

**BUY** Maruti Suzuki India**Q2 represents peak performance; underlying trends weakening**Auto & Auto Ancillaries ▶ Result Update ▶ **October 28, 2023****TARGET PRICE (Rs): 11,700**

**MSIL's Q2 results were strong and had a confluence of various positive factors—volume, mix, commodities, Fx, discounts. Company's margins expanded by ~288bps QoQ (adjusted for the Q1 one-off) to ~12.9% (Emkay: 11.3%), aided by improved gross margins.**

**However, consistent decline in order-book, normalized inventory levels along with continued weakness in the small-car segment reinforce our view that growth for MSIL is set to sharply moderate over FY24E-26E vs. FY22-24E, with the best of the SUV product cycle now behind (refer to our recent report: *Festive outlook strong but underlying trends weakening*). We expect EPS CAGR to taper to ~8% over FY24E-26E vs. ~56% YoY in FY24. We raise FY24E EPS by 4.5% to reflect the Q2 beat; FY25-26 estimates are largely unchanged. We maintain our BUY rating on MSIL as well as our TP of Rs11,700/share (25x core FY26E EPS + ~Rs1,700 cash/share).**

**Maruti Suzuki India: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	8,82,956	11,75,229	14,63,593	16,36,786	17,76,019
EBITDA	57,012	1,10,077	1,68,796	1,92,012	2,14,162
Adj. PAT	37,663	80,492	1,25,219	1,37,912	1,52,774
Adj. EPS (Rs)	124.7	266.5	414.6	438.8	486.1
EBITDA margin (%)	6.5	9.4	11.5	11.7	12.1
EBITDA growth (%)	6.7	93.1	53.3	13.8	11.5
Adj. EPS growth (%)	(11.0)	113.7	55.6	5.8	10.8
RoE (%)	7.1	14.1	19.4	17.4	16.0
RoIC (%)	35.6	71.6	91.3	58.6	47.5
P/E (x)	84.7	39.6	25.5	24.1	21.7
EV/EBITDA (x)	48.6	24.9	15.9	14.3	12.4
P/B (x)	5.9	5.3	4.7	3.7	3.3
FCFF yield (%)	(0.6)	1.1	3.2	(0.3)	5.3

Source: Company, Emkay Research

**Strong beat on margins led by gross-margin expansion**

MSIL's Q2 revenues were higher by ~24% YoY (14.6% QoQ) to Rs370.6bn (in-line), amid volume growth of 6.7% YoY (+10.8% QoQ) to 552K units and ASP growth of 3% QoQ to Rs672K/unit (in-line). Reported EBITDA grew ~73% YoY to Rs47.8bn (~18%/~14% above Consensus/our estimates), with margins expanding by ~288bps QoQ (adjusted for the ~80bps one-off impact in Q1) to 12.9% (Emkay: 11.3%); the beat on margins was on account of higher-than-expected gross margins (up by ~220bps QoQ); Company attributed majority of the sequential margin improvement to softer commodities (particularly precious metals) and cost efforts. Reported PAT grew ~80% YoY to Rs37.1bn – a ~23% beat owing to better-than-expected margins and higher-than-expected other income.

**Earnings call KTAs**

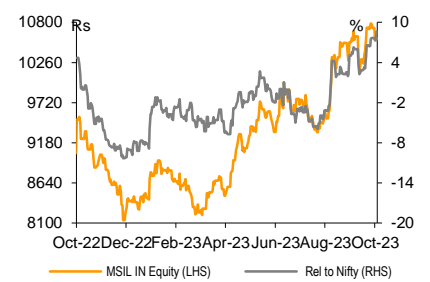
1) **MSIL expects Industry to log ~5% volume growth this year, with Company growth pegged at ~10%**; Industry festive growth so far is ~20% YoY, which would moderate to ~18% by end-Festive; **MSIL is likely to perform in line with Industry's festive performance.** 2) The small-car segment still struggles due to ongoing affordability issues (visible in the 10% fall in share of first-time buyers, at Industry level); MSIL is hopeful about improvement once income levels start normalizing. 3) **Pending order-book stands at ~288K/~250K as of end-Q2/today respectively (vs. 355K/412K in Q1FY24/Q4FY23).** 4) **Inventory levels are slightly higher than 1-month (~4 weeks, as of Q1).** 5) MSIL reiterated its recent guidance on longer-term growth plans (refer to [presentation](#)); aims to expand the product portfolio to 28 models by 2030 vs. 17 now; would comprise of launches across the *Nexa* and *Arena* channels; exports expected to grow to ~750-800Kpa (3x of current levels) by FY31. 6) **Q2 margin performance featured the best of all factors** (mix, operating leverage, commodities, Fx); while precious metals and Fx may stay favorable in coming quarters, MSIL is cautious about steel (half the commodity basket) inflation. 7) **FY24 capex guidance at over Rs80bn (ex SMG capex).** 8) Discounts/unit at Rs17.7K vs. Rs16.2K in Q1.

