

Mahindra & Mahindra

Estimate change

TP change

Rating change



Bloomberg	MM IN
Equity Shares (m)	1,197
M.Cap.(INRb)/(USDb)	1536.8 / 19.4
52-Week Range (INR)	1279 / 671
1, 6, 12 Rel. Per (%)	4/47/56
12M Avg Val (INR M)	3679

Financials & Valuations (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	574	773	910
EBITDA	70.4	95.5	124.7
Adj. PAT	51.4	66.7	87.7
Adj. EPS (INR)	43.0	55.7	73.3
EPS Gr. (%)	26.2	29.6	31.6
BV/Sh. (INR)	326	371	434

Ratios

RoE (%)	13.9	16.0	18.2
RoCE (%)	11.6	14.3	17.1
Payout (%)	28	18	14

Valuations

P/E (x)	28.8	22.2	16.9
P/BV (x)	3.8	3.3	2.8
Div. Yield (%)	0.9	0.8	0.8
FCF Yield (%)	2.6	3.3	4.7

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	18.9	18.9	18.9
DII	28.2	28.0	25.4
FII	43.6	43.0	45.8
Others	9.4	10.1	9.9

FII Includes depository receipts

CMP: INR1236

TP: INR1400 (+16%)

Buy

Inline; strength in Auto offsets weakness in FES

Tractor industry to grow by 3-5% in FY23E; fall in RM cost to accrue from 3Q

- MM's 1QFY23 operating performance was in line as the Auto business made up for weakness in the Tractor segment. While the Auto business is firmly on the growth path, led by a refreshed product portfolio, the outlook for the Tractor segment is uncertain, particularly for 2HFY23. The strong order backlog in SUV will continue to boost performance, aided by RM cost savings. Stability in the Tractor business will be a key performance driver.
- We raise our FY23/FY24 standalone EPS estimate by 7% each to factor in a strong order backlog in the Passenger UVs and improving semiconductor supplies. We maintain our **Buy** rating with a TP of INR1,400/share (Sep'24E based SoTP).

Cost inflation and weak mix hurt margin in 1QFY23

- Standalone revenue/EBITDA/adjusted PAT grew 67%/43.5%/57.5% YoY to INR196.1b/INR23.4b/INR14.7b.
- Volumes grew 46% YoY. Net realizations grew 14.5% YoY (but fell 4% QoQ) to ~INR721.1k/unit (est. INR705k/unit), led by ~15%/6% YoY growth (+4%/-5% QoQ) in Auto/Tractor realizations.
- Gross margin contracted by ~7pp YoY to 23.4% (est. 24.5%) due to higher RM cost and a weaker mix.
- However, the benefit of operating leverage diluted the ~200bp YoY fall in EBITDA margin to 11.9% (est. 12%). EBITDA grew 43.5% YoY to ~INR23.4b (est. ~INR23.7b).
- PBIT margin for the Auto business improved by 4pp YoY and 10bp QoQ to 5.7%. The same for the Tractor business declined by 4.3pp YoY (but grew 30bp QoQ) to 16%, impacted by cost inflation and an adverse model mix.
- Lower tax boosted adjusted PAT to INR14.7b (est. ~INR13.9b), a growth of 57.5% YoY.
- The net contribution from Auto subsidiaries, at the PBIT level, was a loss of ~INR331m (v/s a loss of INR670m in 4QFY22).
- Its farm subsidiaries recorded an eighth consecutive quarter of positive PBIT of ~INR710m (v/s ~INR648m in 4QFY22).

Highlights from the management commentary

- **The Tractor industry will see a 3-5% growth in FY23**, despite a near normal monsoon and an acreage close to last year, as there are risks in the form of: a) unfavorable terms of trades for farmers, and b) lower government spending on agriculture and rural.
- **Scorpio-N bringing in new customers** as reflected in a) greater urban salience for the new model (77% v/s 45% for the old mode), b) shift in preference in South/West India (17%/28% for the new v/s 3%/21% for the old model).

- It is looking to substantially expand capacities in phases (the management didn't disclose details) as it doesn't want the waiting period to exceed beyond three-to-four months. Semiconductor supply issues have resulted in a 10% loss of production.
- The benefit from lower RM cost will reflect from 3QFY23, given its inventory and contracts. Hence, the benefit won't be much in 2QFY23.
- Peugeot was initially categorized as category A. However, COVID-19 has hurt the business fairly hard, impacting its performance badly. Since performance parameters have not been met in a time bound manner, it is under review now.

Valuation and view

- While the outlook for Tractors is murky, we expect the Auto business to be a key driver of growth over the next couple of years. Despite a deterioration in the mix, we expect a revenue/EBITDA/EPS CAGR of ~26%/33%/~31% over FY22-24. Implied core P/E for MM stands at 16.5x/12.5x FY23E/FY24E EPS.
- While the stock is still cheap as compared to its peers, it has got substantially re-rated over the last two quarters as the stock is now trading in line with its five-year average core P/E (against a discount of 30% earlier). The narrowing of the discount to LPA has been a reflection of its strong performance in the SUV segment, cyclical recovery in LCVs, and improvement in its outlook for the Tractor business (from Apr-Jun'22). We maintain our Buy rating, with a TP of INR1,400/share (Sep'24E based SoTP).

