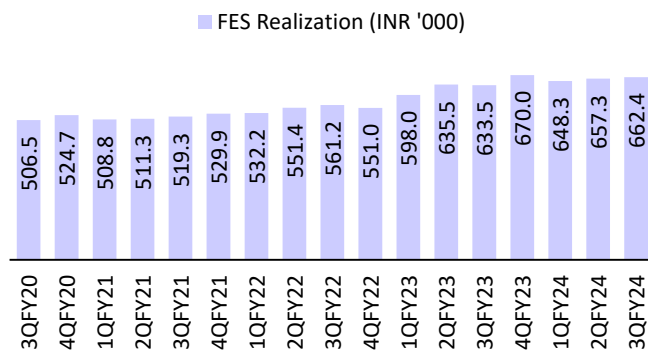
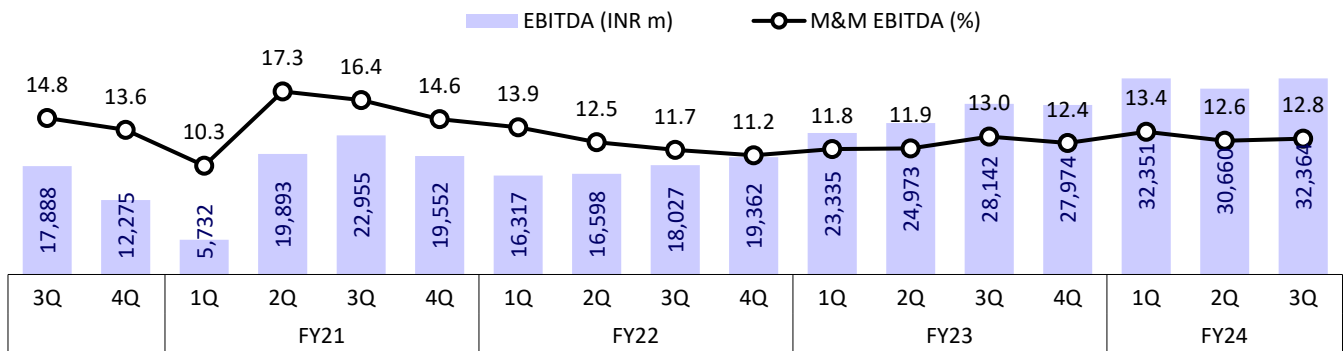
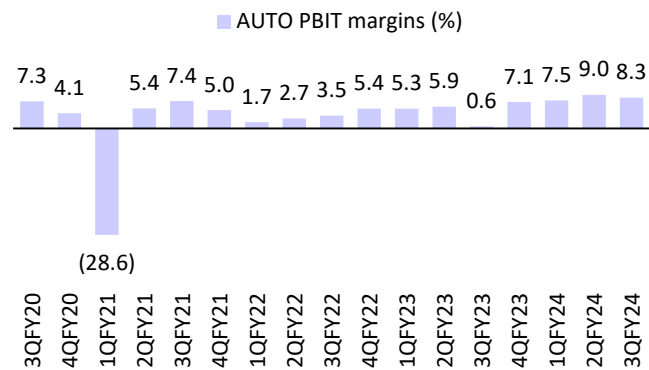


