

# MAHINDRA & MAHINDRA

## BUY

### Megastar on Roll

#### Summary

We initiate coverage on M&M and expect stock to offer 77% return over the next two years led by strong earnings growth and PE expansion supported by 1) Huge impetuous by Managements on Growth and Value creation 2) Strong recovery in Auto business 3) Blistering earnings cycle, 31% PAT CAGR over FY22-24E 4) Value unlocking in EV and other business and 5) Simplifying group structure with tight capital allocation, exiting/reorganizing loss making business. In our valuations methodology, we have valued M&M's Auto and Farm business separately as both businesses have different dynamics. We have also captured valuations of its EV business, Growth Gems (upcoming businesses) and M&M's investments in digital platforms.

#### Key Highlights and Investment Rationale

- **Blistering Earnings Cycle:** M&M's earnings cycle which has been stalled since FY14 is likely to enter into blistering phase with 20% Sales CAGR and 31% PAT CAGR over FY22-24E. We expect MM's earnings growth to be primarily led by its Auto business which is likely to contribute 60% to its FY24E EBITDA compared to 36% in FY21.
- **Management's Focus on Growth and Value Creation:** M&M plans to launch 63 products over the next 3-4 years as Management has clearly laid out accelerated growth path. Management focus on unlocking shareholders value through simplifying business structure, capital allocation policy and reorganizing business is highly conducive for PE rerating.
- **BUY with 77% upside:** Based on Standalone earnings, the stock is quoting at PER of 13x FY24 earnings despite 34% earnings CAGR and ~17% ROE profile. However based on its core business (Auto and Farm), net of subsidiary valuations of Rs 605/share, the stock is quoting at PER of 5.2x FY24 earnings.

**TP** **Rs 1,616**
**CMP** **Rs 911**

Potential upside/downside **77%**

Previous Rating **-**

#### Price Performance (%)

	-1m	-3m	-12m
Absolute	14.7	3.5	12.5
Rel to Sensex	14.6	6.1	(8.9)

#### V/s Consensus

EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	39	53	68
Consensus	40	44	55
% difference	(2.5)	20.7	24.1

#### Key Stock Data

Bloomberg/Reuters	MM IN / MAHM.BO
Sector	Automobile
Shares o/s (mn)	1,243
Market cap. (Rs mn)	1,132,984
3-m daily avg Trd value (Rs mn)	169.8
52-week high / low	979 / 671
Sensex / Nifty	57,912 / 17,393

#### Shareholding Pattern (%)

Promoters	19.5
FII	37.3
DII	23.1
Public	20.1

#### Financial snapshot

(Rs mn)

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	4,48,655	4,45,744	5,73,364	7,26,427	8,21,077
Change (yoy, %)	(15)	(1)	29	27	13
EBITDA	63,506	69,766	68,637	97,857	1,21,281
Change (yoy, %)	(16)	10	(2)	43	24
EBITDA Margin(%)	14.2	15.7	12.0	13.5	14.8
Adj.PAT	35,509	40,974	46,978	63,219	80,776
EPS (Rs)	30	34	39	53	68
Change (yoy, %)	(35)	15	15	35	28
PE(x)	31	27	23	17	13
Dividend Yield (%)	0	1	1	1	2
EV/EBITDA (x)	17	16	16	11	9
RoE (%)	10	12	13	15	17
RoCE (%)	9	11	11	14	16

Source: IDBI Capital Research

#### Mahesh Bendre

mahesh.bendre@idbicapital.com  
+91-22-2217 1937

#### Pratik Desai

pratik.desai@idbicapital.com  
+91-22- 2217 1853

## Investment Rationale

### Tractor Business on Steady Growth Path

M&M continue to remain the world's largest tractor manufacturer by volumes. In India, the Company markets its product through three brands namely Mahindra, Swaraj and Trakstar and maintains ~40% market share in the domestic market. We believe M&M has a strong potential to report ~8% volume growth over the next two years on account of

- **Normal Monsoon:** A normal monsoon is vital for Indian agriculture and rural economy. Two major weather forecasters in India (Indian Meteorological Department and Skymet) have predicted 'Normal Monsoon' during between June to September 2022. This augurs well for Indian Agriculture and tractor industry as a whole.
- **Agriculture and Rural Spending:** Agriculture and Rural Spending by Government of India is likely to pick up robust pace and to remain elevated during FY22-24 as we are entering into fag end of current Union Government wherein Govt is expected to step up rural economy.
- **Global Agricultural investments:** In many parts of the world, increased agricultural growth is likely to play a key role in addressing the likelihood of food shortages globally on account of Russia – Ukraine war. Huge investments by Governments and private sector in global agricultural systems are expected. M&M which has sizeable global farm business, with presence in the 4 largest markets - USA, Brazil, Mexico, and Turkey (excluding China) likely to be major beneficiary of the same.
- **Farm Machinery Segment:** M&M foresee an exciting opportunity in the farm machinery segment in India and believes this segment to act as a key engine for its future growth. In FY21, the Company recorded highest ever sales of Rs4.9bn in the Farm Machinery business (46% growth YoY) that included highest ever sales in harvesters (both self-propelled and tractor mounted), threshers and rice transplanters. Going forward, the Company plans to build a strong product pipeline of farm machinery to capitalize on the growth opportunity. It is also exploring exports and inorganic acquisitions to rapidly scale up the segment.

## Auto business is on Roll with Thar and XUV700

For M&M currently Scorpio, Bolero and XUV500 continue to be strong brands in the UV segment and remain at the core of its UV portfolio. M&M PV business went into decline from FY13 -19 due to its inability to launch successful models. The Company had launched Rexton and Quanto in FY 13 could not deliver on the promises.

