16 August 2022
Annual Report Update | Sector: Automobiles

# Maruti Suzuki

| BSE SENSEX | S&P CNX |
|---|---|
| 59,842 | 17,825 |




| | |
|---|---|
| Bloomberg | MSIL IN |
| Equity Shares (m) | 302 |
| M.Cap.(INRb)/(USDb) | 2718.6 / 34.2 |
| 52-Week Range (INR) | 9195 / 6540 |
| 1, 6, 12 Rel. Per (%) | -9/2/24 |
| 12M Avg Val (INR M) | 6342 |

**Financials & valuations (INR b)**

| Y/E MARCH | 2022 | 2023E | 2024E |
|---|---|---|---|
| Sales | 883.0 | 1,149.8 | 1,354.6 |
| EBITDA | 57.0 | 102.7 | 151.2 |
| Adj. PAT | 37.7 | 68.7 | 114.5 |
| Cons. Adj. EPS (INR) | 128.4 | 230.7 | 382.8 |
| EPS Gr. (%) | -11.6 | 79.6 | 65.9 |
| BV/Sh. (INR) | 1,790 | 1,958 | 2,217 |
| **Ratios** | | | |
| RoE (%) | 7.0 | 11.6 | 17.1 |
| RoCE (%) | 8.7 | 15.4 | 22.5 |
| Payout (%) | 46.7 | 52.0 | 34.0 |
| **Valuations** | | | |
| P/E (x) | 70.1 | 39.0 | 23.5 |
| P/BV (x) | 5.0 | 4.6 | 4.1 |
| EV/EBITDA (x) | 40.1 | 21.6 | 14.1 |
| Div. Yield (%) | 0.7 | 1.3 | 1.4 |

**Shareholding pattern (%)**

| As On | Jun-22 | Mar-22 | Jun-21 |
|---|---|---|---|
| Promoter | 56.4 | 56.4 | 56.4 |
| DII | 18.0 | 16.3 | 15.8 |
| FII | 21.9 | 22.6 | 22.9 |
| Others | 3.7 | 4.8 | 5.0 |

FII Includes depository receipts

**CMP: INR8,999 TP: INR11,300 (+26%) Buy**

## Aims to plug gaps in its portfolio and technologies

### Targets 2m volumes in FY23 and regaining 50% market share

**MSIL's FY22 Annual Report highlighted: a) its focus on SUVs by launching several products, b) its export focus, c) kick-start of electrification through strong Hybrids in FY23 and BEV in FY25, and d) leveraging multiple means to meet its end objective of reducing CO2 emissions. The management is targeting volumes of 2m units in FY23 and is confident of regaining its 50% market share in the near future. Here are the five things that we found interesting in MSIL's FY22 Annual Report.**

- **Focusses on the SUV segment by launching new age products to fill product gaps:** While the SUV segment continued to grow faster in FY22, MSIL faced some product gaps in this segment, resulting in a loss in market share. It is strengthening its presence in the SUV segment, with the recent launch of the Brezza and Grand Vitara. It plans to further solidly its presence with additional launches. Beyond SUV, it has been working on products in other segments and new-age features like heads-up display (HUD), 360 view camera, SmartPlay Pro+ infotainment system with a HD display, inbuilt next-gen Suzuki connect, electronic stability program (ESP), ventilated seats, etc.
- **Targets 2m units in FY23 and regaining 50% market share in the near future:** In FY23, vehicle production will increase as the availability of semiconductors has improved. MSIL has also made further improvisations to enhance production. This, coupled with recently launched Brezza and Grand Vitara, will help it reach 2m units in FY23. With an expansion and refreshment of its product portfolio, and offerings of new age features and fuel-efficient technologies, it is looking to regain its market share of 50% in the near future.
- **Kicks off the electrification drive with a strong Hybrid:** With the introduction of a strong hybrid technology in Grand Vitara, MSIL has taken the first step towards electrification. This technology delivers a fuel efficiency of 27.97km/liter in official tests, which is almost 10 km/ liter higher than its competitors. CO2 emissions are lower by 26.4% and energy efficiency is higher by 35.9% as compared to its ICE variant. It plans to launch its first BEV in CY25. The parent plants to invest ~INR104b in the manufacture of EVs and batteries in SMG. It has localized the manufacture of its battery pack through Toshiba-Denso-Suzuki joint venture (TDSG) and will be supplying batteries for the strong Hybrid. TDSG is India's first lithium-ion battery manufacturing plant with cell level localization.
- **Multiple means to meet the end objective of CO2 reduction:** In the run-up to full electrification, the management plans to reduce CO2 emissions via the use of CNG, ethanol, biogas, and strong Hybrids. CNG has seen strong traction in FY22, up 48% YoY, led by a 43% increase in CNG outlets to 4,433. CNG vehicles constituted 17% of MSIL's domestic volumes (v/s 12% in FY21). With the government's focus on CNG and its aim of expanding its reach to 17k outlets, the demand for CNG vehicles is expected to remain high. MSIL's petrol models are already compatible with 10% ethanol blended petrol (EBP). It is getting ready for 20% EBP (applicable from Apr'23). Its CNG vehicles can run on compressed biogas without any modification.