Exhibit 7: Trend in EBITDA margin



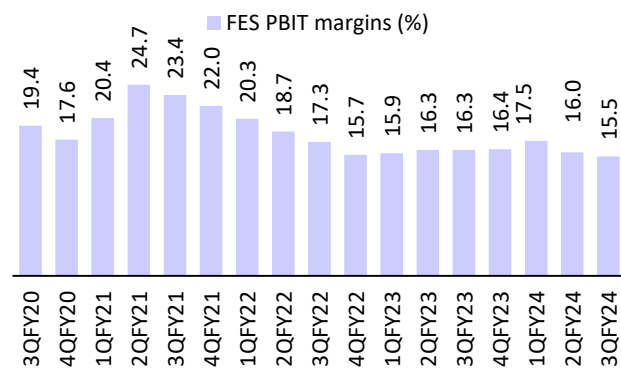
Source: Company, MOFSL

Exhibit 8: Trend in PBIT margin for the Auto segment



(3QFY23 margins w/o MTBD impairment at 6.6%)Company, MOFSL

Exhibit 9: Trend in PBIT margin for FES



Source: Company, MOFSL

Exhibit 10: MM's strong UV performance and pipeline



Open Bookings as on 1st February 2024
Avg Monthly booking of Q3 F24

11

Source: Company, MOFSL

Valuation and view

- Best rural proxy, with two of the three core businesses on a strong footing:** We have slotted MM's core business into three buckets: Tractor, Pickup UV, and Passenger UV. Tractor growth is likely to remain positive in FY25E after an expected decline of ~5% YoY in FY24E. UVs are on a strong footing in terms of outlook, MM's competitive positioning, and industry-level consolidation. Its SUV business is firing on all cylinders thanks to blockbuster launches and improving supply chain.
- Recovery in SUV segment to continue, led by successful new launches:** MM's reorientation of its SUV business to maintain its DNA and brand positioning has led to a revival in its fortunes and has resulted in robust demand momentum for its SUVs. This has led to a strong order backlog as production is lagging demand, which offers visibility of continued volume traction over the next 12-15 months. We expect a 14% volume CAGR in Passenger UVs over FY23-26.
- Tractor industry to see ~5% YoY decline in FY24E; MM likely to outperform the industry:** Lower government spending on agri and rural, along with weak monsoon, has dented demand in FY24. However, we believe FY25 is likely to witness better growth prospects on the back of a normal festive season and expectations of a healthy monsoon. Moreover, MM is focusing on lightweight tractors and has launched the Oja range. We estimate MM's tractor volumes to decline ~5% YoY in FY24 and grow 5% YoY in FY25.
- MM's positioning in LCVs to strengthen further:** Given the current scenario, we do not expect any significant growth in industry volumes for LCVs and it is likely to witness a low-to-mid-single digit growth in the coming years. However, MM enjoys more than 40% market share in Cargo LCV and over 55% in the 2.0-3.5t segment. We estimate a 5% volume CAGR over FY23-26 for the company.

- Valuation and view:** We maintain our FY24E/FY25E EPS. Key growth drivers in FY25 are likely to be: i) SUV- management's guidance of mid-teens growth on the back of healthy demand and new launches; and ii) tractors – recovery in after the base correction led by better growth prospects vs. FY24. We estimate a CAGR of ~12%/15%/16% in revenue/EBITDA/PAT over FY23-26. The implied core P/E for MM stands at 16.8x/15.2x FY24E/FY25E EPS, which is still attractive vs. peers. BUY rating with a TP of INR2,005 (based on FY26E SOTP).

Exhibit 11: Our revised forecasts:

	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	1,211	1,238	-2.2	1,301	1,330	-2.2
Net Sales	977	1,006	-2.9	1,073	1,105	-2.9
EBITDA (%)	12.9	12.8	0bp	13.2	13.2	0bp
Net Profit	107	107	-0.5	112	113	-0.6
EPS (INR)	89.0	89.4	-0.5	93.8	94.4	-0.6

Exhibit 12: SoTP valuation

SOTP (INR/sh)	Target P/E (x)	FY24E	FY25E	FY26E
Tractors	18	490	547	612
Autos	16	640	694	764
Value of ePV business (50% HoldCo discount)		214	214	214
Value of Core Business		1344	1455	1590
Value of subs post hold-co discount	20%	415	415	415
- Tech Mahindra	268	214	214	214
- MMFSL	156	125	125	125
- Mah. Lifespaces	12	10	10	10
- Mah. Holidays	30	24	24	24
- Mah. Logistics	15	12	12	12
- Others	37	30	30	30
Fair Value (INR/sh)		1759	1870	2005