Quarterly Performance (incl MVML)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E
INR b	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Total Volumes ('000 units)	186.8	190.6	214.1	228.8	272.0	266.5	244.7	262.5	820.2	1045.6	272.0
Growth YoY (%)	96.0	2.9	-4.4	13.1	45.6	39.8	14.3	14.7	16.1	27.5	45.6
Net Realization (INR '000/unit)	629.8	698.1	711.8	748.5	721.1	740.0	729.6	749.7	700.3	738.9	705.3
Growth YoY (%)	7.4	3.0	3.0	13.3	14.5	6.0	2.5	0.2	11.3	5.5	12.0
Net Op. Income	117.6	133.1	152.4	171.2	196.1	197.6	182.1	196.8	574.5	772.6	197.6
Growth YoY (%)	110.4	15.5	9.1	28.2	66.7	48.5	19.4	14.9	29.2	34.5	68.0
RM Cost (% of sales)	69.6	72.8	74.7	76.4	76.6	75.5	75.0	73.9	73.7	75.3	75.5
Staff (% of sales)	7.5	6.0	5.8	4.4	4.3	4.3	4.6	4.5	5.8	4.4	4.5
Oth. Exp. (% of Sales)	9.0	8.8	7.7	9.0	7.2	8.0	8.3	8.9	8.6	8.0	8.0
EBITDA	16.3	16.6	18.0	19.5	23.4	24.2	22.1	25.8	70.4	95.5	23.7
Growth YoY (%)	184.7	-16.6	-21.4	-0.5	43.5	45.8	22.6	32.5	3.6	35.6	45.3
EBITDA Margins (%)	13.9	12.5	11.8	11.4	11.9	12.3	12.2	13.1	12.3	12.4	12.0
Other income	2.1	11.0	5.2	2.4	2.4	12.0	4.5	2.2	20.8	21.1	2.2
Interest	0.7	0.4	0.5	0.6	0.7	0.6	0.5	0.5	2.2	2.3	0.6
Depreciation	5.6	5.8	6.3	6.8	6.8	7.0	7.3	7.4	24.5	28.5	7.0
EO Income/(Exp)	-0.8	-2.6	0.0	1.2	-0.4	0.0	0.0	0.0	-2.1	-0.4	0.0
PBT after EO	11.3	18.9	16.5	15.7	17.9	28.7	18.8	20.1	62.4	85.5	18.4
Effective Tax Rate (%)	24.2	24.1	17.7	17.9	20.0	22.5	22.5	24.7	22.5	22.5	24.3
Reported PAT	8.6	14.3	13.5	12.9	14.3	22.2	14.6	15.1	49.4	66.3	13.9
Adj PAT	9.3	16.9	13.5	11.7	14.7	22.2	14.6	15.1	51.4	66.7	13.9
Change (%)	LTP	30.6	-20.7	16.9	57.5	31.6	7.9	29.7	26.4	29.6	48.8

E: MOFSL Estimates

Y/E March	FY22				FY23E				FY22	FY23E	FY23E
Segmental (M&M + MVML)	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Realizations (INR '000/unit)											
Auto	697	779	788	774	802	798	806	727	764	826	786
Farm Equipments	532	551	561	594	564	562	562	721	557	596	597
Blended	630	698	712	748	721	742	744	750	700	739	727
Segment PBIT											
Auto	1,025	2,109	3,491	6,748	7,035	8,725	8,228	8,318	13,372	32,307	5,729
Farm Equipments	10,811	9,159	9,052	6,778	10,735	8,855	8,610	12,155	35,799	40,355	13,436
Others	139	419	330	465	418	378	378	332	1,353	1,507	378
Total	11,975	11,687	12,872	13,990	18,189				50,524	74,169	
Segment PBIT Margins (%)											
Auto - PBIT Margins (%)	1.7	2.7	3.7	5.6	5.7	6.2	6.5	6.3	3.8	6.2	4.75
FES - PBIT Margins (%)	20.3	18.7	17.3	15.7	16.0	17.5	17.5	21.1	18.1	18.0	19.00
Others	3.0	7.6	6.0	6.0	6.2	5.4	5.4	4.6	5.8	5.4	5
Total	10.1	8.7	8.4	8.1	9.2				8.8	9.6	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY22				FY23E				FY22	FY23	FY23
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q
Tractors ('000 units)	99.9	88.9	93.0	72.9	118.5	90.1	87.6	79.8	354.7	376.0	118.5
Change (%)	52.2	-4.6	-8.6	-22.4	18.6	1.3	-5.8	9.4	0.1	6.0	-72.7
Total UV ('000 units)	76.4	84.5	101.5	134.2	133.3	152.3	133.1	159.6	407.0	574.0	133.3
Change (%)	178.8	-1.9	-3.4	48.3	74.6	80.2	31.1	18.9	31.7	41.0	-82.8
Other Autos ('000 units)	10.5	17.2	19.7	21.7	20.1	24.1	24.0	23.1	58.6	95.6	20.1
Change (%)	364.5	194.1	14.1	21.6	92.0	40.2	22.0	6.6	35.7	63.3	-84.7
Cost Break-up											
RM Cost (% of sales)	69.6	72.8	74.7	76.4	76.6	75.5	75.0	73.9	73.7	75.3	75.5
Staff Cost (% of sales)	7.5	6.0	5.8	4.4	4.3	4.3	4.6	4.5	5.8	4.4	4.5
Other Cost (% of sales)	9.0	8.8	7.7	9.0	7.2	8.0	8.3	8.9	8.6	8.0	8.0
Gross Margins (%)	30.4	27.2	25.3	23.6	23.4	24.5	25.0	26.1	26.3	24.8	24.5
EBITDA Margins (%)	13.9	12.5	11.8	11.4	11.9	12.3	12.2	13.1	12.3	12.4	12.0
EBIT Margins (%)	9.1	8.1	7.7	7.4	8.5	8.7	8.2	9.3	8.0	9	8.5