Also during FY16-20 M&M launched four new models which include

- **KUV100 (2016)**
- **TUV300 (2020)**
- **Marazzo (2018) and**
- **Alturasg4 (2018)**
- However these models did not last their initial buzz and excitement and were unsuccessful. However during last 18 months, M&M has launched two new models namely 'New THAR' and XUV700 which have become highly successful with unprecedented response from customers through bookings and long waiting period.
- M&M launched stylish and off-roader 'New THAR' in October 2020, featuring a modern look on an iconic design. The new THAR continues to attract customer's attention due to its design, performance and off-road capabilities. The vehicle has also secured a four-star rating on the safety crash test conducted by global safety rating agency, Global NCAP. The said model reported ~50,000 bookings within just 6 months of its launch and sold ~37884 units FY22E (~17% of UV volumes). As on December 2021, total outstanding booking for new Thar is at 31000+ units.
- In September 2021 M&M launched its much-awaited new SUV XUV700. This mid-size SUV received phenomenal response from the customers as it garnered 25,000 orders in just 57 minutes and ~70000 orders in three months of its launch. As on December 2021 total outstanding booking for XUV700 at ~70,000+ units with waiting period of 9-18 months.
- As on December 2021, For M&M, total outstanding booking for all its models is at 155,000+ units with waiting period of 8-12 months. We believe 'New Thar' and 'XUV700' are likely to be major volume

contributors for the Company in FY23 and FY24. Despite strong demand, M&M has not been able to supply fully due to acute global chip shortage and supply chain issues.

- We expect M&M to deliver 27% volume CAGR in UV segment and 22% volume CAGR in overall Auto segment during FY22-24E.
- Increasingly, M&M is becoming more of Auto Company rather tractor Company. We expect its Auto business to contribute 60% of its EBITDA in FY24E compared to 36% in FY21.

### **EV Business – Strong Product Pipe Line**

- M&M is a pioneer in bringing EVs to the Indian market. The Company expands its EV portfolio by acquiring Bengaluru based start-up Reva Electric Car Company in 2010. Currently M&M has one EV model namely Verito.
- For M&M, EV presents a huge market opportunity to expand its base and hence it remains highly committed to capitalize on the same. In the short-term, the Company's immediate focus is on last mile mobility which is expected to scale up significantly in the near term. The Company has already launched Mahindra Treo (Electric autos-rickshaw) and Treo Zor (Electric 3W in Cargo segment)
- In EV segment, M&M plans to launch 8 new products by 2027 which include four new EV products and 4 EV conversions from its existing IC models.
- We expect M&M to unlock the value in its EV business through strategic partnership or introducing investors in the same over the next 12-18 months.

## New Product Line – 63 products launches by 2027

The company has prepared very busy product pipe line across its business segment over the next 4-5 years. Details are as follows

- LCV Segment (<3.5T) - 14 New Products to strengthen its #1 position
- UV Segment (Non EV) – 4 New Products to be launched by 2027
- EV Segment – 8 New Products to be launched by 2027 (4 New EV products + 4 EV conversions)
- Tractor Segment – 37 New Models to be launched across 4 Geographies and 4 Platforms.
- Sub Compact (20-25 HP)- 6 Models
- Compact (21-30 HP)- 9 Models
- Small Utility (26-40HP)- 11 Models
- Large Utility (45-70 HP)- 11 Models

## Management's focus on Growth and Value Creation

- We understand, M&M's new Management teams focus has shifted to growth and unlocking shareholder value through simplifying business structure, tight capital allocation policy, exiting and reorganizing loss making business. M&M plans to launch 63 products over the next 3- 4 years across Auto and Farm segment and Management has clearly laid out strategies for accelerate growth across its business segments.
- Steps taken by the Management for growth and Value unlocking
  - **Exiting Loss making Entity:** In April 2021, the Board of Company decided not to make any further equity investment in Ssangyong Motor Company. This company had reported sales of of Rs188bn and loss of Rs32bn in CY20.
  - **Exiting Loss making Businesses:** In April 2021, the Board of Company decided to exiting GippsAero, Genze and Mahindra First Choice Services (MFCS).

- **Reorganization of inefficient business divisions:** In FY21, M&M instituted a very tight capital allocation process with strict controls and clearly defined criteria. All of its loss-making international subsidiaries were grouped into three categories: Category A (had a clear path to profitability), Category B (had a quantifiable strategic impact), and Category C (had an unclear path to profitability that mandated an exit and initiation of an appropriate action plan for the same). Consequent to this exercise, the profitability of global subsidiaries has improved and is expected to go up in the subsequent years resulting in lower investment requirement.
- **Aggressive Product Launch Pipeline :** The company has a very busy product pipeline with 63 product launches across its business segment by 2027
- **GROWTH GEMS' Identified - \$1Bn Market Cap in 3-5 years**

The Company has identified 5 business segments which it plans to scale up for possible wealth creation of \$1Bn Market Cap in 3-5 years

**1. Mahindra Rural Housing Finance**

- India's largest rural NBFC which provides convenient and low-cost housing loans.
- M&M has 52% stake through M&M Finance.
- FY21 PAT at Rs 1.5bn

**2. Bristlecone**

- It is a leading provider of specialized digital transformation services.
- M&M has 75% stake in this subsidiary.
- FY21 PAT at Rs 0.4bn

**3. Mahindra Renewables**

- It provides Solar EPC services.
- M&M has 100% stake in this subsidiary.
- FY21 PAT at Rs 0.4bn

**4. Mahindra Accelo**

- It operates India's largest network of independent steel service centers providing steel solutions for the Automotive, Power and Electrical stamping industries.

- M&M has 99% stake in this subsidiary.
- FY21 PAT at Rs 0.3mn

#### 5. Classic Legends

- Under this JV, MM reintroduced the iconic brand Jawa to the Indian market in the FY19 with the launch of new range of JAWA motorcycles namely Jawa and Jawa Forty-Two.
- M&M has 60% stake in JV.
- FY21 PAT at Rs -0.9bn

#### Seed DIGITAL PLATFORMS Development

##### 1. PORTER

- It is India's largest marketplace for Intracity logistics.
- M&M has 18% stake in the company.

##### 2. CarandBike

##### 3. FirstCry.com

#### ■ Clear Laid out Target at Company Level by 2025

Management has clearly articulated its sales growth guidance and ROCE targets by 2025.