Source: MOFSL

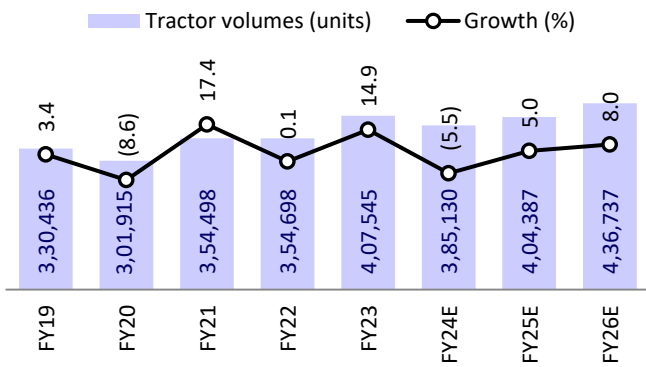
Exhibit 13: Snapshot of the revenue model (standalone)

000 units	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Tractors	320	330	302	354	355	408	385	404	437
Growth (%)	21.5	3.4	-8.6	17.4	0.1	14.9	-5.5	5.0	8.0
% of total volumes	36.8	35.2	38.8	50.2	43.2	36.8	31.8	31.1	31.2
Autos									
Pick-up/LCVs (<3.5t)	200	229	188	154	171	239	247	259	285
Growth (%)	19.1	14.9	-18.1	-18.3	11.2	39.8	3.5	5.0	10.0
SUVs	235	237	179	156	226	359	458	502	525
Growth (%)	5.7	0.9	-24.4	-13.3	45.2	59.0	27.5	9.5	4.7
3-Ws	55	67	62	21	30	59	77	87	97
Growth (%)	4.4	22.1	-6.8	-67.0	46.5	94.6	32.0	12.0	12.0
LCVs (>3.5t)	8	8	6	2	2	4	11	13	15
Growth (%)	1.6	8.6	-26.5	-75.0	31.0	84.9	188.0	25.0	15.0
M&HCVs (MTBL)	9	11	5	3	4	6	7	7	8
Growth (%)	41.2	14.3	-53.0	-50.0	60.0	30.0	20.0	9.0	9.0
Others & Exports	42	56	35	18	33	32	26	28	34
Growth (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Autos	549	609	476	352	466	698	826	897	965
Growth (%)	8.9	10.8	-21.8	-26.0	32.2	50.0	18.2	8.6	7.6
% of total volumes	63.2	64.8	61.2	49.8	56.8	63.2	68.2	68.9	68.8
Total volumes ('000 units)	869	939	778	707	820	1,106	1,211	1,301	1,402
Growth (%)	12.9	8.1	-17.2	-9.1	16.1	34.8	9.5	7.5	7.7
ASP (INR '000/Unit)	548	563	577	629	705	769	807	825	814
Growth (%)	1.9	2.8	2.5	9.1	12.0	9.1	5.0	2.2	-1.2
Net Sales (INR b)	476	528	449	445	578	850	977	1,073	1,179
Growth (%)	15.0	11.1	-15.1	-0.9	29.9	47.0	15.0	9.8	9.9

