12 September 2023
Annual Report Update | Sector: Automobiles

Maruti Suzuki

BSE SENSEX	S&P CNX
67,221	19,993

Bloomberg	MSIL IN
Equity Shares (m)	302
M.Cap.(INRb)/(USDb)	3172.9 / 38.3
52-Week Range (INR)	10568 / 8076
1, 6, 12 Rel. Per (%)	9/7/6
12M Avg Val (INR M)	4733

Financials & valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	1,175	1,488	1,626
EBITDA	110	160	186
Adj. PAT	80	122	133
Cons. Adj. EPS (INR)	272	408	444
EPS Gr. (%)	111.7	50.1	8.8
BV/Sh. (INR)	1,999	2,312	2,622
Ratios			
RoE (%)	13.3	17.5	16.8
RoCE (%)	16.9	22.7	21.8
Payout (%)	33.1	31.9	32.7
Valuations			
P/E (x)	38.7	25.8	23.7
P/BV (x)	5.3	4.5	4.0
EV/EBITDA (x)	24.6	16.5	13.9
Div. Yield (%)	0.9	1.2	1.4

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	56.5	56.5	56.4
DII	18.2	18.7	18.0
FII	21.9	21.1	21.9
Others	3.4	3.7	3.7

FII Includes depository receipts

CMP: INR10,504 TP: INR11,900 (+13%) Buy

Estimates 6% CAGR in dom. PV Industry till FY31

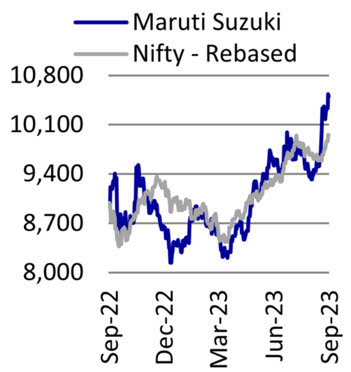
To add 2m units capacity by FY31 | Aiming for SUV leadership in FY24

Maruti Suzuki (MSIL)'s FY23 Annual Report highlighted: a) its expectations of 6% volume CAGR in domestic PV industry until FY31, b) its estimate of 14-15% export CAGR until FY31, c) addition of 2m units capacity in nine years, d) small cars to report <2% CAGR, needing MSIL to restructure its production facilities, e) its aim for a leadership position in SUVs in FY24, f) its first EV launch in FY25E, and g) its focus on CNG and other clean fuels that would reduce its carbon footprint. The key takeaways are highlighted below:

- Unlike double-digit growth witnessed in the Chinese PV market in the past, MSIL expects a 6% CAGR until FY31 for the Indian PV industry. In FY24, the company expects to grow at a slightly higher rate than the market. Additionally, management expects demand from the exports market would continue to grow. It anticipates export volumes of 750k-800k units by FY31 (vs. 259k in FY23; implying 14-15% CAGR).
- MSIL is looking to add another 2m units capacity (vs. current 2.25m units). It is adding 250k units capacity in the first phase (at a capex of INR110b) at the first site in Kharkhoda, Haryana by 1HCY25. A similar plant of 250k units capacity will be added every year to reach a capacity of 1m units. Further, MSIL is in the process of selecting a second site for adding another 1m units capacity by FY31.
- MSIL reinforced its SUV product portfolio with the launch of Brezza and Grand Vitara. Further, the recently launched Jimny and Fronx will help MSIL expand its presence in the SUV segment. With the successful launch of Grand Vitara and Invicto, the company has proved its ability and established its brand in the premium segment. If the supply situation of the electronic components improves, MSIL aims to achieve market leadership in the SUV segment in FY24.
- Though the growth rate for non-premium hatchbacks is expected to be <2% CAGR, the industry volume is ~1m units p.a. with MSIL enjoying a ~70% market share. Hence, management intends to do whatever is necessary to meet customer needs in this segment in the best possible manner. With weak outlook of the smaller entry-level car market, MSIL is restructuring its production facilities to conform to the new realities (expects lower growth rate).
- The EV development is underway at the Gujarat plant and the first model is expected to be launched in FY25. By FY31, it expects to have six EV models that would contribute 15-20% to its total sales.
- In FY23, MSIL extended the S-CNG technology to six more models, taking the total CNG offerings to 14 (of MSIL's 16-model portfolio). As a result, CNG vehicle sales for MSIL grew 40% (vs. +20.5% for overall sales), resulting in a rise in CNG's share to 20% (from 17% in FY22).
- We are raising our EPS estimates for FY24/FY25 by 5-6% to reflect the sharp improvement in SUV mix, fueled by new product launch benefits since Jul'23. The stock trades at 25.8x/23.7x FY24E/FY25E consolidated EPS. **Reiterate BUY with a TP of INR11,900 (premised on 25x Sep'25E consolidated EPS).**

Jinesh Gandhi – Research Analyst (Jinesh@MotilalOswal.com)
Research Analyst: Amber Shukla (Amber.Shukla@MotilalOswal.com) | **Aniket Desai** (Aniket.Desai@MotilalOswal.com)

Stock's performance (one-year)



While India's PV market has become the third largest in the world, car penetration is only 3% of its population. This serves as a constant reminder that MSIL's dream to deliver the 'Joy of Mobility' to the people still has a long way to go.

Domestic PV market to post 6% CAGR until FY31; MSIL to add 2m units capacity

- Unlike double-digit growth witnessed in the Chinese PV market in the past, MSIL expects a 6% CAGR until FY31 for the Indian PV industry. In FY24, the company expects to grow at a slightly higher rate than the market.
- Additionally, management expects demand from the exports market would continue to grow. It anticipates export volumes of 750k-800k units by FY31 (vs. 259k in FY23; implying 14-15% CAGR).
- Thus, MSIL is looking to add another 2m units capacity (vs. current 2.25m units). It is adding 250k units capacity in the first phase (at a capex of INR110b) at the first site in Kharkhoda, Haryana by 1HCY25. A similar plant of 250k units capacity will be added every year to reach a capacity of 1m units. Further, it is in the process of selecting a second site for adding another 1m units capacity by FY31.
- It took 40 years for MSIL to create a capacity of 2m units (incl. the parent's Gujarat plant). It will add the next 2m capacity in nine years. Such a large-scale capacity expansion, simultaneously at two locations, is a first of its kind for MSIL.
- The challenge is not only to produce 4m cars p.a., but also to sell this large number of cars as by FY31 it could have ~28 different models. The organization and systems required for selling such a large variety of cars will need to evolve from the current situation. Hence, enhancing its engineering capabilities will become an important aspect of growth and the company is working with the parent (SMC) towards achieving the same.