- Revenue Growth of 15-20%+ CAGR
- Deliver ROCE of 18%+

## Robust Volume Growth

- M&M's Auto business has witnessed muted volume growth since FY2014 as it consistently lost market share in UV segment. This is primarily on account of the Company's inability to introduce new models successfully. During FY16-20 M&M launched four new models namely KUV100, TUV300, Marazzo and Alturas4. However these models did not last their initial buzz and excitement and were unsuccessful.
- However during last 18 months, M&M has launched two models (New Thar and XUV700) which have received unprecedented response from customers with pending order board of 100,000 units. We believe these two models are likely to lead in reporting strong volume growth equally supported by its traditional portfolio of Scorpio, Bolero and XUV500 models. We expect M&M to deliver 27% volume CAGR in UV segment and 22% volume CAGR in Auto segment over FY22-24E.
- We expect M&M to deliver 8% volume CAGR in its tractor division over FY22-24E on account of normal monsoon (important for both agriculture as well as the rural economy), higher Agriculture and Rural Spending by Government and likely increased investment in global agricultural systems by Governments and Private sector to mitigate food shortages scenario on account of Russia – Ukraine war.

## Margins to Move Up

- Over the last 10 years M&M's Farm Equipment divisions EBITDA margins have been averaged at ~19% while for last five years EBITDA margins have been averaged at 21.6%. Over FY22-24E, we have factored in 20% EBITDA margins under stable volume growth scenario for the Farm division.
- Over the last 10 years M&M's Auto segment EBITDA margins have been averaged at ~11%. However during high volume growth phase of FY11-13, EBITDA margins have averaged at ~13%. Given the strong volume growth of 22% CAGR over FY22-24E primarily led by UV segment that too by XUV700 and New THAR wherein M&M enjoys strong pricing power, we have factored in 13% EBITDA margins over FY22-24E.
- At aggregate level we expect M&M to report EBITDA margins of 13.5% and 14.8% in FY23E and FY24E respectively which is in line with its 5 year average margin of 14.4%



## Exhibit 1: Assumption

Asumption sheet	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
UV	2,10,021	2,22,324	2,25,760	2,34,640	2,36,900	1,86,978	1,57,216	2,25,895	3,16,253	3,63,691
CV	1,67,867	1,80,766	1,94,231	2,16,800	2,48,601	1,99,135	1,56,159	1,77,117	2,09,449	2,34,582
3W	56,764	54,975	52,306	54,625	66,699	62,187	20,525	30,079	40,607	47,916
UV+3W Exports	30,199	36,033	37,241	28,222	38,596	27,021	18,381	32,506	39,007	44,858
<b>Total Auto Volumes</b>	<b>4,64,851</b>	<b>4,94,098</b>	<b>5,09,538</b>	<b>5,34,287</b>	<b>5,90,796</b>	<b>4,75,321</b>	<b>3,52,281</b>	<b>4,65,597</b>	<b>6,05,315</b>	<b>6,91,047</b>
Tractor Volume (Domestic)	2,20,157	2,02,628	2,48,438	3,02,026	3,08,451	2,91,901	3,43,833	3,37,052	3,60,646	3,89,497
Tractor Volume (Export)	13,866	11,545	14,583	15,449	13,483	10,014	10,665	17,646	20,293	21,916
<b>Total Tractors Volume</b>	<b>2,34,023</b>	<b>2,14,173</b>	<b>2,63,021</b>	<b>3,17,475</b>	<b>3,21,934</b>	<b>3,01,915</b>	<b>3,54,498</b>	<b>3,54,698</b>	<b>3,80,939</b>	<b>4,11,414</b>
<b>Total Volumes</b>	<b>6,98,874</b>	<b>7,08,271</b>	<b>7,72,559</b>	<b>8,51,762</b>	<b>9,12,730</b>	<b>7,77,236</b>	<b>7,06,779</b>	<b>8,20,295</b>	<b>9,86,254</b>	<b>11,02,461</b>
Segmental Sales (Rs mn)										
Automotive	2,38,597	2,63,451	2,71,805	3,05,149	3,46,152	2,78,083	2,45,652	3,59,733	4,89,665	5,64,607
Farm Equipment	1,32,070	1,12,939	1,37,861	1,58,041	1,68,747	1,54,025	1,84,333	1,95,872	2,16,673	2,34,007
Others	236	17,146	14,472	18,643	17,251	19,377	17,923	20,611	23,703	26,548
<b>Total Sales</b>	<b>3,70,903</b>	<b>3,93,536</b>	<b>4,24,138</b>	<b>4,81,832</b>	<b>5,32,149</b>	<b>4,51,484</b>	<b>4,47,907</b>	<b>5,76,216</b>	<b>7,30,041</b>	<b>8,25,162</b>
Derived EBITDA (Rs mn)										
Automotive	25,934	31,714	25,510	35,087	36,790	31,874	25,093	32,513	53,863	73,399
Farm Equipment	19,689	20,181	27,591	34,753	37,408	30,814	44,160	35,257	41,168	46,801
Others	410	568	940	594	1,103	818	513	870	1,185	1,697
<b>Total Derived EBITDA</b>	<b>46,033</b>	<b>52,463</b>	<b>54,042</b>	<b>70,434</b>	<b>75,301</b>	<b>63,506</b>	<b>69,766</b>	<b>68,640</b>	<b>96,216</b>	<b>1,21,897</b>
Derived EBITDA Margins (%)										
Automotive	10.9	12.0	9.4	11.5	10.6	11.5	10.2	9.0	11.0	13.0
Farm Equipment	14.9	17.9	20.0	22.0	22.2	20.0	24.0	18.0	19.0	20.0
Others	173.4	3.3	6.5	3.2	6.4	4.2	2.9	4.2	5.0	6.4
<b>Total Derived EBITDA Margins</b>	<b>12.4</b>	<b>13.3</b>	<b>12.7</b>	<b>14.6</b>	<b>14.2</b>	<b>14.1</b>	<b>15.6</b>	<b>11.9</b>	<b>13.2</b>	<b>14.8</b>
EBITDA Contribution (%)										
Automotive	56	60	47	50	49	50	36	47	56	60
Farm Equipment	43	38	51	49	50	49	63	51	43	38
Others	1	1	2	1	1	1	1	1	1	1
<b>Total Derived EBITDA</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
PAT										
Margins	8.3	8.5	8.0	8.7	10.2	7.9	9.1	8.2	8.7	9.8
Growth	-20	8	1	24	29	-35	15	15	35	28