Highlights from the management commentary

Auto business

- Open bookings at over 140k (excl. Scorpio-N), with 79k for XUV700, 25k for Thar, 13k for XUV300, 15k for Bolero and 7k for old Scorpio. Despite 2 year wait period, XUV700 is clocking bookings of 10.3k/month.
- Scorpio-N is bringing in new customers, as reflected in a) more urban salience for the new model (77% vs 45% for old mode), b) shift in regions towards South (17% for new vs 3% for old) and West (28% for new vs 21% for old).
- It is looking to substantially expand capacities in phases (didn't disclose details), as it doesn't want to have waiting period beyond 3-4 months. It will have to balance out capacities between EVs and ICE. Supply issues have resulted in loss of 10% of production.
- Cancellation rates are at 10-12%, which suggests that the double booking wouldn't be very high. Since there is KYC of each and every customers who have booked the vehicle, it doesn't see double bookings to be more than 5-10%.
- It doesn't have many new ICE SUVs in next 12 months, except refresh of Scorpio Classic in Aug-22 and some pick-ups.

Tractor/FES business

- Tractor industry to see 3-5% growth for FY23E, as despite near normal monsoon and similar acreage close to last year there are risks in form of a) unfavourable terms of trades for farmers, and b) lower government spending on agriculture and rural.
- There is an excess rain in west and south but deficient in UP, Bihar, Jharkhand and West Bengal. Reservoir levels at 57% of the live capacity; higher than average by 39%. Acreages are just 2% lower than FY22 and are at 74% of normal area sown.
- Tractor segment margins were impacted by cost inflation and adverse model mix.
- FES subsidiaries continue to deliver positive PBIT for 8th consecutive quarters

Others

- RM cost benefit will reflect in 3Q, as they have inventory and contracts, and hence benefit wouldn't be much in 2Q. While steel prices will come down in 2Q, model mix would be adverse at least till 2QFY23 (due to price protection guarantee for XUV700 and Scorpio-N).
- It has taken price hikes of 1.5-2.5% in both businesses in 2QFY22.
- Peugeot was initially categorized as category A. However, covid has hurt them fairly hard, impacting performance badly. Since performance parameters have not been met in time bound manner, it is under review now.
- **Pininfarina:** It is clear that it is not invest beyond Batista (hyper EV). It will look to bring in investors to funds for future models.