SUVs: MSIL aiming for a leadership position in FY24

- MSIL has increased its market share vs. FY19, except in the SUV segment. It strengthened its product portfolio in the SUV segment with the launch of Brezza and Grand Vitara, thereby increasing its market share in this segment. Further, the recently launched Jimny and Fronx will help MSIL expand its presence in the SUV segment.
- With the successful launch of Grand Vitara and Invicto, the company has proved its ability and established its brand in the premium segment.
- If the supply situation of the electronic components improves, MSIL aims to achieve market leadership in the SUV segment in FY24.

Small cars to post <2% CAGR; MSIL to restructure production facilities

- Despite the expansion of domestic PV market, the share of hatchbacks has been continuously declining from its peak sales of FY19, with the non-premium hatchback segment witnessing the steepest decline. This is also reflected in the reduction in the number of models offered – from 12 in FY19 to 7 models now.
- While the decline in sedans and premium hatchbacks can be partly attributed to the shift in consumer preference towards SUVs, the fall in demand for non-premium hatchbacks is entirely attributable to affordability issues.
- Though the growth rate for non-premium hatchbacks is expected to be <2% CAGR, the industry volume is ~1m units p.a. with MSIL enjoying a ~70% market share. Hence, management intends to do whatever is necessary to meet customer needs in this segment in the best possible manner.
- With weak outlook of the smaller entry-level car market, MSIL is restructuring its production facilities to conform to the new realities (expects lower growth rate).

> "With expanding capacity, offering multiple carbon reduction technologies, bringing many new products, we are writing a new chapter in the history of MSIL; "Maruti Suzuki 3.0". My mission is to provide the Joy of mobility to as many people as possible while keeping the environment and society in harmony."
> **Mr H Takeuchi, MD & CEO, Maruti Suzuki**

Electric Vehicles: Preparing for the first launch in FY25

- The EV development is underway at the Gujarat plant and the first model is expected to be launched in FY25. By FY31, it expects to have six EV models that would contribute 15-20% to its total sales.
- The prototype of MSIL's first EV, to be launched in FY25, was showcased in the Auto Expo in Jan'23. It is a mid-segment SUV with a range of 550km and a battery capacity of 60 KWH. The EV will be manufactured at the Gujarat plant, for which the production facility is being set-up.
- For EV battery manufacturing, SMC is setting-up a facility in Gujarat through a JV, Toshiba Denso Suzuki Lithium-ion Battery Gujarat Private Limited (TDSG). TDSG is India's first lithium-ion battery manufacturing plant with cell-level localization. MSIL is sourcing lithium-ion battery packs used in its Smart Hybrid vehicles from TDSG.

Focus on CNG and other clean fuels to reduce carbon footprint

- Besides offering S-CNG powertrain technology in all the products sold under the Arena channel, MSIL extended its CNG line-up for the products sold under the NEXA channel as well. In FY23, MSIL extended the S-CNG technology to six more models, taking the total CNG offerings to 14 (of MSIL's 16-model portfolio).
- As a result, CNG vehicle sales for MSIL grew 40% (vs. +20.5% for overall sales), resulting in a rise in CNG's share to 20% (from 17% in FY22). The share of sales of green vehicles (including CNG vehicles, Mild Hybrids, and Strong Hybrids), increased to 37% in FY23 from 27% in FY22.
- The use of hybrid technology, ethanol, compressed bio-gas and CNG in cars will enable faster reduction in the carbon footprint rather than relying only on any one technology. MSIL is exploring all these technologies by undertaking a technical and commercial feasibility study to find the best solution for customers. In FY23, it unveiled India's first flex fuel, mass segment prototype car, the Wagon R FFV, which will be able to run on an ethanol blend ranging from 20% to 85%. This vehicle is planned to be launched in CY25.
- Ethanol fuels are biogenic in nature as they are largely manufactured using plant-based sources. Therefore, FFV technology can help reduce carbon emissions by ~79% in comparison to vehicles that run on gasoline fuel. In India's context, compressed bio-CNG (CBG) is another promising solution for carbon reduction that MSIL is working upon.

Enhancing digitalization to enhance customer convenience

- MSIL has expanded digitalization initiatives to enhance customer convenience. It has digitalized 24 out of 26 customer interaction points while buying a car, with the remaining two being test drive and delivery of vehicle.
- Virtual reality initiative (Metaverse) helped it deliver showroom experience to customers at the comfort of their homes, especially in non-urban markets that are still to be covered by the sales outlets.
- Online car financing initiatives saw an overwhelming response with over 30% of customers financing their cars through this mode. Maruti Suzuki Smart Finance (MSSF), India's first end-to-end Online Car Finance Platform where customers can view, compare and apply for finance offerings from 23 onboard major financiers, catered to over 500k customers (33% of FY23 financed vehicles) who availed loans and disbursals through MSSF platform. This is over 60% YoY growth in loan disbursals through this platform.