Source: Company, IDBI Capital Research

## Valuation Rationale

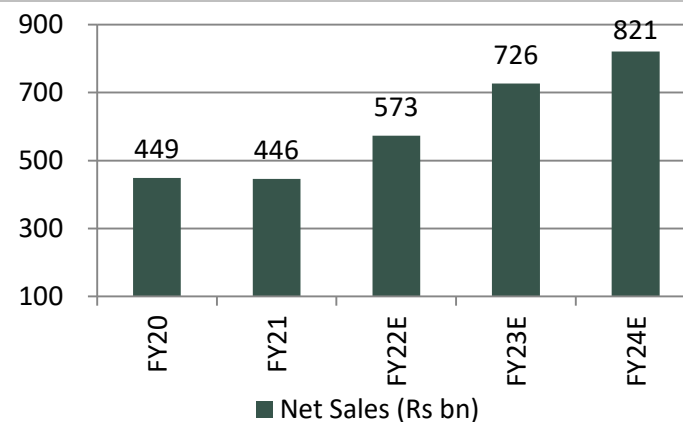
In our valuations methodology, we have valued M&M's Auto and Farm business separately as both businesses have different dynamics. We have also captured valuations of its EV business, Growth Gems (upcoming business) and M&M's investments in digital platforms.

- 1) **Tractor Business:** We Expect M&M's tractor business to report 8% volume CAGR and EBITDA CAGR of 15% over FY22-24E. We have valued the tractor business at 7x FY24 EV/EBITDA. (Valuation to growth - 0.5x)
  - 2) **Auto Business:** We Expect M&M's Auto business to report 22% volume CAGR and EBITDA CAGR of 50% over FY22-24E. We have valued the Auto business at 11x FY24 EV/EBITDA. (25% discount to MSIL multiple)
  - 3) **Listed Subsidiaries:** Listed Subsidiaries have been valued based on their current market price.
  - 4) **Unlisted subsidiaries:** Unlisted subsidiaries have been valued based 1x P/B, although there is high growth potential for some of the entities including Mahindra Defence, Mahindra Aerospace and US based Overseas subsidiaries.
  - 5) **Growth Gems and Digital platforms:** We have valued growth Gems which M&M has identified which has a potential to generate \$1Bn Market Cap per segment over the next 3-5 years (Rural Housing Fin, Bristlecone, Renewables, Accelo, Classic Legends) and digital platform seeded by the Company (FirstCry.com, CarandBike, PORTER, Digital Finco) at ~Rs50bn although there is huge potential of value unlocking in near term.
  - 6) **EV Business :** Given the M&M's positioning in EV space wherein it has already taken leadership position in e3W segment (Rikshaw and cargo) and plans of launching 8 EV's (four new EV products and 4 EV conversions) over the next 3-4 years we have valued the EV business ~Rs161bn (20% of current IC business)
- **Extremely Attractive Valuations:** Based on standalone earnings the stock is quoting at at PER of 13x FY24 earnings despite 31% earnings CAGR and ~17% ROE profile. However net of subsidiary valuations of Rs 630, core business (Auto and Farm) is quoting at PER of 4.3x FY24 earnings. We find current valuations extremely attractive and initiate Coverage on the stock with BUY rating and target price of Rs1616 implying 77% upside over next 2 years.

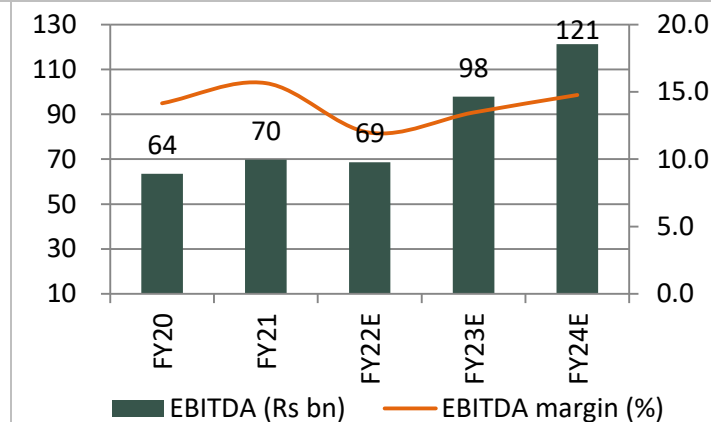
**Exhibit 2: Valuation Matrix**

Segments	Valuation	Mcap (mn)	Value/share	Comments
<b>Business Segment</b>				
Auto Business	11x FY24 EV/EBITDA (FY24 EBITDA - Rs 73,399 mn)	8,07,389	676	We have Auto business at 11x FY24 EV/EBITDA considering 30% discount to MSIL's target multiple
Farm Business	7x FY24 EV/EBITDA (FY24 EBITDA - Rs 46,801 mn)	3,27,610	274	Tractor business to report volume and EBITDA CAGR of 8% & 15% over FY22-24E. We have valued at 7x FY24 EV/EBITDA (Valuation to growth - 0.5x)
EV Business	20% of Current Auto Business	1,61,478	135	We have valued EV business in relation to its existing Auto business valuation (20% of Current Auto Business)
Growth Gems and Digital Platforms		50,000	42	Porter, Firstcry, Rural Finance, etc.
Net Cash		73,405	61	
<b>Listed Subsidiary</b>				
Tech Mahindra Limited	Market Price	3,30,434	277	
Mahindra & Mahindra Financial Services	Market Price	1,15,928	97	
Mahindra Holidays & Resorts	Market Price	23,151	19	
Mahindra Logistics	Market Price	20,735	17	
Mahindra CIE Automotive	Market Price	27,012	23	
Mahindra Lifespace Developers	Market Price	9,727	8	
Mahindra CIE Automotive Limited.	Market Price	8,493	7	
Listed Subsidiaries	Market Price	5,35,480	448	
Unlisted Subsidiaries	1 X Book value	1,03,786	87	includes M&M Aerospace, M&M Defence and M&M USA
Total Subsidiaries (Rs Mn)		6,39,266	535	
Sub Valuations Post Discount (20%)		5,11,413	428	
<b>Total Value</b>		<b>19,31,293</b>	<b>1,616</b>	