Exhibit 1: Trend in Passenger UV volumes

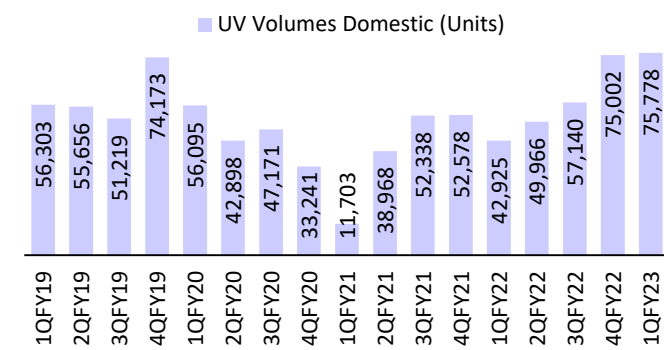


Exhibit 2: Trend in Passenger UV market share

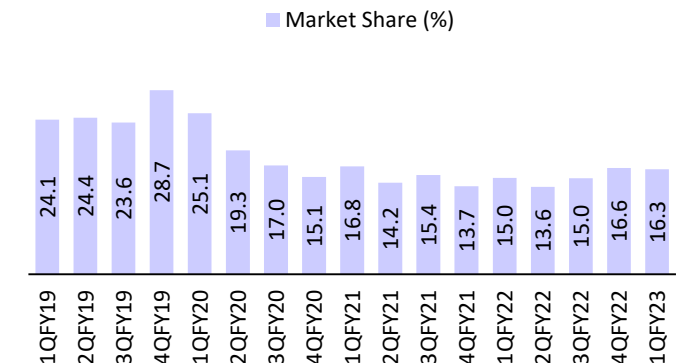


Exhibit 3: Trend in Tractor volumes

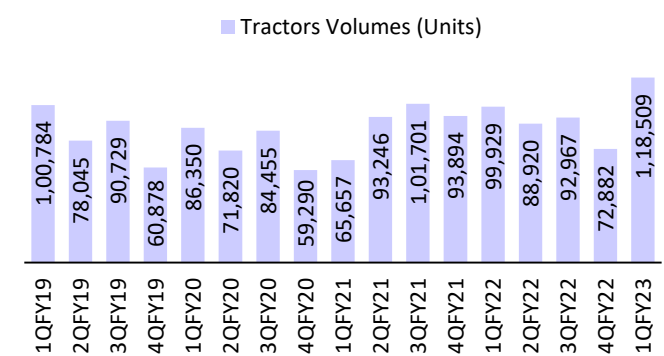


Exhibit 4: Market share trend for the Tractor segment

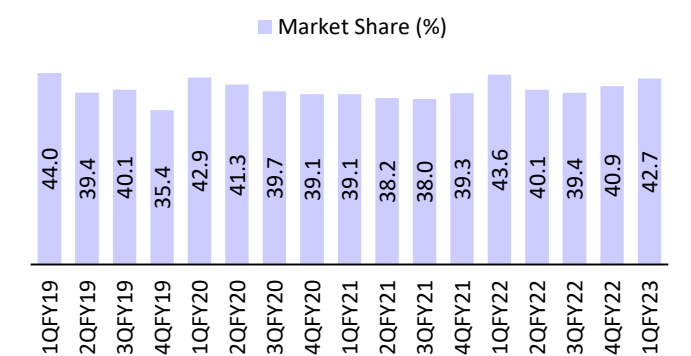


Exhibit 5: Trend in realization for the Auto segment

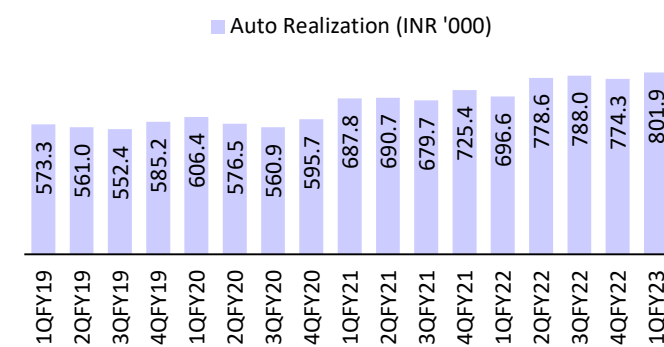


Exhibit 6: Trend in realization for FES

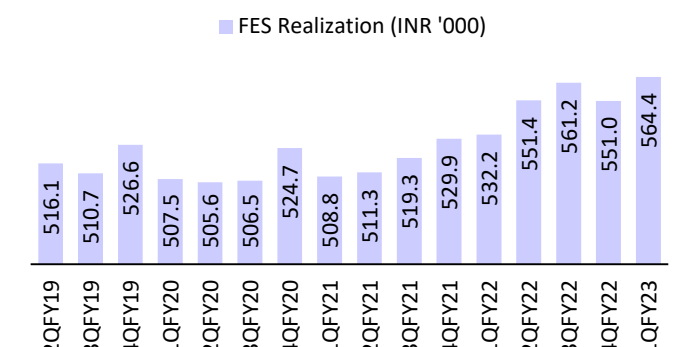
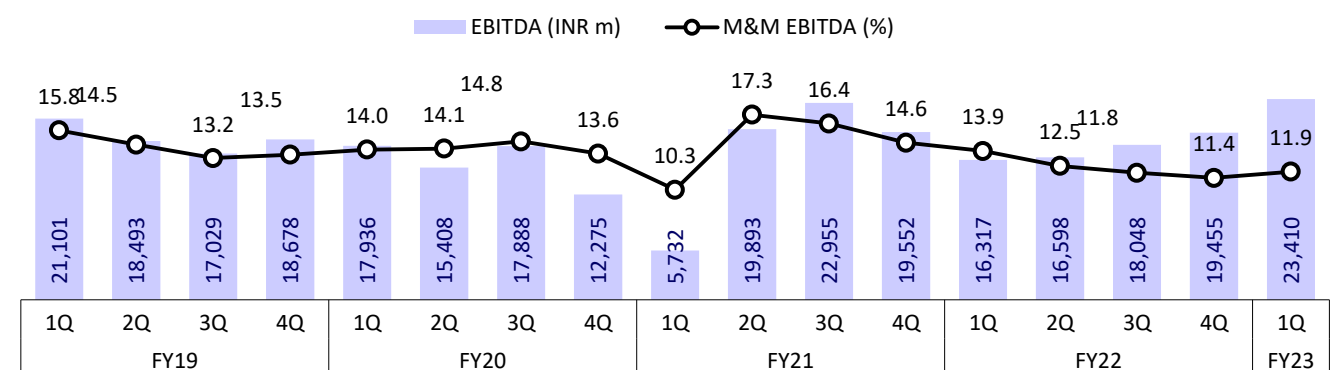
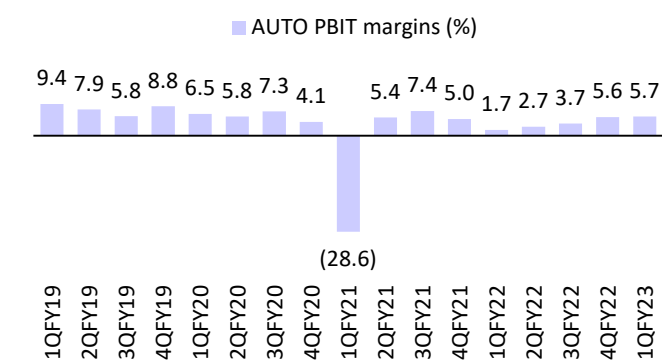