Target Price – 12M	Sep-24
<b>Change in TP (%)</b>	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	10.8
CMP (27-Oct-23) (Rs)	10,560.7

Stock Data	Ticker
52-week High (Rs)	10,846
52-week Low (Rs)	8,076
Shares outstanding (mn)	302.1
Market-cap (Rs bn)	3,190
Market-cap (USD mn)	38,323
Net-debt, FY24E (Rs mn)	-5,06,585
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	5,266.4
ADTV-3M (USD mn)	63.3
Free float (%)	43.5
Nifty-50	19,047
INR/USD	83.2
<b>Shareholding, Sep-23</b>	
Promoters (%)	56.5
FPIs/MFs (%)	21.8/18.3

**Price Performance**

(%)	1M	3M	12M
Absolute	(1.1)	8.3	16.8
Rel. to Nifty	2.3	11.8	8.8

**1-Year share price trend (Rs)****Chirag Jain**chirag.jain@emkayglobal.com  
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**Exhibit 1: Q2FY24 Result Snapshot – Margins up by ~288bps QoQ (adjusted for the Q1 one-offs), on higher gross margins**

Rs mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	2,99,308	2,90,443	3,20,480	3,23,269	3,70,621	23.8	14.6
Expenditure	2,71,619	2,62,112	2,86,977	2,93,439	3,22,779	18.8	10.0
as % of sales	90.7	90.2	89.5	90.8	87.1		
Consumption of RM	2,18,801	2,11,058	2,34,874	2,35,317	2,61,690	19.6	11.2
as % of sales	73.1	72.7	73.3	72.8	70.6		
Employee Cost	11,327	12,010	11,130	14,609	13,127	15.9	(10.1)
as % of sales	3.8	4.1	3.5	4.5	3.5		
Other expenditure	41,491	39,044	40,973	43,513	47,962	15.6	10.2
as % of sales	13.9	13.4	12.8	13.5	12.9		
EBITDA	27,689	28,331	33,503	29,830	47,842	72.8	60.4
EBITDA margin (%)	9.3	9.8	10.5	9.2	12.9		
Depreciation	7,226	7,101	7,392	7,475	7,941	9.9	6.2
EBIT	20,463	21,230	26,111	22,355	39,901	95.0	78.5
Other Income	6,125	8,608	7,428	10,012	8,436	37.7	(15.7)
Interest	305	296	991	465	351	15.1	(24.5)
PBT	26,283	29,542	32,548	31,902	47,986	82.6	50.4
Total Tax	5,668	6,029	6,312	7,051	10,821	90.9	53.5
Adjusted PAT	20,615	23,513	26,236	24,851	37,165	80.3	49.6
Extra ordinary items	-	-	-	-	-		
Reported PAT	20,615	23,513	26,236	24,851	37,165	80.3	49.6
Adjusted EPS (Rs)	68.3	77.9	86.9	82.3	123.1	80.3	49.6
(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	(bps)	(bps)
EBITDAM	9.3	9.8	10.5	9.2	12.9	366	368
EBITM	6.8	7.3	8.1	6.9	10.8	393	385
EBTM	8.8	10.2	10.2	9.9	12.9	417	308
PATM	6.9	8.1	8.2	7.7	10.0	314	234
Effective Tax rate	21.6	20.4	19.4	22.1	22.6	99	45

Source: Company, Emkay Research

**Exhibit 2: Realizations trending upward due to a better SUV mix**

Year to March	2QFY24	2QFY23	Change (%/bps)	1QFY24	Change (%/bps)
Units sold (no. of)	5,52,055	5,17,395	6.7	4,98,030	10.8
Domestic	4,82,731	4,54,200	6.3	4,34,812	11.0
Exports	69,324	63,195	9.7	63,218	9.7
Realisation (INR)	6,71,348	5,78,490	16.1	6,49,095	3.4
Market share (%)	42.9	41.5	133 bps	41.7	120 bps
Market share (incl. Toyota supplies)	44.2	43.5	77 bps	42.9	132 bps

Source: Company, Emkay Research

**Exhibit 3: EBITDA margins stood at 12.9%, up 368 bps QoQ on ~220bps gross margin expansion**

Year to March (%)	2QFY24	2QFY23	Change (bps)	1QFY24	Change (bps)
Raw material	70.6	73.1	(249)	72.8	(218)
Staff costs	3.5	3.8	(24)	4.5	(98)
Other expenses	12.9	13.9	(92)	13.5	(52)
EBITDA	12.9	9.3	366	9.2	368
Adjusted net profit	10.0	6.9	314	7.7	234
Tax rate (%)	22.6	21.6	99	22.1	45