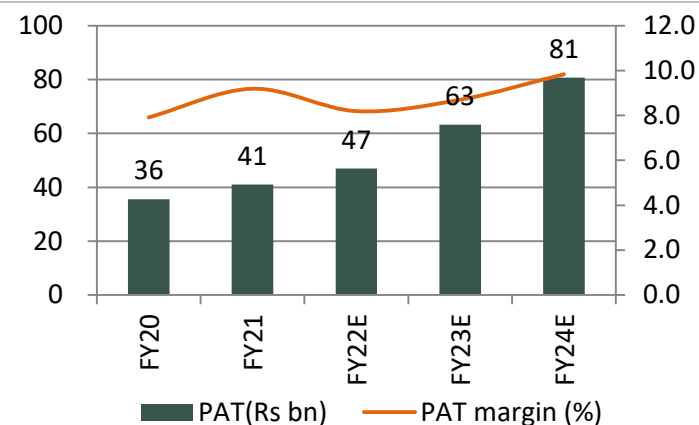
Source: Company, IDBI Capital Research

**Exhibit 3: M&M Net Sales**

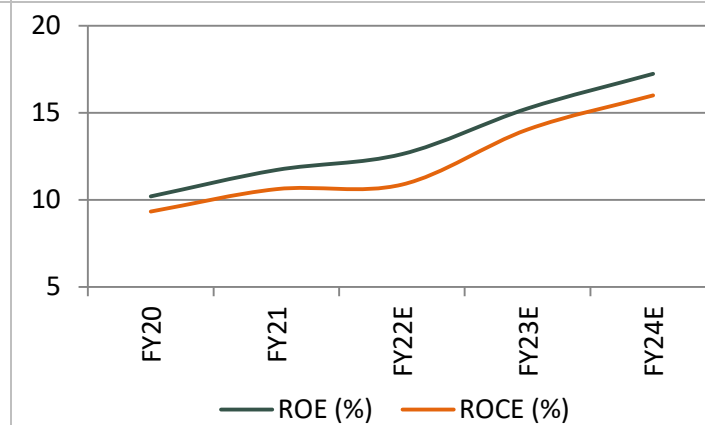
Source: Company, IDBI Capital Research

**Exhibit 4: M&M EBITDA and EBITDA margins**

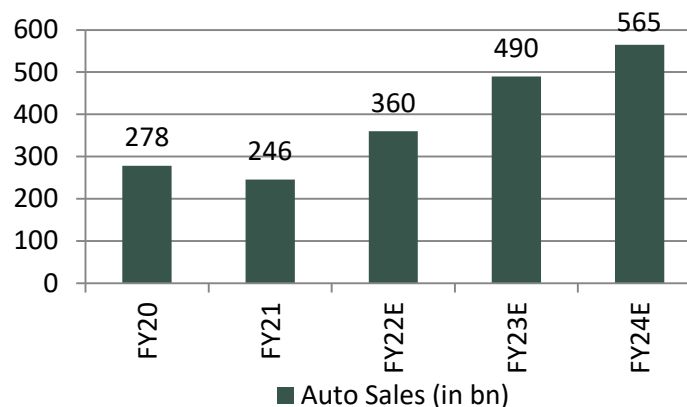
Source: Company, IDBI Capital Research

**Exhibit 5: M&M PAT**

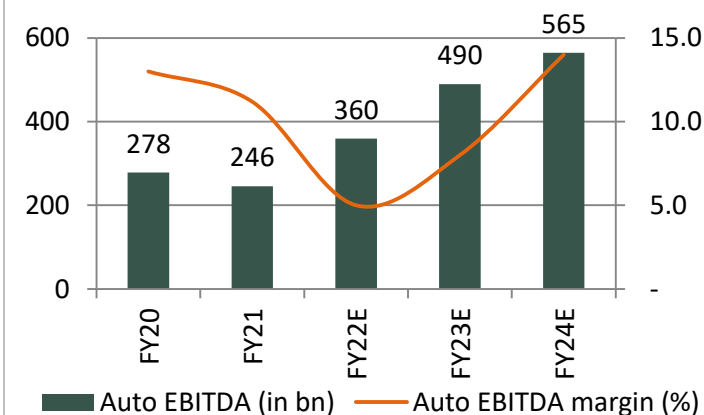
Source: Company, IDBI Capital Research

**Exhibit 6: M&M ROCE and ROE%**

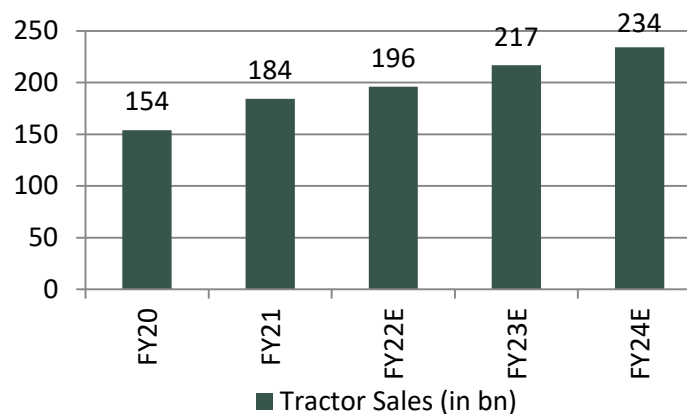
Source: Company, IDBI Capital Research

**Exhibit 7: M&M Auto Sales**

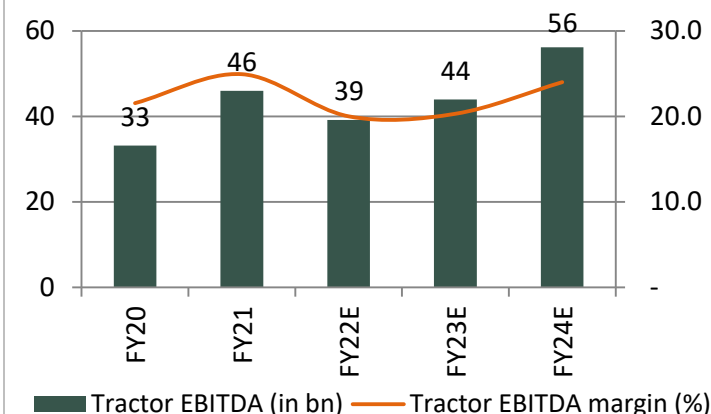
Source: Company, IDBI Capital Research