Exhibit 7: Trend in EBITDA margin



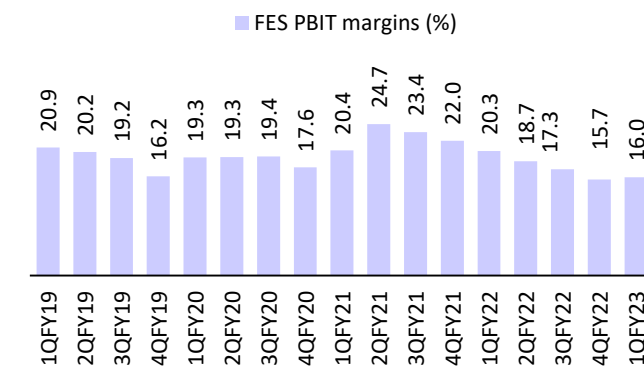
Source: Company, MOFSL

Exhibit 8: Trend in PBIT margin for the Auto segment



Source: Company, MOFSL

Exhibit 9: Trend in PBIT margin for FES



Source: Company, MOFSL

Valuation and view

- Best rural proxy, with two of the three core businesses on a strong footing:** MM has one of the highest exposures to the rural market (~65% of volumes), which would likely to recover considering the rural cashflows.. We have slotted MM's core business into three buckets: Tractor, Pickup UV, and Passenger UV. Tractor is showing signs of recovery and Pickup UV 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 on the back of blockbuster launches drawn back by supply chain issues which are expected to persist in FY23.
- Tractor business to grow 3-5% in FY23E, reforms to potentially drive the next phase of farm mechanization:** The Tractor segment has seen a recovery in volume since Dec'19, driven by an improvement in farm-level indicators such as output prices, lower input prices, higher government spend in rural areas, and unusually high water reservoir levels. A good Rabi crop and expected normal monsoons have further improved the outlook for farm income. However, the very high base in FY21 would result in a slowdown in volumes. We estimate industry volumes to grow single digit (our estimate of growth of 6%/8% in FY23E/FY24E)
- MM's positioning in LCVs to further strengthen under BS-VI emission norms:** The LCV business is on a cyclical recovery, though the semiconductor shortage is influencing the pace of recovery. LCVs should continue to benefit from the increasing emergence of the 'Hub and Spoke' model. We expect the LCV industry to deliver an 8-10% CAGR over the next five years. MM enjoys ~40% market share in Cargo LCV and ~55% in the 2-3.5t segment. We estimate a 18% volume CAGR over FY22-25E.
- MM to witness a volume recovery in the SUV segment, although the competitive intensity remains high:** The company is reorienting its SUV business to maintain its DNA and brand positioning as well as to garner market share. Based on its learnings from the Thar success as well as past failures, it is reorienting its SUV business to focus on maintaining its DNA and brand positioning. While the new Thar, XUV700 and Scorpio N are products based on this renewed strategy there are no new ICE launches in the next 12 months. We expect a 27.5% volume CAGR in Passenger UVs over FY22-25E.

- **Valuation and view:** We raise our FY23E/FY24E standalone EPS by 7% to factor in for strong order backlog in the passenger UVs and improving supplies. While outlook for tractor is murky, we expect the Auto business to be key driver of growth for next couple of years. Despite deterioration in the mix, we estimate revenue/EBITDA/EPS CAGR to ~26%/33%/~31% over FY22-24E. Implied core P/E for MM stands at 16.5x/12.5x FY23E/FY24E EPS. While stock is still cheap as compared to peers, it has got substantially re-rated over last 2 quarters as the stock is now trading in-line with its 5 year average core PE (against discount of 30% earlier). The narrowing of discount to LPA has been reflection of strong performance in SUV segment, cyclical recovery in LCVs and improvement in outlook for tractor business (from Apr-Jun'22). We maintain our Buy rating, with a TP of INR1,400/share (Sep-24E based SOTP).

Exhibit 10: Revision to our estimates

	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	1,046	1,024	2.1	1,214	1,171	3.7
Net Sales	773	753	2.6	910	874	4.2
EBITDA (%)	12.4	12.2	10bp	13.7	13.8	-10bp
Net Profit	67	62	7.4	88	82	7.0
EPS (INR)	55.7	51.9	7.4	73.3	68.5	7.0

Source: MOFSL

Exhibit 11: Sum-of-The-Parts valuation

SOTP (INR/sh)	Target P/E (x)	FY23E	FY24E	FY25E
Tractors	18	476	518	622
Autos	12	237	405	519
Others	8	81	92	10
Value of Core Business		793	1016	1151
Value of subs post hold-co	20%	316	316	316
- Tech Mahindra	220	176	176	176
- MMFSL	105	84	84	84
- Mah. Lifespaces	9	7	7	7
- Mah. Holidays	18	14	14	14
- Mah. Logistics	16	12	12	12
- Others	28	23	23	23
Fair Value (INR/sh)		1110	1332	1468

Source: MOFSL

Exhibit 12: Core P/E trend

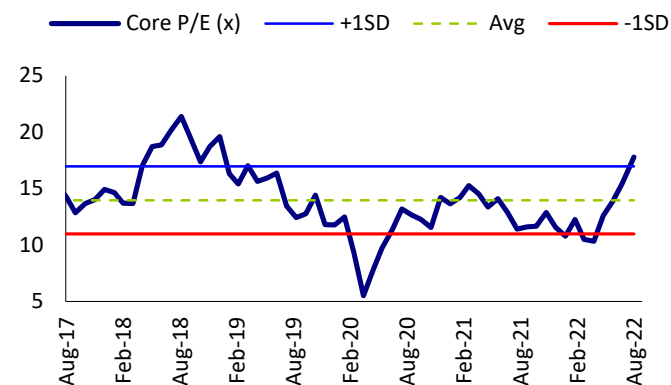
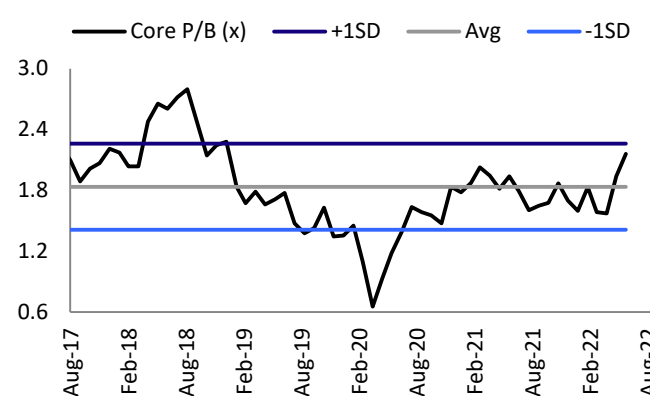