Source: Company, Emkay Research

**Exhibit 4: Actual vs. Estimates (Q2FY24)**

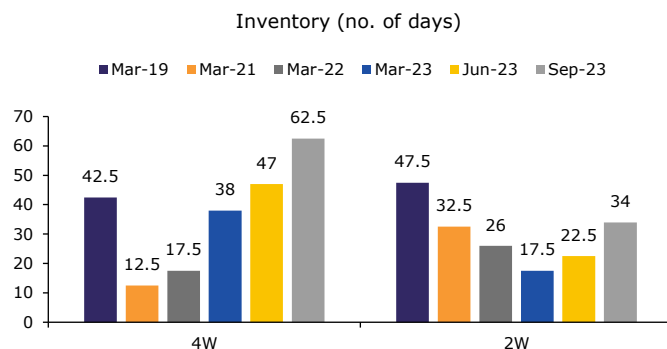
Rs mn	Actual	Emkay Est	Variance (%)	Consensus	Variance (%)
Revenues	3,70,621	3,70,878	(0.1)	3,67,431	0.9
EBIDTA	47,842	41,909	14	40,453	18.3
EBIDTA margin (%)	12.9	11.3	161 bps	11.0	190 bps
APAT	37,165	30,245	22.9	30,407	22.2
EPS (Rs)	123.1	100.2	22.9	100.7	22.2

Source: Company, Emkay Research

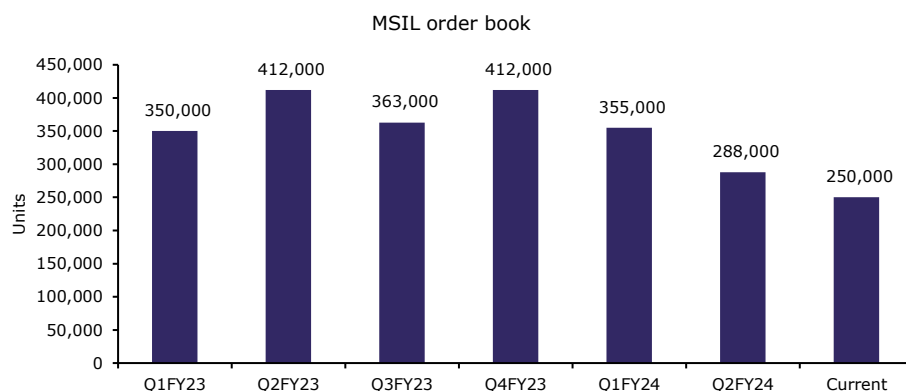
**Exhibit 5: MSIL's retail-to-wholesale ratio dipped in 1HFY24**

MSIL (no of units)	FY22	FY23	1HFY24
Wholesales	13,65,798	16,44,876	8,88,603
Retails (Vahan)	11,98,557	15,12,237	7,50,962
Retail-to-wholesale (%)	88	92	85

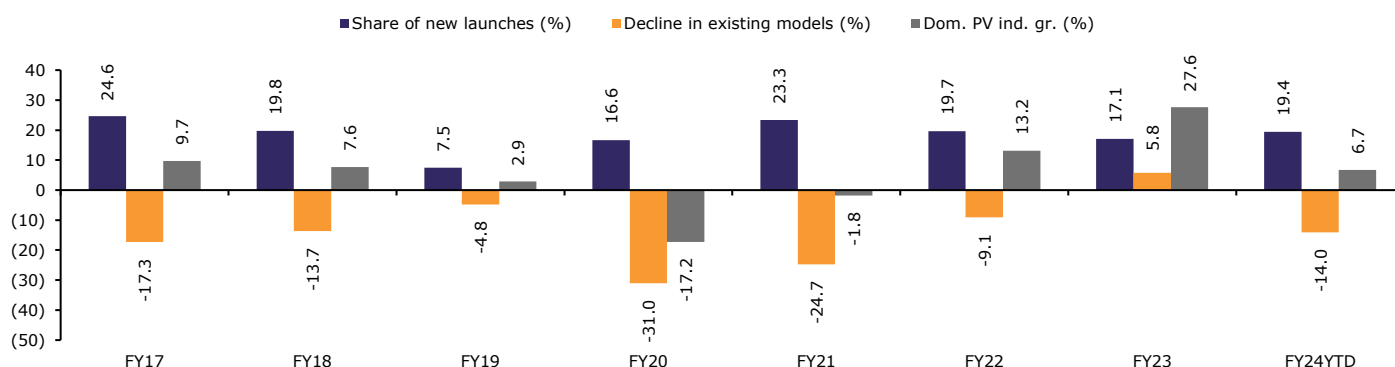
Source: SIAM, Vahan, Emkay Research

**Exhibit 6: Bulk of the H1FY24 PV-industry growth driven by inventory buildup; inventories have crossed the peak levels of FY19**