**Exhibit 8: M&M Auto EBITDA & EBITDA margins**

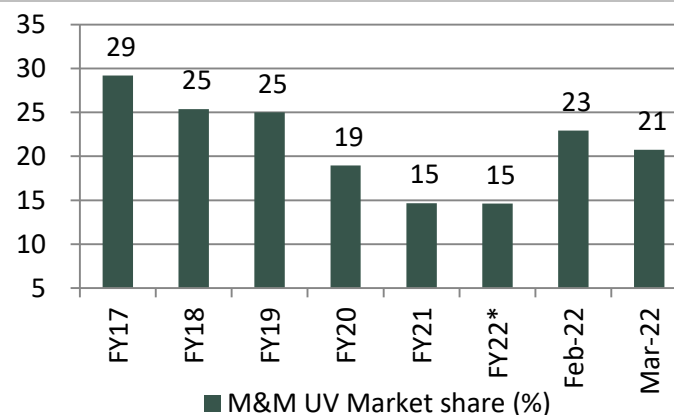
Source: Company, IDBI Capital Research

**Exhibit 9: M&M Tractor Sales**

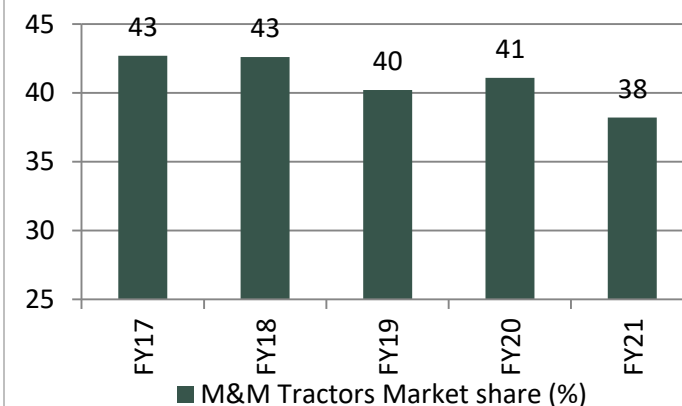
Source: Company, IDBI Capital Research

**Exhibit 10: M&M Tractor EBITDA & EBITDA margins**

Source: Company, IDBI Capital Research

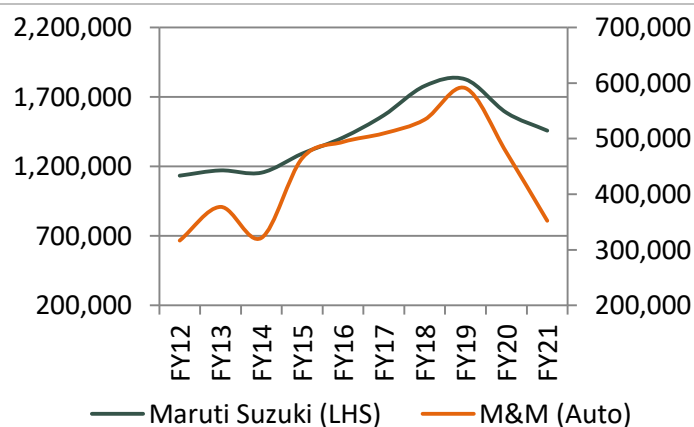
**Exhibit 11: M&M Utility Vehicle Market share (%)**

Source: Company, IDBI Capital Research. NOTE- FY22\* market share from period Apr-21 to Jan-22

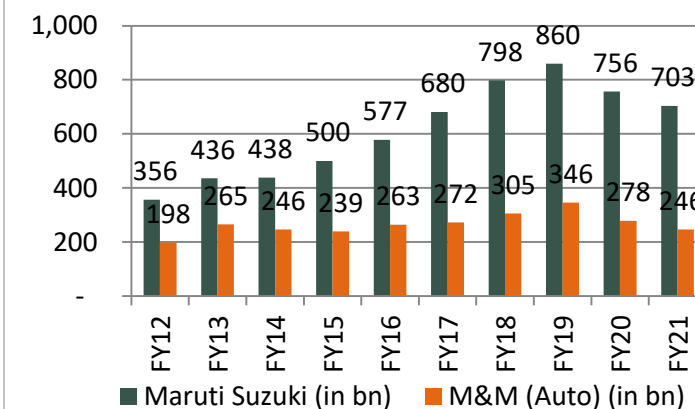
**Exhibit 12: M&M Tractors Market share (%)**