Other highlights

- **Rural:** With over 2,000 outlets in non-urban markets across the country, the contribution of sales from these markets in overall sales increased ~1% to ~44.3% in FY23.
- **Company-owned dealer operated outlets:** Working on the initiative of setting up sales and service outlets on the principle of 'Company Owned Dealer Operated (CODO)' model, MSIL activated nine outlets in FY23 across the country on the land acquired by the company. Moving forward, it will be activating 13 more outlets under the CODO principle.
- **True Value sales grew 36% YoY:** The demand for pre-owned cars continued to increase in FY23, with MSIL's True Value channel sales growing 36% YoY. During FY23, MSIL added 33 independent True Value sales outlets.
- **Supply-side issues:** In FY23, while the supply situation of electronic components improved over FY22, the shortages continued for fast-growing SUVs and bigger cars. In FY23, MSIL could not produce about 170k units due to electronic component shortages. The pending customer orders remained at ~380k units as of Mar'23.
- **Service:** MSIL expanded its service touch points in India to 4,564 centers across 2,304 cities and catered to over 22.4m customers in FY23. It achieved a milestone of 700k Periodic Maintenance Load in a month during the year.
- **Discounts:** The sales promotion expenses remained under control as sales shifted towards new models, even though the slow-moving non-premium hatchback segment attracted increased sales promotion.
- **Critical vendors**: MSIL has identified 80 Tier-1 suppliers that are critical to its business operations. These vendors contributed 72% of the total procurement in FY23. Additionally, 35 Tier-2 suppliers have also been identified as critical.
- **Railways**: MSIL dispatched a record 335k vehicles (~18% of total) through rail mode in FY23, resulting in avoiding ~1,800t of CO_2 emissions and saving over 50m liters of fuel. MSIL is implementing railway siding projects for the production facilities in Manesar and Gujarat. The railway siding project in Gujarat will support dispatches of ~300k vehicles via rail-mode, avoiding ~50k truck trips and ~1,650t of Co_2 emissions p.a.
- **Recycling**: Since the inception of MSTI facility (recycling), about 850k kg of steel and 85k kg of aluminum were recovered from the cars that were scrapped. Further, through domestic recycler, MSIL has recycled 12.8t of li-ion batteries, achieving a high battery recycling rate.

Highlights from the financial statements

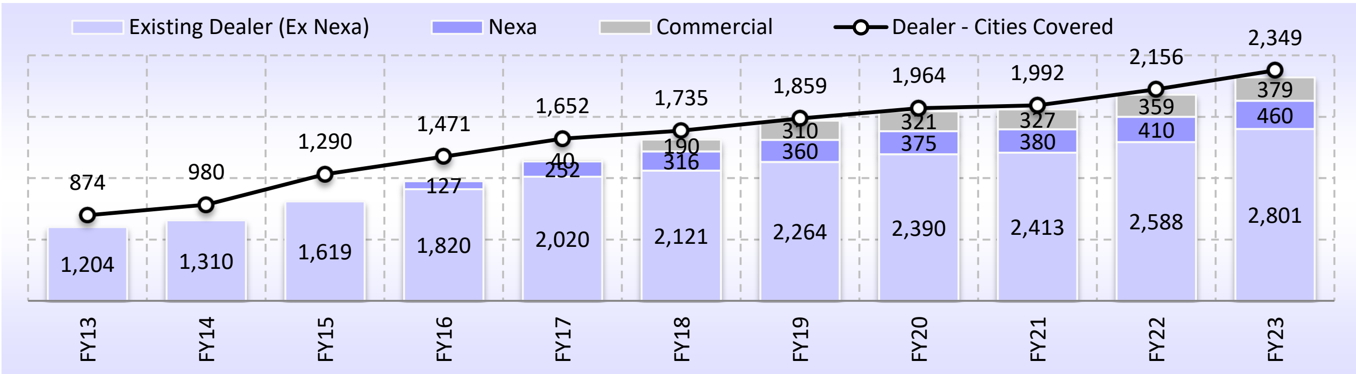
- MSIL's revenue/EBITDA/adj. PAT for FY23 grew 33%/ 93%/ 113% YoY.
- Volumes jumped 19% YoY to 1.97m units, while net realizations improved 12.8% YoY to INR572.2k due to better mix.
- Gross margin improved 140bp YoY to 26.6% due to the benefits of mix and lower RM cost. Further, operating leverage drove EBIT margin expansion of 370bp to 7%.
- Strong operating performance led to a sharp increase in CFO to INR92.3b (vs. INR17.9b in FY22). However, the increase in capex to INR62.5b (from INR33.2b in FY22) restricted FCF to INR29.8b (vs. FCF outflow of INR15.3b in FY22).

- Net cash increased to ~INR446.7b (from INR417b in FY22), which was ~73% of capital employed (vs. ~77% in FY22).
- RoE improved 630bp to 13.3%, while RoCE improved 820bp to 16.9% in FY23.

Valuation and view

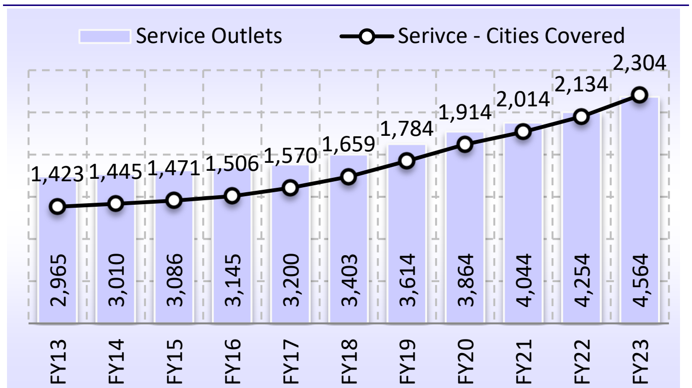
- We are raising our EPS estimates for FY24/FY25 by 5-6% to reflect the sharp improvement in SUV mix, fueled by new product launch benefits since Jul'23.
- Stable growth in domestic PVs and a favorable product lifecycle augur well for MSIL. We expect market share gains and margin recovery in FY24 driven by an improvement in supplies, a favorable product lifecycle, mix benefit and operating leverage.
- The stock trades at 25.8x/23.7x FY24E/FY25E consolidated EPS. **Reiterate BUY with a TP of INR11,900 (premised on 25x Sep'25E consolidated EPS).**

Exhibit 1: MSIL's sales outlets expanded by 283, taking the total count to 3,640 in 2,349 cities