Source: FADA, Emkay Research

**Exhibit 7: MSIL's pending orders have fallen sharply, amid improving supplies**

Source: Company, Emkay Research

**Exhibit 8: Historically, new launches have been the key driver of the industry volume growth**

Source: Company, Emkay Research

**Exhibit 9: MSIL has been addressing SUV white spaces since FY23, though the best of the new launch cycle is now behind**

Segment	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Entry		Alto K10				WagonR 3rd Gen	S-Presso			Alto 3rd Gen		
Compact Hatch	Celerio								Celerio 2nd Gen			
Premium Hatch			Baleno	Ignis		Swift 3rd Gen			Baleno 2nd Gen			Swift 4th Gen
Entry Sedan					DZIRE 3rd Gen							DZIRE 4th Gen
Entry SUV										Fronx		
Compact SUV				Vitara Brezza						Vitara Brezza 2nd Gen	Jimny 5 Door	
Mid-SUV										Grand Vitara		
SUV			S-Cross									
Sedan		Ciaz										Ciaz 2nd Gen
MPV					Ertiga 2nd Gen	XL6						
Premium SUV											Invicto	
Born EV												EVX

Source: Company, Emkay Research; Note: Red indicates a new launch, Blue indicates an upgrade, Green indicates UV

**Exhibit 10: Peak of competitive launches also behind**

Segment	FY18	FY19	FY20	FY21	FY22	FY23	FY24E
Entry		Hyundai Santro [Upgrade]					
Micro SUV					Tata Punch	Citroen C3	Hyundai Exter
Compact Hatch	Ford Freestyle						
Premium Hatch			Tata Altroz Toyota Glanza				
Entry Sedan			Hyundai Aura				
Compact SUV	Tata Nexon	Mahindra XUV300	Hyundai Venue Toyota Glanza Tata Nexon EV	Kia Sonet Nissan Magnite Renault Kiger Mahindra Thar	Skoda Kushaq	Mahindra XUV400, Tata Nexon EV Max Hyundai Venue [Upgrade] Toyota Hyryder	Mahindra Bolero [Upgrade]
SUV			Kia Seltos Nissan Kicks	Toyota Urban Cruiser	Mahindra XUV700 MG Astor	Mahindra Scorpio [Upgrade]	Kia Seltos [Upgrade], Honda Elevate, Hyundai Creta [Upgrade]
Sedan		Toyota Yaris			Hyundai Elantra	Hyundai Ioniq	
MPV		Mahindra Marazzo	Renault Triber		Hyundai Alcazar Kia Carens	Toyota Hycross	Hyundai MPV
Premium SUV	Renault Captur Skoda Kodiaq		Mahindra Alturas MG Hector	Tata Safari [Upgrade]	VW Taigun C5 Aircross	MG Hector [Upgrade] Jeep Grand Cherokee Kia EV6	

Source: Company, Emkay Research; Note: Green indicates UV

**Exhibit 11: Significant shift in preference towards SUVs, but largely at the cost of sedans (vs. hatchbacks, as widely perceived)**

Industry vol. split (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24YTD
Entry	14	13	13	11	9	7	4
Compact Hatch	17	16	15	15	13	12	10
Entry SUV	3	3	2	2	4	6	10
Premium Hatch	18	19	19	20	16	16	16
Entry Sedan	13	14	11	8	7	8	7
Compact SUV	9	9	12	15	18	17	16
SUV	9	9	9	11	14	17	20
Sedan	5	5	3	3	3	3	3
Executive Sedan	0	0	0	0	0	0	0
Premium SUV	2	2	2	3	4	4	3
MPV	10	11	12	11	11	10	10
Premium MPV	-	-	0	0	0	1	-
<b>SUV share</b>	<b>22</b>	<b>22</b>	<b>26</b>	<b>32</b>	<b>41</b>	<b>44</b>	<b>50</b>
<b>Non-SUV share</b>	<b>78</b>	<b>78</b>	<b>74</b>	<b>68</b>	<b>59</b>	<b>56</b>	<b>50</b>