Source: Company, MOFSL

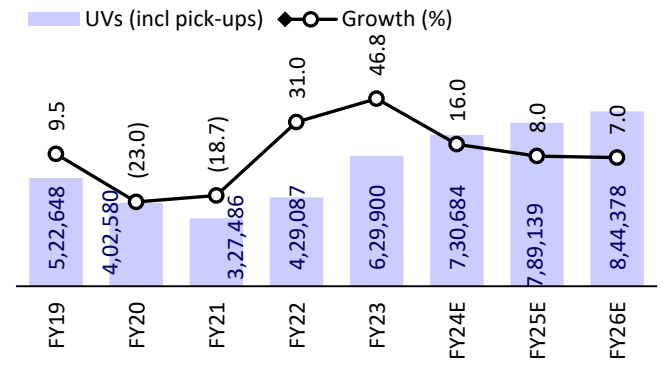
Story in charts

Exhibit 14: Trend in Tractor volumes



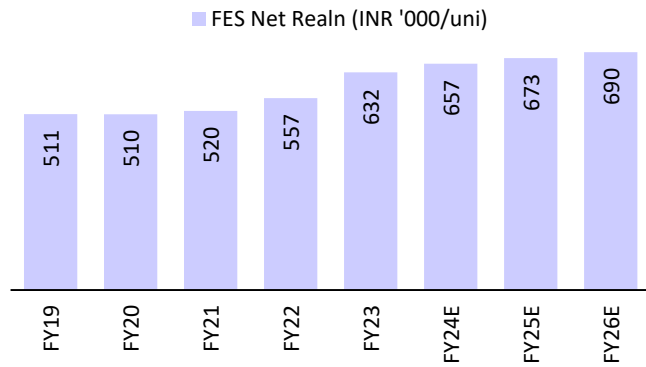
Source: Company, MOFSL

Exhibit 15: New product launches to drive UV sales



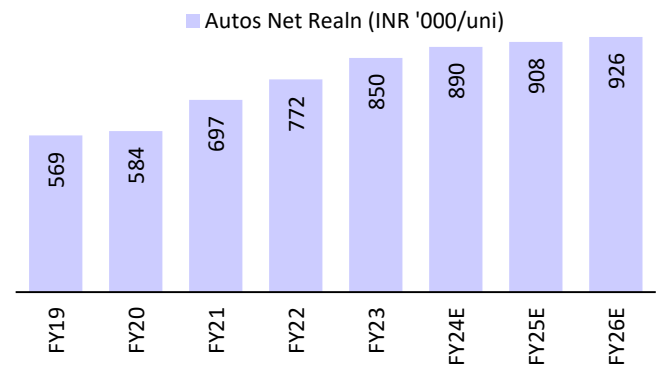
Source: Company, MOFSL

Exhibit 16: Trend in FES business realizations



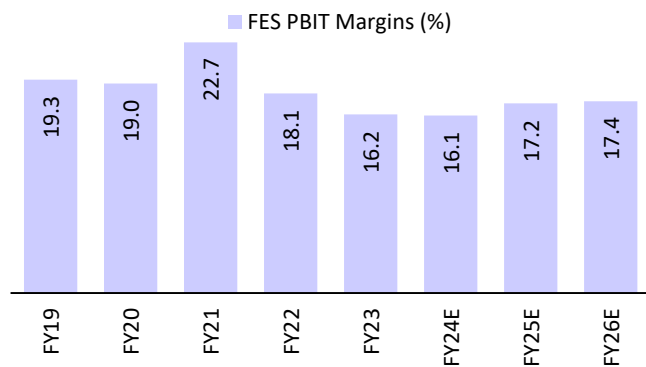
Source: Company, MOFSL

Exhibit 17: Trend in Auto business realizations



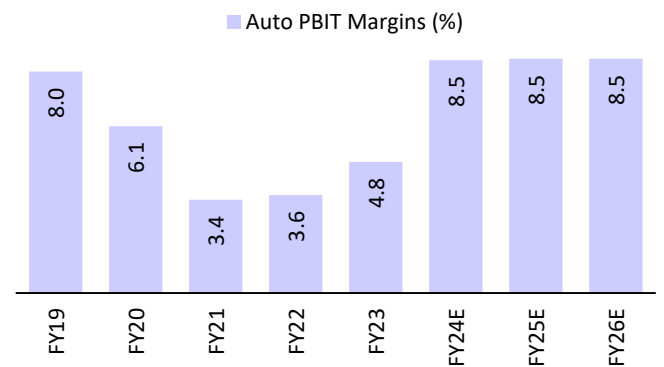
Source: Company, MOFSL

Exhibit 18: Trend in FES business PBIT margin