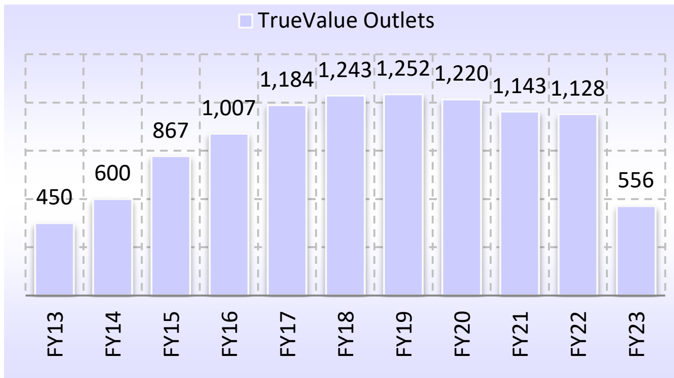
Source: Company, MOFSL

Exhibit 2: Expansion in its service network continues



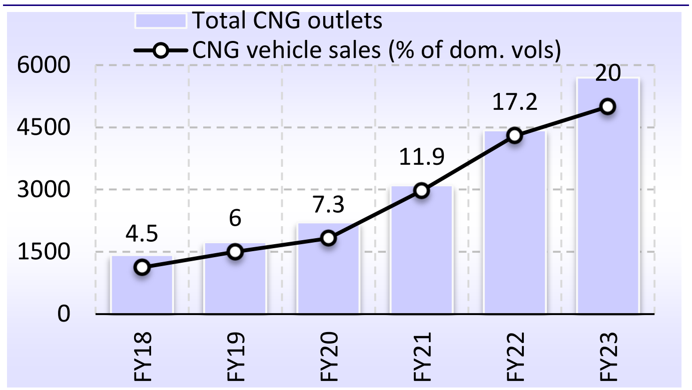
Source: Company, MOFSL

Exhibit 3: Trend in pre-owned car network *



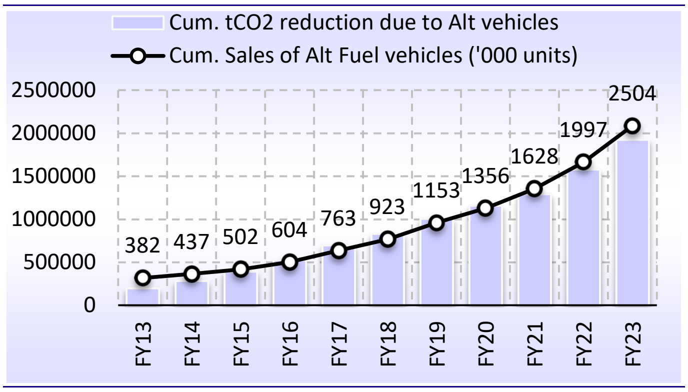
* Note: MSIL is reporting only independent True Value outlets since FY23; Source: Company, MOFSL

Exhibit 4: Trend in CNG network and CNG vehicle sales



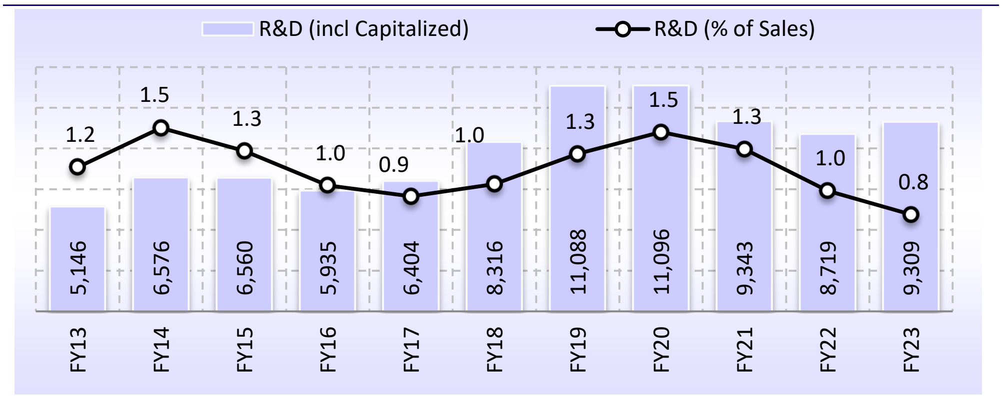
Source: Company, MOFSL

Exhibit 5: Alternate fuel vehicles (CNG, LPG, and Hybrids) drive reduction in CO2 emissions