Source: Company, Emkay Research

**Exhibit 12: MSIL has strengthened its presence in non-SUVs; its SUV share increased to 21% in FY24YTD**

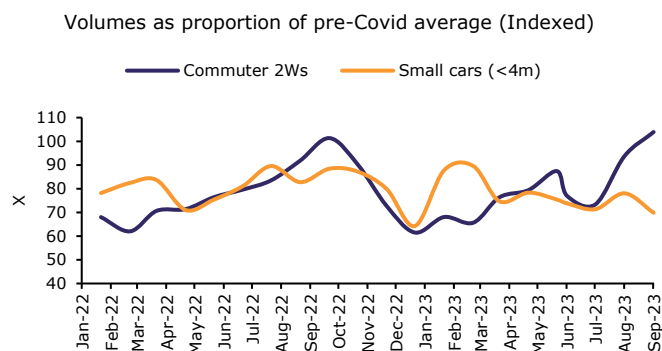
MSIL market share (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24YTD
Entry	59	61	69	76	80	91	93
Compact Hatch	48	48	54	54	59	59	58
Entry SUV	-	-	-	-	-	-	30
Premium Hatch	71	75	73	69	69	71	69
Entry Sedan	58	55	59	58	57	51	53
Compact SUV	53	53	33	23	20	22	28
SUV	10	13	5	6	5	8	14
Sedan	35	30	30	19	19	13	13
Executive Sedan	-	-	-	-	-	-	-
Premium SUV	-	-	-	-	-	-	3
MPV	68	66	69	73	76	77	72
Premium MPV	-	-	-	-	-	-	-
SUV share	25	26	17	13	11	12	21
Non-SUV share	58	59	63	64	66	64	65

Source: Company, Emkay Research

**Exhibit 13: MSIL's first EV (EVX) is expected to be launched in Oct-24**

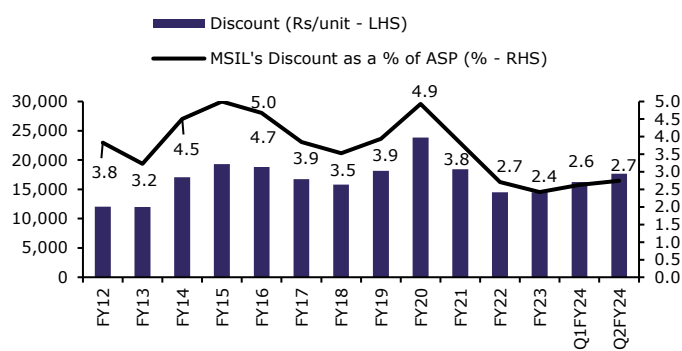
Source: Company

Exhibit 14: Small cars segment still struggling



Source: SIAM, Emkay Research; Note: 'Pre-Covid' = FY18-19 average

Exhibit 15: Discounts as a % of ASPs seen rising recently



Source: Company, Emkay Research

Exhibit 16: Revenue Model

Revenue Model	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Avg. monthly volumes (units)	1,48,298	1,55,204	1,30,275	1,21,488	1,37,742	1,63,844	1,79,527	1,91,932	2,05,626
Volumes (units)	17,79,574	18,62,449	15,63,297	14,57,861	16,52,901	19,66,133	21,54,327	23,03,186	24,67,508
Growth (%)	13.5	4.7	(16.1)	(6.7)	13.4	19.0	9.6	6.9	7.1
ASP (Rs/unit)	4,48,212	4,61,867	4,83,661	4,82,436	5,34,186	5,97,736	6,79,374	7,10,662	7,19,762
Growth (%)	3.3	3.0	4.7	(0.3)	10.7	11.9	13.7	4.6	1.3
<b>Revenues</b>	<b>7,97,627</b>	<b>8,60,203</b>	<b>7,56,106</b>	<b>7,03,325</b>	<b>8,82,956</b>	<b>11,75,229</b>	<b>14,63,593</b>	<b>16,36,786</b>	<b>17,76,019</b>
Growth (%)	17.2	7.8	(12.1)	(7.0)	25.5	33.1	24.5	11.8	8.5
EBITDA	1,20,615	1,09,993	73,026	53,453	57,012	1,10,077	1,68,796	1,92,012	2,14,162
<b>EBITDA margin (%)</b>	<b>15.1</b>	<b>12.8</b>	<b>9.7</b>	<b>7.6</b>	<b>6.5</b>	<b>9.4</b>	<b>11.5</b>	<b>11.7</b>	<b>12.1</b>
EBITDA growth (%)	16.5	(8.8)	(33.6)	(26.8)	6.7	93.1	53.3	13.8	11.5
EBITDA (Rs/unit)	67,777	59,058	46,713	36,665	34,492	55,987	78,352	83,368	86,793
EBIT	93,036	79,804	39,191	23,617	29,147	81,844	1,37,596	1,52,519	1,70,273
EBIT margin (%)	11.7	9.3	5.2	3.4	3.3	7.0	9.4	9.3	9.6
Other income	20,455	25,610	34,208	29,464	17,935	21,613	23,878	25,223	26,503
PBT	1,10,034	1,04,656	70,648	51,594	45,823	1,01,591	1,59,514	1,75,685	1,94,616
Tax	32,816	29,650	14,142	9,297	8,160	21,099	34,296	37,772	41,843
Tax rate (%)	30	28	20	18	18	21	22	22	22
PAT	77,218	75,006	56,506	42,297	37,663	80,492	1,25,219	1,37,912	1,52,774
<b>EPS (Rs)</b>	<b>256</b>	<b>248</b>	<b>187</b>	<b>140</b>	<b>125</b>	<b>267</b>	<b>415</b>	<b>439</b>	<b>486</b>