Exhibit 13: Core P/B trend



Source: Bloomberg, MOFSL

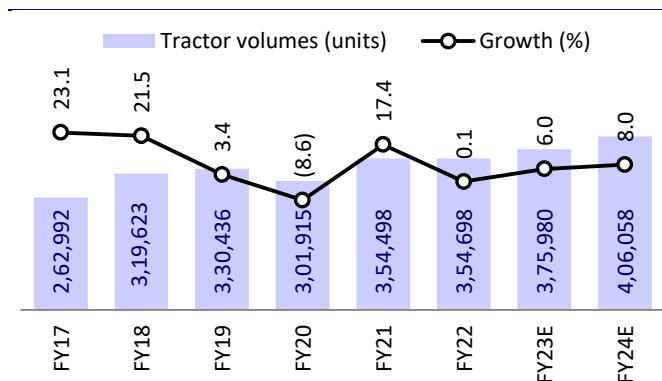
Exhibit 14: Snapshot of the revenue model (standalone)

000 units	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Tractors	320	330	302	354	355	376	406	434
Growth (%)	21.5	3.4	-8.6	17.4	0.1	6.0	8.0	7.0
% of total volumes	36.8	35.2	38.8	50.2	43.2	36.0	33.5	32.4
Autos								
Pick-up/LCVs (<3.5t)	200	229	188	154	161	210	241	265
Growth (%)	19.1	14.9	-18.1	-18.3	5.0	30.0	15.0	10.0
SUVs	235	237	179	156	246	364	451	509
Growth (%)	5.7	0.9	-24.4	-13.3	58.0	48.3	23.8	12.8
3-Ws	55	67	62	21	30	51	66	76
Growth (%)	4.4	22.1	-6.8	-67.0	46.5	70.0	30.0	15.0
LCVs (>3.5t)	8	8	6	2	2	4	4	4
Growth (%)	1.6	8.6	-26.5	-75.0	31.0	75.0	5.0	5.0
M&HCVs (MTBL)	9	11	5	3	4	6	6	7
Growth (%)	41.2	14.3	-53.0	-50.0	60.0	30.0	10.0	10.0
Others & Exports	42	56	35	18	22	35	39	45
Growth (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Autos	549	609	476	352	466	670	808	906
Growth (%)	8.9	10.8	-21.8	-26.0	32.2	43.8	20.6	12.2
% of total volumes	63.2	64.8	61.2	49.8	56.8	64.0	66.5	67.6
Total volumes ('000 units)	869	939	778	707	820	1,046	1,214	1,341
Growth (%)	12.9	8.1	-17.2	-9.1	16.1	27.5	16.1	10.5
ASP (INR '000/Unit)	548	563	577	629	700	739	750	761
Growth (%)	-2.1	1.9	2.4	7.5	3.0	1.5	1.5	1.5
Net Sales (INR b)	476	528	449	445	574	773	910	1,021
Growth (%)	15.0	11.1	-15.1	-0.9	29.2	34.5	17.8	12.2