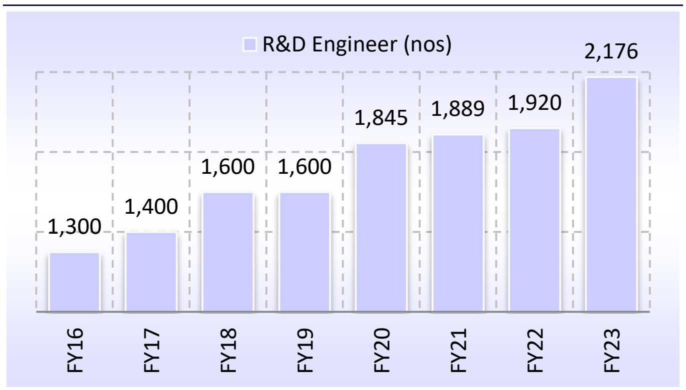
Source: Company, MOFSL

Exhibit 6: Trends in R&D investments



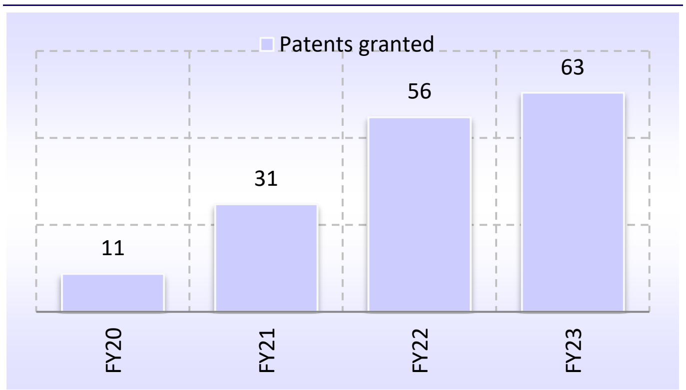
Source: Company, MOFSL

Exhibit 7: Trend in R&D engineers



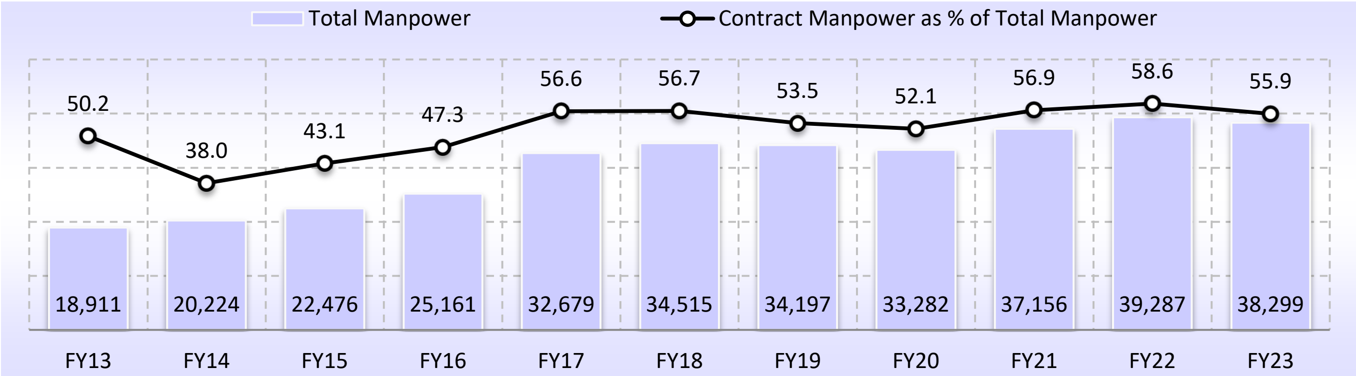
Source: Company

Exhibit 8: Trend in patents granted



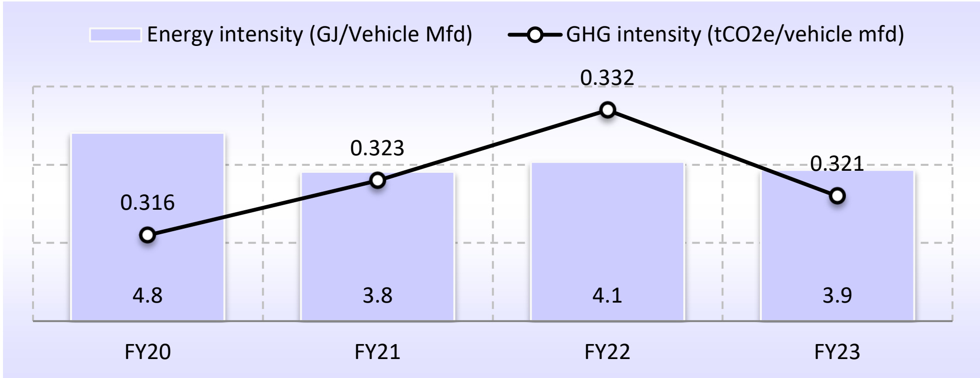
Source: Company

Exhibit 9: Total manpower declined ~2.5% in FY23



Source: Company

Exhibit 10: Trends in intensity for energy and greenhouse gases



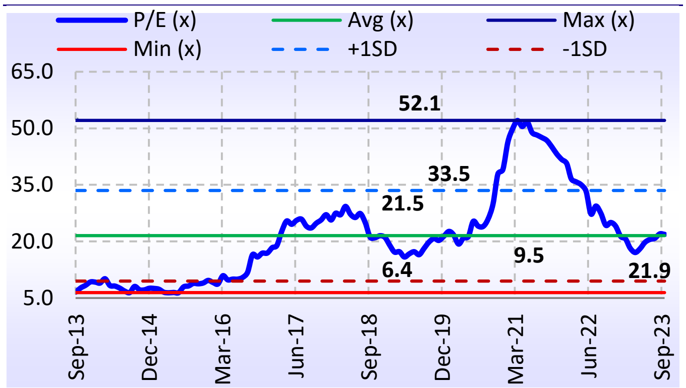
Source: Company, MOFSL

Exhibit 11: Revised estimates

(INR b)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Total Volumes ('000)	**2,216**	**2,169**	**2.2**	**2,359**	**2,308**	**2.2**
Net Sales	1,488	1,428	4.2	1,626	1,568	3.7
EBITDA	160	151	6.3	186	177	4.6
EBITDA Margin (%)	**10.8**	**10.5**	**20bp**	**11.4**	**11.3**	**10bp**
PAT	121.9	115.4	5.6	132.7	126.5	4.9
Consol. EPS (INR)	**408.0**	**386.4**	**5.6**	**444.0**	**423.6**	**4.8**
JPY/INR	0.59	0.59	0.0	0.59	0.59	0.0

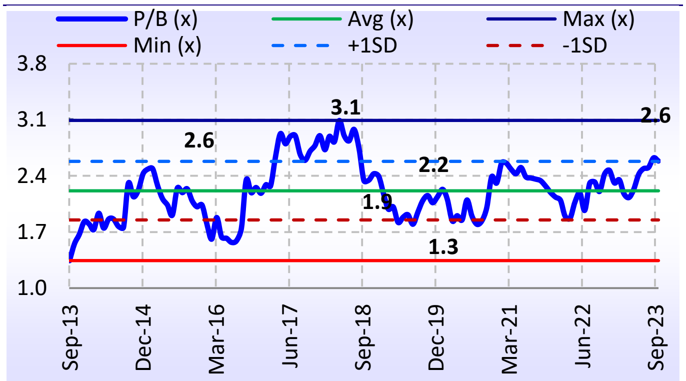
Source: Company, MOFSL

Exhibit 12: One-year forward P/E (x) band



Source: MOFSL

Exhibit 13: One-year forward P/B (x) band



Source: MOFSL

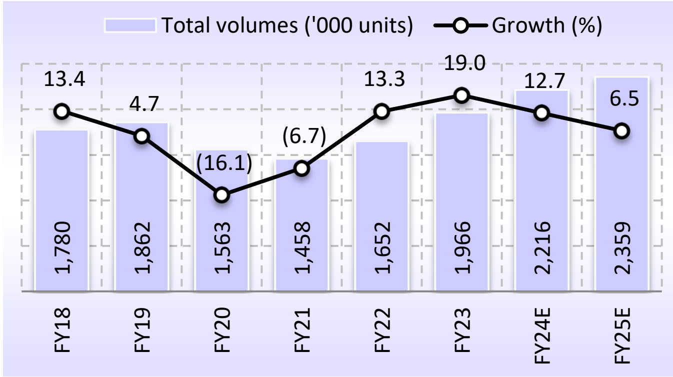
Story in charts – expect 28% EPS CAGR over FY23-25

Exhibit 14: Market share declines (excluding Mini) due to the absence of the diesel portfolio