Source: Company, Emkay Research

Exhibit 17: We upgrade FY24E EPS by 4.5%, to reflect the Q2 beat; FY25E-26E estimates largely unchanged

(Rs mn)	FY24E				FY25E				FY26E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes (Units)	21,54,327	21,54,327	0.0	9.6	23,03,186	23,03,186	0.0	6.9	24,67,508	24,67,508	0.0	7.1
Revenues	14,63,593	14,63,593	0.0	24.5	16,36,786	16,36,786	0.0	11.8	17,76,019	17,76,019	0.0	8.5
EBITDA	1,63,478	1,68,796	3.3	53.3	1,92,012	1,92,012	0.0	13.8	2,14,162	2,14,162	0.0	11.5
Margin (%)	11.2	11.5	36 bps	217 bps	11.7	11.7	0 bps	20 bps	12.1	12.1	0 bps	33 bps
PAT	1,19,858	1,25,219	4.5	55.6	1,38,498	1,37,912	(0.4)	10.1	1,52,606	1,52,774	0.1	10.8
EPS (Rs)	396.9	414.6	4.5	55.6	440.7	438.8	(0.4)	5.8	485.5	486.1	0.1	10.8

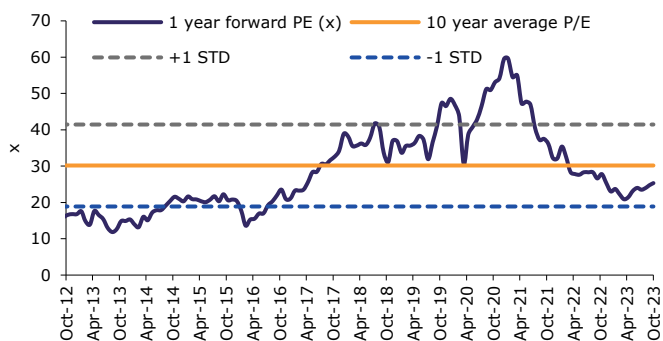
Source: Emkay Research

Exhibit 18: Emkay vs. Consensus estimates

MSIL (Rs mn)	Emkay Estimates			Bloomberg estimates			Difference (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net revenue	14,63,593	16,36,786	17,76,019	14,02,594	15,72,456	16,79,470	4.35%	4.09%	5.75%
EBITDA	1,68,796	1,92,012	2,14,162	1,50,491	1,78,519	1,99,588	12.16%	7.56%	7.30%
EBITDA margin (%)	11.5	11.7	12.1	10.7	11.4	11.9			
EPS (Rs)	415	439	486	375	429	483	10.6%	2.3%	0.7%