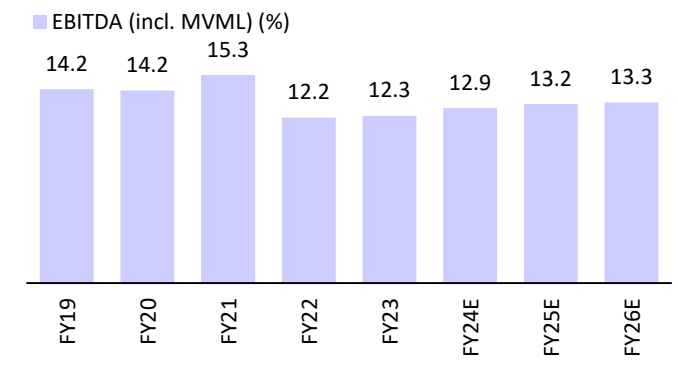
Source: Company, MOFSL

Exhibit 19: Trend in Auto business PBIT margin



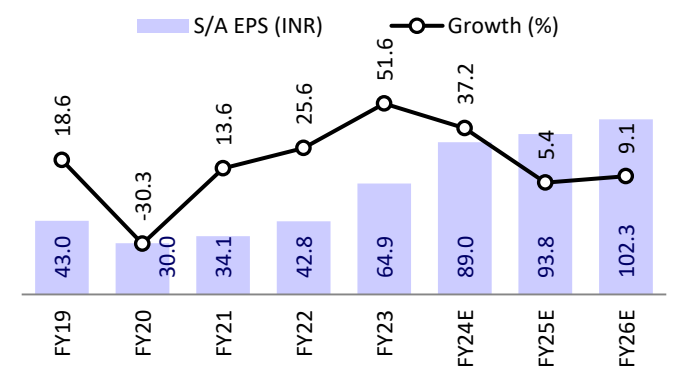
Source: Company, MOFSL

Exhibit 20: Trend in EBITDA margin



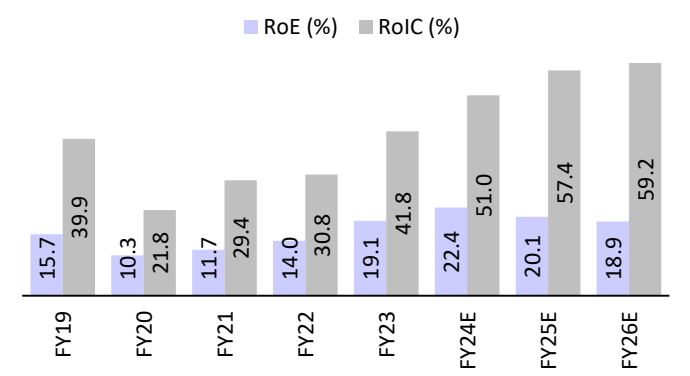
Source: Company, MOFSL

Exhibit 21: Trend in standalone EPS



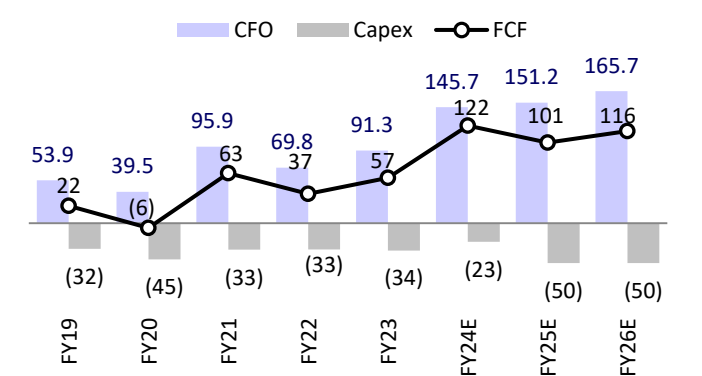
Source: Company, MOFSL

Exhibit 22: Trend in capital efficiencies (standalone)



Source: Company, MOFSL

Exhibit 23: FCF to improve despite higher capex plans



Source: Company, MOFSL

Financials and valuations

S/A Income Statement (incl MVML)