Source: Company, IDBI Capital Research

Peer comparison- M&M and Maruti Suzuki based on Sales, Volumes and Profitability

**Exhibit 13: M&M vs. MSIL Sales volumes (Nos.)**

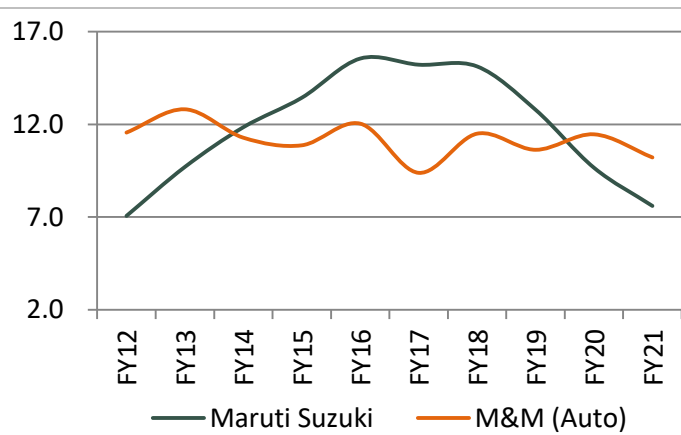
Source: Company, IDBI Capital Research

**Exhibit 14: M&M vs. MSIL Net Sales**

Source: Company, IDBI Capital Research

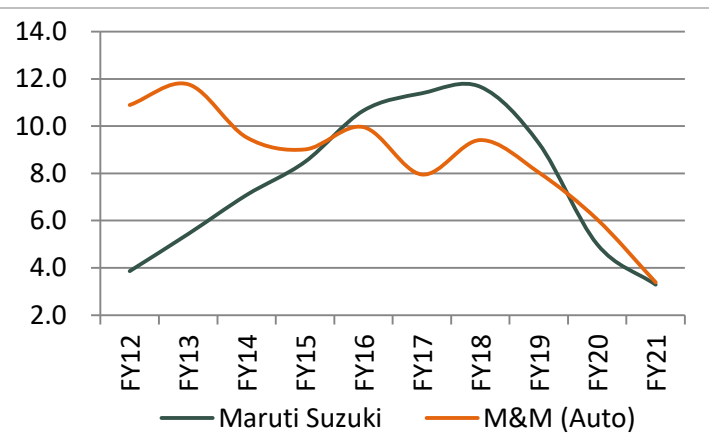
M&M's EBITDA are in stable range of 10-12% compared to Maruti Suzuki, where margins are seen in the range of 8-16% in last 10 years span.

Exhibit 15: M&M vs. MSIL EBITDA margins (%)



Source: Company, IDBI Capital Research

Exhibit 16: M&M vs. MSIL EBIT margins (%)



Source: Company, IDBI Capital Research

**Exhibit 17: UV Volumes- Model-wise**

UV volumes- Model wise	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Bolero	1,00,687	1,10,877	1,07,177	1,00,553	81,559	69,328	85,368	84,144	70,068	62,538	65,473
Scorpio	50,844	50,168	50,949	51,553	48,079	49,317	53,934	47,837	38,826	34,325	38,696
Xuv500	13,819	45,418	30,007	34,418	36,320	26,894	25,413	25,938	12,607	7,565	3,001
Marazzo	-	-	-	-	-	-	-	24,130	12,693	3,265	1,692
Alturas G4	-	-	-	-	-	-	62	1,075	1,076	270	392
XUV300	-	-	-	-	-	-	-	9,532	37,576	35,965	50,260
Thar	-	-	-	-	-	-	-	-	824	12979	37,844
Xuv700	-	-	-	-	-	-	-	-	-	-	26,261
Discontinued Models											
KUV100	-	-	-	-	14,210	35,698	25,542	11,697	289	-	63
Xylo	27,470	25,067	13,961	8,472	7,271	6,588	7,319	5,251	2,072	-	-
TUV300	-	-	-	-	24,197	26,241	28,839	15,548	10,481	-	-
ST/ Thar	6,098	14,069	7,974	8,868	8,645	5,935	6,981	6,095	1,327	-	-
TUV300 Plus	-	-	-	-	-	-	179	3,716	1,061	-	-
Rexton	-	1,783	1,843	1,010	228	121	24	397	-	-	-
Quanto	-	16,434	7,505	1,939	1,815	2,417	254	2	-	-	-
KUV100	-	-	-	-	-	-	-	-	1,509	297	-
HT	3,299	110	6	24	-	-	-	-	-	-	-
<b>Total</b>	<b>2,02,217</b>	<b>2,63,926</b>	<b>2,19,422</b>	<b>2,06,837</b>	<b>2,22,324</b>	<b>2,22,539</b>	<b>2,33,915</b>	<b>2,35,362</b>	<b>1,90,409</b>	<b>1,57,204</b>	<b>2,23,682</b>

Source: SIAM, IDBI Capital Research

- Its top selling models as on FY22 are Bolero, XUV300, Scorpio, Thar and XUV 700 which comprised of 98% of UV Sales.



## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Net sales</b>	<b>5,28,482</b>	<b>4,48,655</b>	<b>4,45,744</b>	<b>5,73,364</b>	<b>7,26,427</b>	<b>8,21,077</b>
<i>Change (yoy, %)</i>	11	(15)	(1)	29	27	13
Operating expenses	(4,53,182)	(3,85,150)	(3,75,979)	(5,04,727)	(6,28,571)	(6,99,796)
<b>EBITDA</b>	<b>75,301</b>	<b>63,506</b>	<b>69,766</b>	<b>68,637</b>	<b>97,857</b>	<b>1,21,281</b>
<i>Change (yoy, %)</i>	7	(16)	10	(2)	43	24
<i>Margin (%)</i>	14.2	14.2	15.7	12.0	13.5	14.8
Depreciation	(20,030)	(23,631)	(23,624)	(24,367)	(27,764)	(31,161)
<b>EBIT</b>	<b>55,271</b>	<b>39,875</b>	<b>46,142</b>	<b>44,270</b>	<b>70,093</b>	<b>90,120</b>
Interest paid	(1,467)	(1,245)	(3,957)	(2,207)	(3,882)	(3,532)
Other income	16,303	15,391	11,973	20,573	18,082	21,113
<b>Pre-tax profit</b>	<b>70,333</b>	<b>82,133</b>	<b>85,902</b>	<b>62,637</b>	<b>84,292</b>	<b>1,07,701</b>
Tax	(15,867)	(18,513)	(13,183)	(15,659)	(21,073)	(26,925)
<i>Effective tax rate (%)</i>	22.6	22.5	15.3	25.0	25.0	25.0
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>54,466</b>	<b>63,620</b>	<b>72,719</b>	<b>46,978</b>	<b>63,219</b>	<b>80,776</b>
Exceptional items	227	28,112	31,745	-	-	-
<b>Adjusted net profit</b>	<b>54,239</b>	<b>35,509</b>	<b>40,974</b>	<b>46,978</b>	<b>63,219</b>	<b>80,776</b>
<i>Change (yoy, %)</i>	29	(35)	15	15	35	28
EPS	45.5	29.8	34.3	39.3	52.9	67.5
Dividend per sh	9	2	9	8	13	17
<i>Dividend Payout %</i>	23	8	27	20	25	25