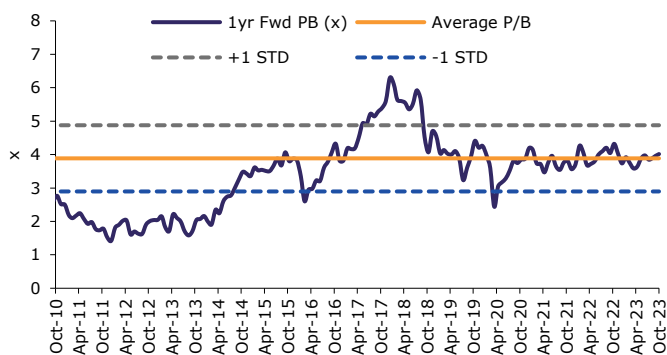
Source: Bloomberg, Emkay Research

Exhibit 19: MSIL trades well below its 10-year average P/E of 30x



Source: Bloomberg, Emkay Research

Exhibit 20: One-year forward P/B at ~4x, in line with LTA



Source: Bloomberg, Emkay Research



## Maruti Suzuki India : Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>8,82,956</b>	<b>11,75,229</b>	<b>14,63,593</b>	<b>16,36,786</b>	<b>17,76,019</b>
Revenue growth (%)	25.5	33.1	24.5	11.8	8.5
<b>EBITDA</b>	<b>57,012</b>	<b>1,10,077</b>	<b>1,68,796</b>	<b>1,92,012</b>	<b>2,14,162</b>
EBITDA growth (%)	6.7	93.1	53.3	13.8	11.5
Depreciation & Amortization	27,865	28,233	31,201	39,494	43,889
<b>EBIT</b>	<b>29,147</b>	<b>81,844</b>	<b>1,37,596</b>	<b>1,52,519</b>	<b>1,70,273</b>
EBIT growth (%)	26.0	180.8	68.1	10.8	11.6
Other operating income	0	0	0	0	0
Other income	17,935	21,613	23,878	25,223	26,503
Financial expense	1,259	1,866	1,959	2,057	2,160
<b>PBT</b>	<b>45,823</b>	<b>1,01,591</b>	<b>1,59,514</b>	<b>1,75,685</b>	<b>1,94,616</b>
Extraordinary items	0	0	0	0	0
Taxes	8,160	21,099	34,296	37,772	41,843
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>37,663</b>	<b>80,492</b>	<b>1,25,219</b>	<b>1,37,912</b>	<b>1,52,774</b>
PAT growth (%)	(11.0)	113.7	55.6	10.1	10.8
<b>Adjusted PAT</b>	<b>37,663</b>	<b>80,492</b>	<b>1,25,219</b>	<b>1,37,912</b>	<b>1,52,774</b>
<b>Diluted EPS (Rs)</b>	<b>124.7</b>	<b>266.5</b>	<b>414.6</b>	<b>438.8</b>	<b>486.1</b>
Diluted EPS growth (%)	(11.0)	113.7	55.6	5.8	10.8
<b>DPS (Rs)</b>	<b>60.0</b>	<b>90.0</b>	<b>145.1</b>	<b>153.6</b>	<b>170.1</b>
<b>Dividend payout (%)</b>	<b>48.1</b>	<b>33.8</b>	<b>35.0</b>	<b>35.0</b>	<b>35.0</b>
EBITDA margin (%)	6.5	9.4	11.5	11.7	12.1
EBIT margin (%)	3.3	7.0	9.4	9.3	9.6
Effective tax rate (%)	17.8	20.8	21.5	21.5	21.5
<b>NOPLAT (pre-IndAS)</b>	<b>23,957</b>	<b>64,846</b>	<b>1,08,013</b>	<b>1,19,727</b>	<b>1,33,664</b>
Shares outstanding (mn)	302.0	302.0	302.0	314.3	314.3