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Op. Income	528.5	448.7	444.7	577.9	849.6	977.0	1,072.7	1,179.2
Change (%)	11.1	-15.1	-0.9	29.9	47.0	15.0	9.8	9.9
EBITDA	75.3	63.5	68.0	70.3	104.4	125.7	141.2	156.6
Margins (%)	14.2	14.2	15.3	12.2	12.3	12.9	13.2	13.3
Depreciation	20.0	23.6	23.7	25.0	31.5	32.8	36.3	40.5
EBIT	55.3	39.9	44.3	45.3	72.9	92.9	104.9	116.1
Int. & Finance Charges	1.5	1.2	4.0	2.3	2.7	1.4	1.3	1.1
Other Income	16.3	15.4	12.0	20.5	25.5	42.1	41.3	43.2
Non-recurring Income	3.7	-28.1	-29.3	-2.1	-14.3	0.0	0.0	0.0
Profit before Tax	73.8	25.9	23.0	61.5	81.3	133.6	145.0	158.2
Eff. Tax Rate (%)	26.8	71.5	57.3	20.8	19.5	20.2	22.5	22.5
Profit after Tax	54.0	7.4	9.8	48.7	65.5	106.6	112.4	122.6
Adj. Profit after Tax	51.3	35.8	40.7	51.2	77.7	106.6	112.4	122.6
Change (%)	18.7	-30.3	13.8	25.8	51.8	37.2	5.4	9.1

Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Reserves	344.0	340.3	343.5	376.0	427.6	510.3	595.8	688.5
Net Worth	349.9	346.3	349.5	382.0	433.6	516.3	601.7	694.5
Deferred tax	7.9	15.1	14.5	17.6	14.7	14.7	14.7	14.7
Loans	26.8	31.5	77.9	67.4	50.3	21.9	19.9	17.9
Capital Employed	384.6	392.9	441.9	467.0	498.5	552.9	636.4	727.1
Application of Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Fixed Assets	242.3	266.4	288.3	315.8	362.2	407.2	457.2	507.2
Less: Depreciation	123.7	145.9	168.2	166.7	192.4	251.9	288.2	328.7
Net Fixed Assets	118.5	120.5	120.1	149.0	169.8	155.2	168.9	178.4
Capital WIP	26.4	48.6	61.3	52.6	27.8	32.8	32.8	32.8
Investments	206.3	175.3	217.8	242.0	270.9	309.9	326.9	343.9
Curr.Assets, L & Adv.	197.9	173.8	216.5	222.4	289.3	346.3	420.8	509.1
Inventory	47.6	40.4	47.8	59.7	88.8	102.1	112.1	123.3
Sundry Debtors	38.1	29.0	22.0	30.4	40.4	46.5	51.0	56.1
Cash & Bank Bal.	38.3	42.4	64.0	36.5	44.8	74.6	128.7	194.4
Loans & Advances	8.6	6.5	19.3	49.3	51.8	59.6	65.4	71.9
Others	65.3	55.5	63.3	46.5	63.5	63.5	63.5	63.5
Current Liab. & Prov.	164.5	125.3	173.8	199.0	259.3	291.3	313.0	337.2
Sundry Creditors	103.6	72.0	106.4	129.7	171.5	200.8	220.4	242.3
Other Liabilities	44.8	37.5	52.3	55.4	69.7	69.7	69.7	69.7
Provisions	16.2	15.8	15.1	13.9	18.1	20.9	22.9	25.2
Net Current Assets	33.4	48.5	42.7	23.3	30.0	55.0	107.8	172.0
Working Capital	-4.9	6.1	-21.3	-13.2	-14.8	-19.6	-21.0	-22.4
Application of Funds	384.6	392.9	441.9	467.0	498.5	552.9	636.4	727.1