Market share (%)	FY18	FY19	FY20	FY21	FY22	FY23
Mini	71.3	72.3	79.0	84.5	88.5	94.9
Compact	52.2	56.4	57.4	54.8	55.3	57.5
Compact-Sedan	61.8	57.9	61.9	57.9	57.1	50.9
Mid-Size	30	25.8	25.8	19.1	20.0	19.8
UVC	40	40.4	27.9	20.2	18.6	18.7
UV1	38.8	38.2	31.4	25.7	25.8	39.4
MSIL Dom. PV market share (%)	**50.2**	**51.4**	**51.1**	**47.7**	**43.4**	**41.3**

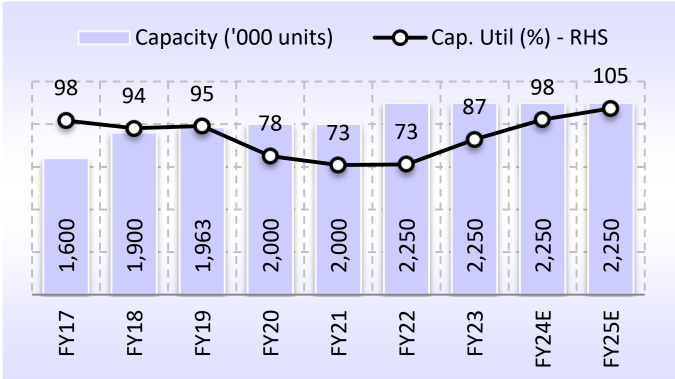
*Excluding supplies to Toyota; Source: Company, MOFSL