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	45,823	1,01,591	1,59,514	1,75,685	1,94,616
Others (non-cash items)	11,956	9,215	33,160	41,551	46,049
Taxes paid	(11,769)	(22,313)	(36,456)	(40,152)	(44,479)
Change in NWC	(28,098)	3,787	15,114	22,669	23,151
<b>Operating cash flow</b>	<b>17,912</b>	<b>92,280</b>	<b>1,71,333</b>	<b>1,99,753</b>	<b>2,19,338</b>
Capital expenditure	(33,227)	(62,474)	(84,302)	(2,08,178)	(80,000)
Acquisition of business	29,074	(19,914)	0	(15,000)	(15,000)
Interest & dividend income	2,263	2,206	0	0	0
<b>Investing cash flow</b>	<b>(1,890)</b>	<b>(80,182)</b>	<b>(84,302)</b>	<b>(2,23,178)</b>	<b>(95,000)</b>
Equity raised/(repaid)	0	0	0	62	0
Debt raised/(repaid)	(1,069)	8,339	2,983	1,792	1,440
Payment of lease liabilities	(71)	(444)	0	0	0
Interest paid	(1,291)	(1,854)	(1,959)	(2,057)	(2,160)
Dividend paid (incl tax)	(13,594)	(18,125)	(27,180)	(43,827)	(48,269)
Others	(70)	(30,443)	0	1,28,117	0
<b>Financing cash flow</b>	<b>(16,024)</b>	<b>(42,083)</b>	<b>(26,156)</b>	<b>84,086</b>	<b>(48,989)</b>
Net chg in Cash	(2)	(29,985)	60,875	60,661	75,349
OCF	17,912	92,280	1,71,333	1,99,753	2,19,338
Adj. OCF (w/o NWC chg.)	46,010	88,493	1,56,218	1,77,084	1,96,187
FCFF	(15,315)	29,806	87,031	(8,425)	1,39,338
FCFE	(14,311)	30,146	85,072	(10,483)	1,37,177
OCF/EBITDA (%)	31.4	83.8	101.5	104.0	102.4
FCFE/PAT (%)	(38.0)	37.5	67.9	(7.6)	89.8
<b>FCFF/NOPLAT (%)</b>	<b>(63.9)</b>	<b>46.0</b>	<b>80.6</b>	<b>(7.0)</b>	<b>104.2</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,510	1,510	1,510	1,572	1,572
Reserves & Surplus	5,39,350	6,02,310	6,83,702	9,01,462	10,00,765
<b>Net worth</b>	<b>5,40,860</b>	<b>6,03,820</b>	<b>6,85,212</b>	<b>9,03,034</b>	<b>10,02,337</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(2,027)	(3,411)	(5,572)	(7,951)	(10,587)
<b>Total debt</b>	<b>3,819</b>	<b>12,158</b>	<b>15,141</b>	<b>16,933</b>	<b>18,373</b>
<b>Total liabilities &amp; equity</b>	<b>5,42,652</b>	<b>6,12,567</b>	<b>6,94,782</b>	<b>9,12,015</b>	<b>10,10,123</b>
Net tangible fixed assets	1,25,092	1,65,777	2,22,848	3,96,533	4,32,644
Net intangible assets	6,402	6,368	6,368	6,368	6,368
Net ROU assets	5,679	5,904	5,904	5,904	5,904
Capital WIP	29,294	28,970	25,000	20,000	20,000
Goodwill	0	0	0	0	0
Investments [JV/Associates]	17,090	17,090	17,090	17,090	17,090
<b>Cash &amp; equivalents</b>	<b>4,20,905</b>	<b>4,60,851</b>	<b>5,21,726</b>	<b>5,97,387</b>	<b>6,87,735</b>
Current assets (ex-cash)	1,27,454	1,43,416	1,78,606	1,99,741	2,16,732
Current Liab. & Prov.	1,89,264	2,15,809	2,82,760	3,31,007	3,76,350
<b>NWC (ex-cash)</b>	<b>(61,810)</b>	<b>(72,393)</b>	<b>(1,04,154)</b>	<b>(1,31,266)</b>	<b>(1,59,618)</b>
<b>Total assets</b>	<b>5,42,652</b>	<b>6,12,567</b>	<b>6,94,782</b>	<b>9,12,015</b>	<b>10,10,123</b>
Net debt	(4,17,086)	(4,48,693)	(5,06,585)	(5,80,454)	(6,69,362)
Capital employed	5,42,652	6,12,567	6,94,782	9,12,015	10,10,123
<b>Invested capital</b>	<b>75,363</b>	<b>1,05,656</b>	<b>1,30,966</b>	<b>2,77,539</b>	<b>2,85,298</b>
BVPS (Rs)	1,790.9	1,999.4	2,268.9	2,873.2	3,189.1
Net Debt/Equity (x)	(0.8)	(0.7)	(0.7)	(0.6)	(0.7)
Net Debt/EBITDA (x)	(7.3)	(4.1)	(3.0)	(3.0)	(3.1)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>6.6</b>	<b>13.4</b>	<b>18.5</b>	<b>16.6</b>	<b>15.4</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	84.7	39.6	25.5	24.1	21.7
P/CE(x)	48.7	29.3	20.4	18.7	16.9
P/B (x)	5.9	5.3	4.7	3.7	3.3
EV/Sales (x)	3.1	2.3	1.8	1.7	1.5
EV/EBITDA (x)	48.6	24.9	15.9	14.3	12.4
EV/EBIT(x)	95.1	33.5	19.5	18.0	15.6
EV/IC (x)	36.8	25.9	20.5	9.9	9.3
FCFF yield (%)	(0.6)	1.1	3.2	(0.3)	5.3
FCFE yield (%)	(0.4)	0.9	2.7	(0.3)	4.1
Dividend yield (%)	0.6	0.9	1.4	1.5	1.6
<b>DuPont-RoE split</b>					
Net profit margin (%)	4.3	6.8	8.6	8.4	8.6
Total asset turnover (x)	1.7	2.0	2.2	2.0	1.8
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
<b>RoE (%)</b>	<b>7.1</b>	<b>14.1</b>	<b>19.4</b>	<b>17.4</b>	<b>16.0</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	2.7	5.5	7.4	7.3	7.5
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>35.6</b>	<b>71.6</b>	<b>91.3</b>	<b>58.6</b>	<b>47.5</b>
<b>Operating metrics</b>					
Core NWC days	(25.6)	(22.5)	(26.0)	(29.3)	(32.8)
<b>Total NWC days</b>	<b>(25.6)</b>	<b>(22.5)</b>	<b>(26.0)</b>	<b>(29.3)</b>	<b>(32.8)</b>
Fixed asset turnover	2.8	3.3	3.3	2.8	2.4
Opex-to-revenue (%)	18.8	17.2	17.2	17.2	17.0

Source: Company, Emkay Research



**RECOMMENDATION HISTORY - DETAILS**

Date	CMP (INR)	TP (INR)	Rating	Analyst
31-Jul-23	9,821	11,000	Buy	Chirag Jain
20-Jul-23	9,773	11,000	Buy	Chirag Jain
27-Apr-23	8,543	10,300	Buy	Chirag Jain

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Company, Bloomberg, Emkay Research

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