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
Fully diluted EPS	43.0	30.0	34.1	42.8	64.9	89.0	93.8	102.3
FD EPS (incl MVML)	43.0	30.0	34.1	42.8	64.9	89.0	93.8	102.3
Cash EPS	59.9	49.8	53.9	63.7	91.2	116.4	124.1	136.1
Book Value per Share	293.7	290.3	292.5	319.2	361.9	430.9	502.2	579.6
DPS	8.5	2.4	8.8	11.5	16.3	20.0	22.5	25.0
Div. Payout (%)	21.8	44.0	106.2	28.2	29.6	22.4	23.9	24.4
Valuation (x)								
P/E	38.5	55.3	48.6	38.7	25.6	18.6	17.7	16.2
Cash P/E	27.7	33.3	30.7	26.0	18.2	14.2	13.4	12.2
EV/EBITDA	25.7	30.5	28.7	26.3	17.2	13.7	11.8	10.2
EV/Sales	3.7	4.3	4.4	3.2	2.1	1.8	1.5	1.3
Price to Book Value	5.6	5.7	5.7	5.2	4.6	3.8	3.3	2.9
Dividend Yield (%)	0.5	0.1	0.5	0.7	1.0	1.2	1.4	1.5
Profitability Ratios (%)								
RoE	15.7	10.3	11.7	14.0	19.1	22.4	20.1	18.9
RoCE	14.1	9.3	10.1	11.6	17.0	20.5	19.1	18.1
RoIC	39.9	21.8	29.4	30.8	41.8	51.0	57.4	59.2
Turnover Ratios								
Debtors (Days)	26.3	23.6	18.1	19.2	17.4	17.4	17.4	17.4
Inventory (Days)	32.9	32.9	39.3	37.7	38.2	38.2	38.2	38.2
Creditors (Days)	71.6	58.6	87.3	81.9	73.7	75.0	75.0	75.0
Core. Work. Cap (Days)	-12.3	-2.1	-30.0	-25.0	-18.1	-19.5	-19.5	-19.5
Asset Turnover (x)	1.4	1.1	1.0	1.2	1.7	1.8	1.7	1.6
Leverage Ratio								
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.4	-0.4	-0.5	-0.5	-0.6

E: MOFSL Estimates

Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	70.1	54.0	53.9	63.6	95.6	92.9	104.9	116.1
Int./Dividends Received	-12.3	-12.9	-9.5	-18.2	-20.5	42.1	41.3	43.2
Depreciation & Amort.	20.0	23.6	23.7	25.0	31.5	32.8	36.3	40.5
Direct Taxes Paid	-17.0	-12.0	-11.4	-6.0	-19.4	-27.0	-32.6	-35.6
(Inc)/Dec in Wkg. Capital	-6.7	-15.0	35.9	3.9	3.9	4.9	1.3	1.5
Other Items	-0.2	1.7	3.3	1.5	0.1	0.0	0.0	0.0
CF from Oper. Activity	53.9	39.5	95.9	69.8	91.3	145.7	151.2	165.7
(Inc)/Dec in FA+CWIP	-32.2	-45.4	-33.1	-32.9	-34.3	-23.3	-50.0	-50.0
Free Cash Flow	21.8	-6.0	62.8	36.9	57.0	122.4	101.2	115.7
(Pur)/Sale of Invest.	4.4	16.4	-112.2	-6.7	-13.2	-39.0	-17.0	-17.0
CF from Inv. Activity	-27.7	-29.0	-145.6	-39.6	-47.5	-62.3	-67.0	-67.0
Change in Net Worth	0.0	0.0	0.0	0.0	0.1	0.0	-0.0	0.0
Inc/(Dec) in Debt	-5.2	3.9	42.7	-16.0	-19.8	-28.3	-2.0	-2.0
Interest Paid	-2.0	-1.9	-4.6	-4.8	-3.8	-1.4	-1.3	-1.1
Dividends Paid	-10.3	-12.1	-2.9	-10.9	-14.4	-24.1	-27.1	-30.0
CF from Fin. Activity	-17.5	-10.1	35.1	-31.7	-37.8	-53.7	-30.3	-33.2
Inc/(Dec) in Cash	8.7	0.3	-14.6	-1.5	5.9	29.7	53.9	65.5
Add: Beginning Balance	14.2	22.9	23.2	8.7	7.2	13.1	42.9	97.0
Closing Balance	22.9	23.2	8.7	7.2	13.1	42.9	97.0	162.7

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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; 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. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.