Source: Company, MOFSL

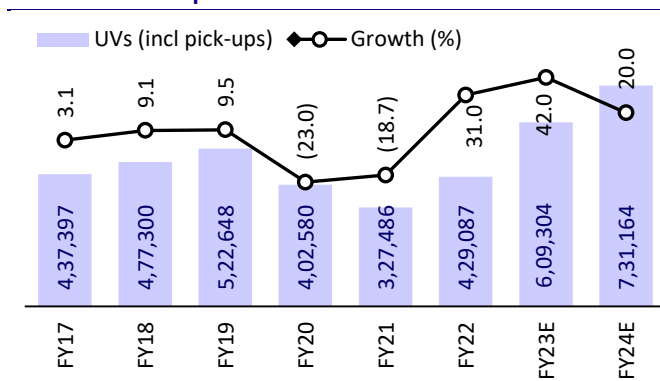
Story in charts

Exhibit 15: Trend in Tractor volumes



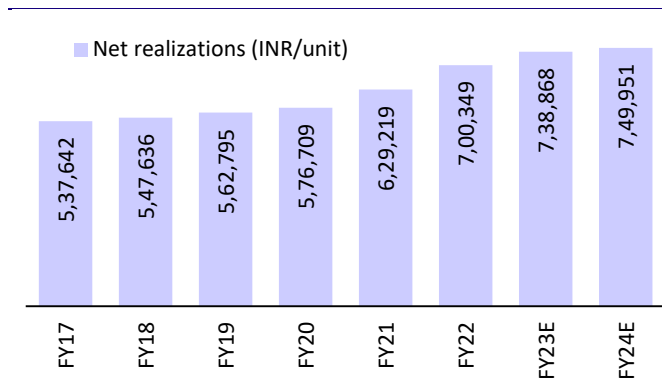
Source: Company, MOFSL

Exhibit 16: New product launches to drive UV sales



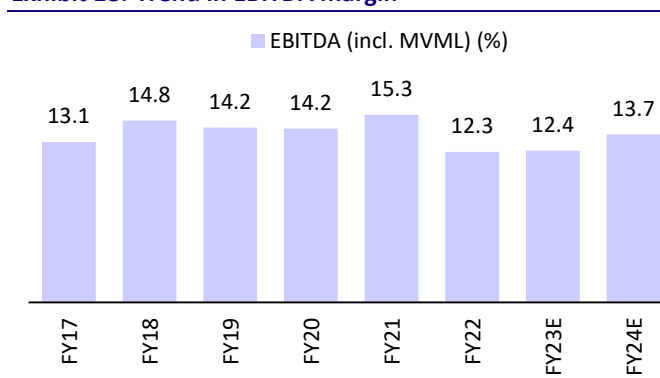
Source: Company, MOFSL

Exhibit 17: Realization trend



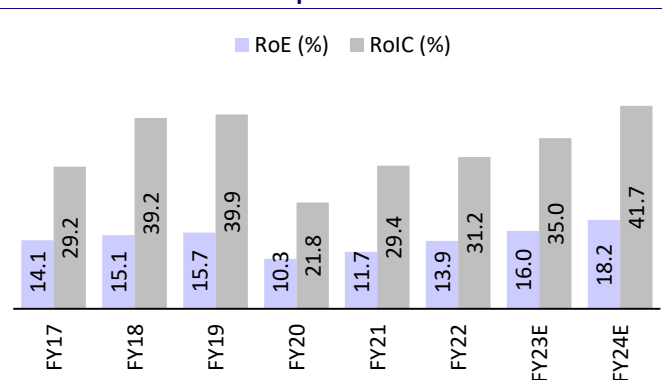
Source: Company, MOFSL

Exhibit 18: Trend in EBITDA margin



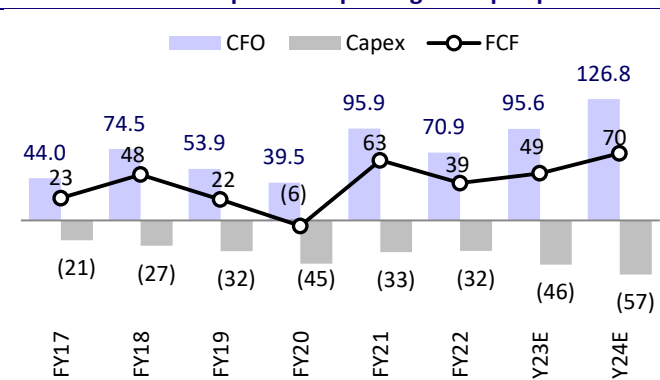
Source: Company, MOFSL

Exhibit 19: Trend in return profile



Source: Company, MOFSL

Exhibit 20: FCF to improve despite higher capex plans



Source: Company, MOFSL

Financials and valuations

S/A Income Statement (incl MVML)						(INR m)		
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	2024E	2025E
Net Op. Income	4,75,774	5,28,482	4,48,655	4,44,719	5,74,460	7,72,581	9,10,179	10,20,827
Change (%)	15.0	11.1	-15.1	-0.9	29.2	34.5	17.8	12.2
EBITDA	70,434	75,301	63,506	67,995	70,423	95,521	1,24,737	1,50,913
Margins (%)	14.8	14.2	14.2	15.3	12.3	12.4	13.7	14.8
Depreciation	16,254	20,030	23,631	23,699	24,511	28,458	32,808	36,758
EBIT	54,181	55,271	39,875	44,296	45,912	67,063	91,929	1,14,155
Int. & Finance Charges	1,882	1,467	1,245	3,963	2,230	2,271	2,101	1,931
Other Income	9,517	16,303	15,391	11,995	20,759	21,106	23,371	25,429
Non-recurring Income	4,336	3,723	-28,112	-29,293	-2,087	-410	0	0
Profit before Tax	66,152	73,829	25,910	23,035	62,355	85,489	1,13,200	1,37,653
Eff. Tax Rate (%)	30.1	26.8	71.5	57.3	20.9	22.5	22.5	22.5
Profit after Tax	46,232	54,012	7,397	9,842	49,352	66,254	87,730	1,06,681
Adj. Profit after Tax	43,202	51,288	35,770	40,710	51,440	66,662	87,730	1,06,681
Change (%)	23.0	18.7	(30.3)	13.8	26.4	29.6	31.6	21.6

Balance Sheet						(INR m)		
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	2024E	2025E
Share Capital	5,950	5,958	5,965	5,974	5,983	5,983	5,983	5,983
Reserves	2,98,924	3,43,979	3,40,326	3,43,536	3,83,627	4,37,932	5,13,715	6,08,448
Net Worth	3,04,874	3,49,937	3,46,291	3,49,510	3,89,610	4,43,915	5,19,698	6,14,431
Deferred tax	4,557	7,896	15,068	14,497	17,008	17,008	17,008	17,008
Loans	32,142	26,803	31,530	77,863	67,336	23,948	21,948	19,948
Capital Employed	3,41,573	3,84,636	3,92,889	4,41,870	4,73,953	4,84,871	5,58,653	6,51,387
Application of Funds								
Gross Fixed Assets	2,01,985	2,42,262	2,66,446	2,88,343	3,36,857	3,86,782	4,41,932	4,82,082
Less: Depreciation	1,05,160	1,23,730	1,45,935	1,68,230	1,91,371	2,18,254	2,49,562	2,84,670
Net Fixed Assets	96,826	1,18,532	1,20,511	1,20,113	1,45,486	1,68,528	1,92,370	1,97,412
Capital WIP	33,244	26,437	48,582	61,255	50,182	45,000	45,000	45,000
Investments	1,93,999	2,06,262	1,75,329	2,17,826	2,51,098	2,78,098	2,95,098	3,12,098
Curr.Assets, L & Adv.	1,69,224	1,97,940	1,73,757	2,16,451	2,24,537	2,29,191	2,94,402	3,91,044
Inventory	33,271	47,631	40,408	47,830	58,829	79,117	93,208	1,04,540
Sundry Debtors	30,984	38,119	29,012	22,028	30,351	40,819	48,089	53,935
Cash & Bank Bal.	29,242	38,321	42,365	63,952	36,505	727	37,857	1,11,917
Loans & Advances	10,182	8,612	6,511	19,324	28,057	37,734	44,454	49,858
Others	65,545	65,257	55,460	63,317	70,795	70,795	70,795	70,795
Current Liab. & Prov.	1,51,720	1,64,535	1,25,290	1,73,775	1,97,350	2,35,946	2,68,217	2,94,167
Sundry Creditors	93,737	1,03,607	72,006	1,06,427	1,28,935	1,62,820	1,91,818	2,15,137
Other Liabilities	42,297	44,775	37,503	52,271	54,752	54,752	54,752	54,752
Provisions	15,687	16,154	15,781	15,077	13,663	18,375	21,647	24,279
Net Current Assets	17,504	33,405	48,467	42,676	27,187	-6,755	26,185	96,877
Application of Funds	3,41,573	3,84,636	3,92,889	4,41,870	4,73,953	4,84,871	5,58,653	6,51,387