**Balance Sheet**

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Shareholders' funds</b>	<b>3,49,937</b>	<b>3,46,291</b>	<b>3,53,212</b>	<b>3,91,280</b>	<b>4,39,430</b>	<b>5,00,773</b>
Share capital	5,958	5,965	5,974	5,979	5,979	5,979
Reserves & surplus	3,43,979	3,40,326	3,47,239	3,85,301	4,33,450	4,94,794
<b>Total Debt</b>	<b>31,327</b>	<b>37,422</b>	<b>79,956</b>	<b>57,956</b>	<b>52,956</b>	<b>47,956</b>
Other liabilities	7,896	15,068	14,497	7,896	7,896	7,896
<b>Curr Liab &amp; prov</b>	<b>1,59,635</b>	<b>29,012</b>	<b>22,012</b>	<b>33,314</b>	<b>47,831</b>	<b>56,946</b>
Current liabilities	1,43,857	1,03,617	1,56,369	1,71,211	2,21,695	2,56,452
Provisions	15,778	14,393	15,077	17,118	21,688	24,513
<b>Total liabilities</b>	<b>39,223</b>	<b>52,490</b>	<b>94,452</b>	<b>65,852</b>	<b>60,852</b>	<b>55,852</b>
<b>Total equity &amp; liabilities</b>	<b>3,54,796</b>	<b>3,10,529</b>	<b>4,43,781</b>	<b>4,22,599</b>	<b>5,04,802</b>	<b>5,82,729</b>
Net fixed assets	1,44,969	1,69,093	1,81,325	1,96,958	2,09,194	2,18,033
Investments	2,06,262	1,75,329	2,22,862	2,38,862	2,54,862	2,70,862
Other non-curr assets	-	-	-	-	-	-
<b>Current assets</b>	<b>1,97,564</b>	<b>1,72,368</b>	<b>2,14,923</b>	<b>2,09,641</b>	<b>2,79,608</b>	<b>3,48,696</b>
Inventories	47,631	40,408	47,827	47,878	65,398	76,656
Sundry Debtors	38,119	29,012	22,012	33,314	47,831	56,946
Cash and Bank	38,321	42,365	62,556	43,943	64,308	1,01,601
Loans and advances	35,565	35,929	36,609	38,586	56,151	67,572
<b>Total assets</b>	<b>3,54,796</b>	<b>3,10,529</b>	<b>4,43,781</b>	<b>4,22,599</b>	<b>5,04,802</b>	<b>5,82,729</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Pre-tax profit	69,879	25,910	22,413	63,279	85,599	1,09,055
Depreciation	20,030	23,631	23,624	24,367	27,764	31,161
Tax paid	(15,867)	(10,628)	(13,623)	(15,820)	(21,400)	(27,264)
Chg in working capital	(7,328)	(12,385)	31,072	3,553	5,452	5,789
Other operating activities						
<b>Cash flow from operations (a)</b>	<b>66,714</b>	<b>26,528</b>	<b>63,485</b>	<b>75,379</b>	<b>97,415</b>	<b>1,18,741</b>
	-	-	-	-	-	-
Capital expenditure	(31,590)	(48,468)	(35,987)	(46,600)	(40,000)	(40,000)
Chg in investments	(12,263)	30,933	(47,533)	(16,000)	(16,000)	(16,000)
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(43,853)</b>	<b>(17,536)</b>	<b>(83,520)</b>	<b>(62,600)</b>	<b>(56,000)</b>	<b>(56,000)</b>
Equity raised/(repaid)	3,563	(8,122)	8,570	6	-	-
Debt raised/(repaid)	(4,833)	6,096	42,533	(22,000)	(5,000)	(5,000)
Dividend (incl. tax)	(12,512)	(2,922)	(10,878)	(9,397)	(16,050)	(20,448)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
<b>Cash flow from financing (c)</b>	<b>(13,782)</b>	<b>(4,948)</b>	<b>40,225</b>	<b>(31,391)</b>	<b>(21,050)</b>	<b>(25,448)</b>
<b>Net chg in cash (a+b+c)</b>	<b>9,080</b>	<b>4,044</b>	<b>20,190</b>	<b>(18,613)</b>	<b>20,365</b>	<b>37,293</b>

**Financial Ratios**

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Book Value (Rs)	294	290	296	328	368	419
Adj EPS (Rs)	45.5	29.8	34.3	39.4	53.1	67.8
Adj EPS growth (%)	29	-35	15	15	35	28
EBITDA margin (%)	14.2	14.2	15.7	12.0	13.5	14.8
Pre-tax margin (%)	13.3	18.3	19.3	10.9	11.6	13.1
Net Debt/Equity (x)	0.0	0.0	0.0	0.1	0.0	(0.1)
ROCE (%)	15	9	11	11	14	16
ROE (%)	17	10	12	13	15	17

**DuPont Analysis**

Asset turnover (x)	1.6	1.3	1.2	1.4	1.6	1.6
Leverage factor (x)	1.0	1.0	1.1	1.1	1.1	1.1
Net margin (%)	10.3	7.9	9.2	8.2	8.7	9.8

**Working Capital & Liquidity ratio**

Inventory days	33	33	39	30	33	34
Receivable days	26	24	18	21	24	25
Payable days	83	68	103	77	81	86

**Valuations**

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	20	31	27	23	17	13
Price/Book value (x)	3.0	3.0	3.0	2.7	2.4	2.1
EV/Net sales (x)	2	2	2	2	1	1
EV/EBITDA (x)	14	17	16	16	11	9
Dividend Yield (%)	1	0	1	1	2	2

Source: Company; IDBI Capital Research



# Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

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**Compliance Officer:** Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1907

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