Exhibit 15: Trends in volume and growth over FY23-25E



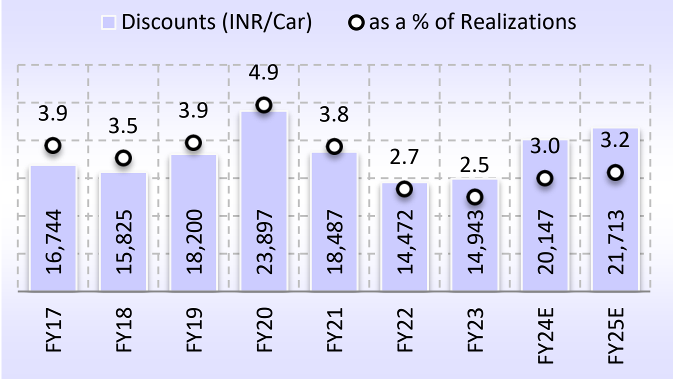
Source: Company, MOFSL

Exhibit 16: MSIL's utilization to improve materially



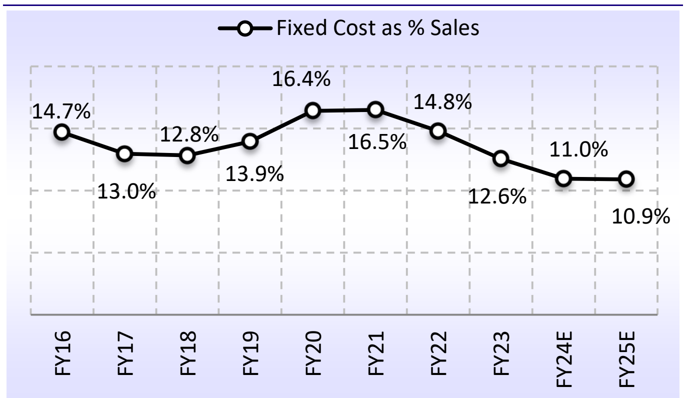
Source: Company, MOFSL

Exhibit 17: Discounts to increase from the lows of FY23



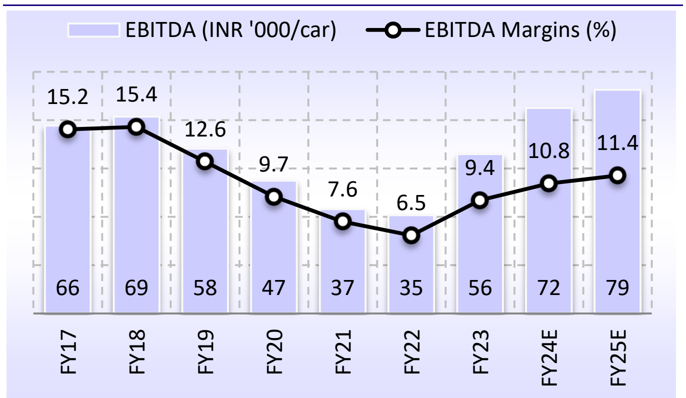
Source: Company, MOFSL

Exhibit 18: Fixed cost as a percentage of sales



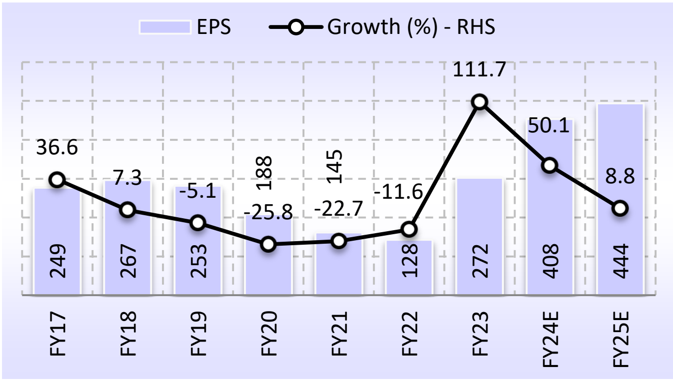
Source: Company, MOFSL

Exhibit 19: EBITDA margin and EBITDA per car



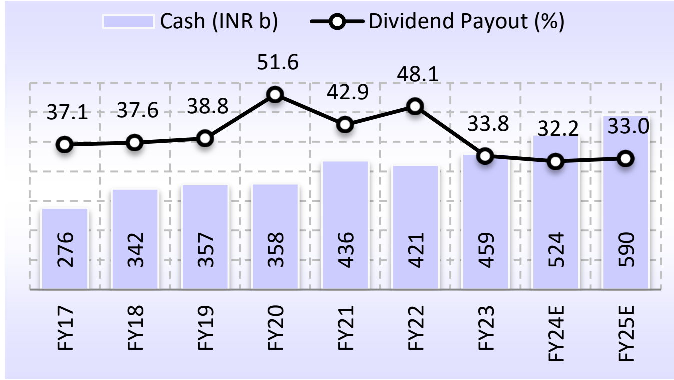
Source: Company, MOFSL

Exhibit 20: EPS (INR) and growth in EPS



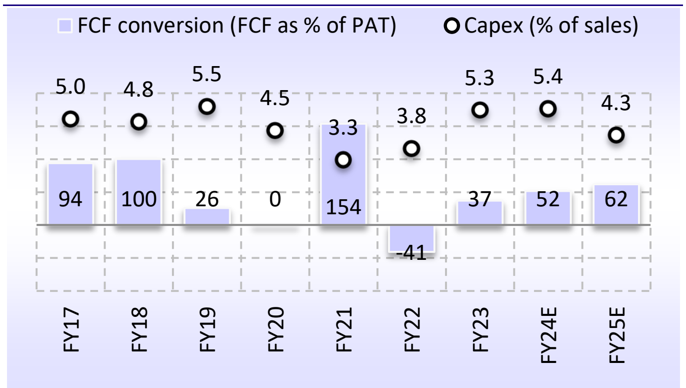
Source: MOFSL, Company

Exhibit 21: Dividend payout (%) and cash balance (INR b)



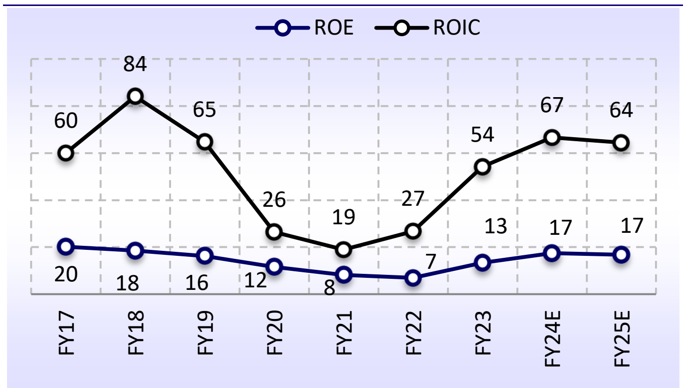
Source: MOFSL, Company

Exhibit 22: Expect FCF conversion to recover



Source: Company, MOFSL

Exhibit 23: RoE vs. RoIC (%)



Source: Company, MOFSL

Exhibit 24: Snapshot of the revenue model

000 units	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
A1/LCVs	24	22	30	34	38	36	38
Growth (%)	138.0	-8.8	35.7	14.4	12.4	-5.5	5.0
% of Dom vols	1.4	1.5	2.2	2.4	2.2	1.8	1.8
MPV (Vans)	179	118	105	108	131	142	151
Growth (%)	15.1	-33.7	-11.3	3.1	21.1	8.5	6.0
% of Dom vols	10.2	8.1	7.7	7.7	7.7	7.3	7.2
A2 (other hatchbacks)	987	881	840	810	985	950	994
Growth (%)	5.5	-10.8	-4.6	-3.6	21.7	-3.6	4.7
% of Dom vols	56.3	60.3	61.7	57.3	57.7	48.7	47.8
A3 (Dzire, Ciaz)	300	204	142	145	164	172	179
Growth (%)	0.3	-31.9	-30.5	1.8	13.4	4.6	4.6
% of Dom vols	17.1	14.0	10.4	10.2	9.6	8.8	8.6
UVs (Ertiga, Compact SUV)	264	235	245	317	388	650	720
Growth (%)	4.1	-10.9	4.3	29.3	22.4	67.4	10.7
% of Dom vols	15.1	16.1	18.0	22.4	22.8	33.3	34.6
Total Domestic	**1,754**	**1,460**	**1,362**	**1,414**	**1,707**	**1,949**	**2,082**
Growth (%)	6.1	-16.7	-6.7	3.8	20.7	14.2	6.8
% of Total vols	94.2	93.5	93.4	85.6	86.8	88.0	88.3
Exports	109	102	96	238	259	267	277
Growth (%)	-14	-6	-6	148	9	3	4
% of Total vols	6	7	7	14	13	12	12
Total Volumes	**1,862**	**1,563**	**1,458**	**1,652**	**1,966**	**2,216**	**2,359**
Growth (%)	4.7	-16.1	-6.7	13.3	19.0	12.7	6.5
ASP (INR 000/unit)	**462**	**484**	**482**	**534**	**598**	**672**	**689**
Growth (%)	3.0	4.8	-0.3	10.8	11.9	12.4	2.6
Net Sales (INR b)	**860**	**756**	**703**	**883**	**1,175**	**1,488**	**1,626**
Growth (%)	8	-12	-7	26	33	27	9

Source: MOFSL, Company

Financials and valuations

Income Statement							(INR b)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Net Op Income	**860.2**	**756.1**	**703.3**	**883.0**	**1,175.2**	**1,488.3**	**1,626.2**
Change (%)	7.8	-12.1	-7.0	25.5	33.1	26.6	9.3
EBITDA	**108.0**	**73.0**	**53.5**	**57.0**	**110.1**	**160.1**	**185.6**
EBITDA Margins (%)	12.6	9.7	7.6	6.5	9.4	10.8	11.4
Depreciation	30.2	35.3	30.3	27.9	28.2	30.5	35.7
EBIT	**77.8**	**37.8**	**23.1**	**29.1**	**81.8**	**129.5**	**149.9**
EBIT Margins (%)	9.0	5.0	3.3	3.3	7.0	8.7	9.2
Interest	0.8	1.3	1.0	1.3	1.9	1.8	1.6
Other Income	25.6	34.2	29.5	17.9	21.6	30.8	25.0
EO Expense	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	**104.7**	**70.6**	**51.6**	**45.8**	**101.6**	**158.5**	**173.3**
Effective tax Rate (%)	28.3	20.0	18.0	17.8	20.8	23.1	23.4
PAT	**75.0**	**56.5**	**42.3**	**37.7**	**80.5**	**121.9**	**132.7**
Adj. PAT	**73.6**	**56.5**	**42.3**	**37.7**	**80.5**	**121.9**	**132.7**
Change (%)	-6.8	-23.2	-25.1	-11.0	113.7	51.5	8.8