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	2024E	2025E
Basic (INR)								
Fully diluted EPS	36.3	43.0	30.0	34.1	43.0	55.7	73.3	89.2
FD EPS (incl MVML)	36.3	43.0	30.0	34.1	43.0	55.7	73.3	89.2
Cash EPS	50.0	59.9	49.8	53.9	63.5	79.5	100.7	119.9
Book Value per Share	256.2	293.7	290.3	292.5	325.6	371.0	434.3	513.5
DPS	7.5	8.5	2.4	8.8	11.5	10.0	10.0	10.0
Div. Payout (%)	22.4	21.8	44.0	106.2	27.8	18.0	13.6	11.2
Valuation (x)								
P/E	34.0	28.7	41.2	36.3	28.8	22.2	16.9	13.9
Cash P/E	24.7	20.7	24.8	22.9	19.5	15.6	12.3	10.3
EV/EBITDA	20.4	19.0	22.6	21.3	21.2	15.5	11.5	9.0
EV/Sales	3.0	2.7	3.2	3.2	2.6	1.9	1.6	1.3
Price to Book Value	4.8	4.2	4.3	4.2	3.8	3.3	2.8	2.4
Dividend Yield (%)	0.6	0.7	0.2	0.7	0.9	0.8	0.8	0.8
Profitability Ratios (%)								
RoE	15.1	15.7	10.3	11.7	13.9	16.0	18.2	18.8
RoCE	13.3	14.1	9.3	10.1	11.6	14.3	17.1	17.9
RoICE	39.2	39.9	21.8	29.4	31.2	35.0	41.7	48.7
Turnover Ratios								
Debtors (Days)	24	26	24	18	19	19	19	19
Inventory (Days)	26	33	33	39	37	37	37	37
Creditors (Days)	72	72	59	87	82	77	77	77
Core. Work. Cap (Days)	-23	-12	-2	-30	-25	-20	-20	-20
Asset Turnover (x)	1.4	1.4	1.1	1.0	1.2	1.6	1.6	1.6
Leverage Ratio								
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	2024E	2025E
(INR m)								
OP/(Loss) before Tax	56,688	70,106	54,021	53,907	64,441	67,063	91,929	1,14,155
Int./Dividends Received	-8,084	-12,339	-12,918	-9,458	-17,438	21,106	23,371	25,429
Depreciation & Amort.	14,794	20,030	23,631	23,699	24,511	28,458	32,808	36,758
Direct Taxes Paid	-12,887	-17,006	-11,986	-11,381	-5,981	-19,235	-25,470	-30,972
(Inc)/Dec in Wkg. Capital	17,803	-6,722	-14,954	35,866	4,967	-1,837	4,190	3,369
Other Items	1,957	-153	1,657	3,302	437			
CF from Oper. Activity	70,271	53,916	39,451	95,936	70,937	95,555	1,26,828	1,48,739
(Inc)/Dec in FA+CWIP	-26,688	-32,150	-45,418	-33,113	-31,859	-46,318	-56,650	-41,800
Free Cash Flow	43,583	21,766	-5,967	62,824	39,078	49,237	70,178	1,06,939
(Pur)/Sale of Invest.	-24,416	4,431	16,423	-1,12,247	-11,730	-27,000	-17,000	-17,000
CF from Inv. Activity	-51,104	-27,720	-28,994	-1,45,638	-43,589	-73,318	-73,650	-58,800
Change in Net Worth	0	0	0	0	4,487	0	0	0
Inc/(Dec) in Debt	592	-5,224	3,892	42,723	-12,671	-43,388	-2,000	-2,000
Interest Paid	-1,695	-2,016	-1,904	-4,645	-5,290	-2,271	-2,101	-1,931
Dividends Paid	-9,230	-10,267	-12,132	-2,936	-10,891	-12,116	-12,116	-12,116
CF from Fin. Activity	-10,333	-17,507	-10,144	35,142	-24,365	-57,774	-16,216	-16,046
Inc/(Dec) in Cash	8,834	8,689	312	-14,560	2,983	-35,537	36,962	73,893
Add: Beginning Balance	5,346	14,234	22,923	23,235	8,675	11,659	-23,710	13,420
Closing Balance	14,180	22,923	23,235	8,675	11,659	-23,710	13,420	87,481

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

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