Balance Sheet							(INR b)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Sources of Funds							
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	602.3	697.0	790.4
Net Worth	**461.4**	**484.4**	**513.7**	**540.9**	**603.8**	**698.5**	**791.9**
Loans	1.5	1.1	4.9	3.8	12.2	12.2	12.2
Deferred Tax Liability	5.6	6.0	3.8	-2.0	-3.4	-3.4	-3.4
Capital Employed	**468.6**	**491.4**	**522.4**	**542.7**	**612.6**	**707.3**	**800.7**
Application of Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Fixed Assets	263.3	297.3	314.6	324.9	394.9	408.7	548.7
Less: Depreciation	109.2	140.2	165.0	187.7	216.0	242.2	277.9
Net Fixed Assets	**154.1**	**157.1**	**149.6**	**137.2**	**178.9**	**166.5**	**270.8**
Capital WIP	16.0	14.1	14.9	29.3	28.1	90.0	20.0
Investments	365.2	364.7	417.9	407.6	477.6	477.6	477.6
Curr. Assets, Loans	**89.8**	**84.4**	**112.9**	**152.4**	**138.1**	**228.9**	**304.7**
Inventory	33.3	32.1	30.5	35.3	42.8	61.2	66.8
Sundry Debtors	23.1	21.3	12.8	20.3	33.0	40.8	44.6
Cash & Bank Balances	1.8	0.2	30.4	30.4	0.4	65.1	131.5
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	61.6	61.6	61.6
Current Liab & Prov.	**156.5**	**128.8**	**172.9**	**183.8**	**210.1**	**255.7**	**272.4**
Sundry Creditors	96.3	74.9	101.6	97.6	117.8	163.1	178.2
Others	51.1	44.9	60.3	71.1	75.9	75.9	75.9
Provisions	9.1	9.0	11.0	15.1	16.3	16.6	18.3
Net Current Assets	**-66.7**	**-44.4**	**-59.9**	**-31.4**	**-72.0**	**-26.7**	**32.3**
Appl. of Funds	**468.6**	**491.4**	**522.4**	**542.7**	**612.6**	**707.3**	**800.7**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024E	2025E
Basic (INR)							
Adjusted EPS	**243.6**	**187.1**	**140.0**	**124.7**	**266.5**	**403.6**	**439.1**
Consol EPS	**253.3**	**188.0**	**145.3**	**128.4**	**271.8**	**408.0**	**444.0**
Book Value per Share	1,527	1,603	1,700	1,790	1,999	2,312	2,622
DPS	80.0	60.0	45.0	60.0	90.0	130.0	145.0
Div. payout (%)	38.8	38.5	31.0	46.7	33.1	31.9	32.7
Valuation (x)							
Consol. P/E	41.5	55.9	72.3	81.8	38.7	25.8	23.7
Cash P/E	29.7	34.5	42.8	47.6	28.8	20.6	18.7
EV/EBITDA	26.0	38.5	51.1	48.1	24.6	16.5	13.9
EV/Sales	3.4	3.9	4.1	3.3	2.4	1.8	1.7
P/BV	6.9	6.6	6.2	5.9	5.3	4.5	4.0
Dividend Yield (%)	0.8	0.6	0.4	0.6	0.9	1.2	1.4
FCF Yield (%)	0.6	0.0	2.1	-0.5	0.9	2.0	2.6
Profitability Ratios (%)							
RoIC	64.7	26.5	18.9	26.8	54.2	66.6	64.4
RoE	16.3	11.7	8.2	7.0	13.3	17.5	16.8
RoCE	22.1	14.6	10.1	8.7	16.9	22.7	21.8
Turnover Ratios							
Debtors (Days)	10	11	7	9	11	10	10
Inventory (Days)	16	17	17	16	15	17	17
Creditors (Days)	59	51	73	54	50	55	55
Work. Cap. (Days)	-33	-23	-49	-29	-24	-28	-28
Asset Turnover (x)	1.8	1.5	1.3	1.6	1.9	2.1	2.0
Net Debt/Equity (x)	-0.8	-0.7	-0.8	-0.8	-0.8	-0.7	-0.7

Cash Flow Statement (INR b)

Y/E March	2019	2020	2021	2022	2023	2024E	2025E
Profit before Tax	104.7	70.9	51.6	45.8	101.6	158.5	173.3
Interest	0.8	1.3	1.0	1.3	1.9	1.8	1.6
Depreciation	30.2	35.3	30.3	27.9	28.2	30.5	35.7
Direct Taxes Paid	-31.4	-14.4	-10.1	-11.8	-22.3	-36.6	-40.6
(Inc)/Dec in WC	-13.2	-25.7	43.4	-28.1	3.8	19.5	7.3
Other Items	-25.0	-33.5	-27.8	-17.2	-20.9	-30.8	-25.0
CF from Oper. Activity	**65.9**	**34.1**	**88.4**	**17.9**	**92.3**	**143.0**	**152.2**
(Inc)/Dec in FA	-47.0	-34.0	-23.3	-33.2	-62.5	-80.0	-70.0
Free Cash Flow	**18.9**	**0.1**	**65.1**	**-15.3**	**29.8**	**63.0**	**82.2**
(Pur)/Sale of Invest.	11.6	29.4	-49.6	31.3	-17.7	30.8	25.0
CF from Inv. Activity	**-35.4**	**-4.6**	**-72.8**	**-1.9**	**-80.2**	**-49.2**	**-45.0**
Change in Networth	0.0	0.0	0.0	0.0	0.6	0.0	0.0
Inc/(Dec) in Debt	0.4	-0.5	3.7	-1.1	7.9	0.0	0.0
Interest Paid	-0.7	-1.3	-1.0	-1.3	-1.9	-1.8	-1.6
Dividends Paid	-29.1	-29.1	-18.1	-13.6	-18.1	-27.2	-39.3
CF from Fin. Activity	**-29.5**	**-31.0**	**-15.4**	**-16.0**	**-11.5**	**-29.0**	**-40.9**
Inc/(Dec) in Cash	**1.1**	**-1.6**	**0.1**	**0.0**	**0.6**	**64.7**	**66.4**
Add: Op. Balance	0.7	1.8	0.2	0.3	0.3	0.9	65.7
Closing Balance	**1.8**	**0.2**	**0.3**	**0.3**	**0.9**	**65.7**	**132.0**

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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