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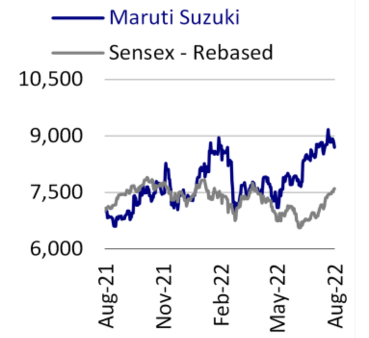
Stock's performance (one-year)




- **Exports – FY22 was a year of inflection:** Exports grew 148% in FY22 as the semiconductor shortages did not majorly affect its export models. Exports to Africa, particularly South Africa, grew 200% and accounted for ~50% of the total export volume in FY22, led by a better demand environment and its efforts in developing these markets over the past few years. Besides expanding its product portfolio and its reach, its best practices are being implemented to further enhance customer satisfaction. Supplies to Toyota, via SMC in the African market, also boosted exports. It also saw a strong growth in exports to Latin America and Middle East, which are among its other important export destinations.

## Other highlights

- **Transition to Phase II of BS-VI emission norms nears the half way mark:** Out of a total of 61 applications, MSIL has transitioned 31 applications to BS-VI Phase-II by Apr'22. It is planning to complete the rest prior to the regulatory deadline.
- **e-financing off to a good start:** Maruti Suzuki Smart Finance (MSSF), an online end-to-end car finance facility, is now available across India and is being offered by 16 financiers. Till Mar'22, MSSF has disbursed over INR170b worth of loans to over 313k customers. With this, MSIL has digitalized 24 out of the 26 customer interaction points while buying a car. The remaining two interaction points are test drive and delivery of the vehicle.
- **New plant can potentially become one of the biggest in the world:** It has finalized land purchase at Kharkhoda (Haryana) to set up a new plant, with the first/second phase of commissioning in CY25/CY26. This site has the potential to become one of the largest car manufacturing sites globally. It is also increasing its annual capacity at Manesar by another 100k units.
- **Kick starts pilot project on company owned dealer operated (CODO) outlets:** MSIL began its CODO pilot project in FY22 with two outlets on freehold land. There are four more CODO outlets under various stages of preparation. It plans to increase the number of CODO outlets on its acquired land parcels.
- **JV for scrapping begins operations in FY22**: Maruti Suzuki Toyotsu India Pvt. (MSTI), a JV for recycling of vehicles in India, began operations in FY22. In the first six months of its operations, it helped recover ~0.1m kg of steel and 19,000 kg of aluminum from scrapped vehicles.

## Highlights from the financial statements

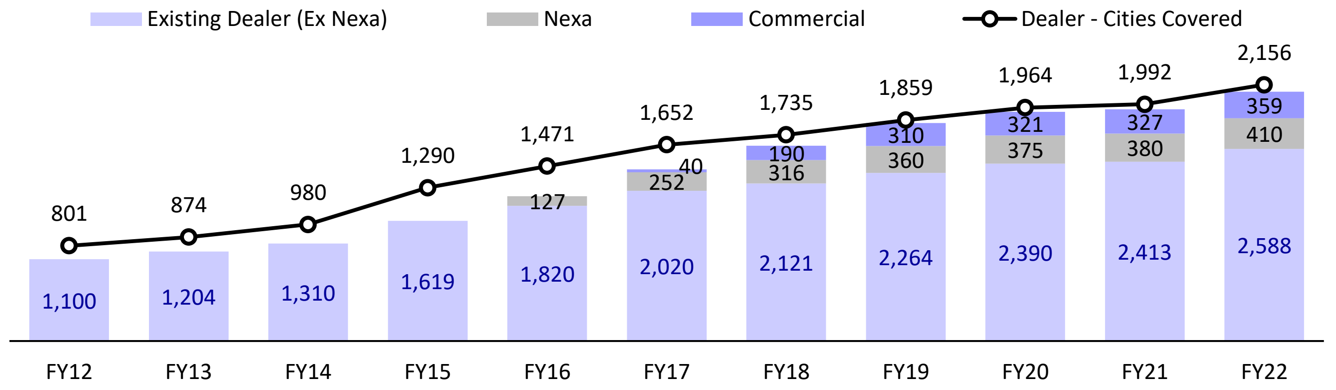
- MSIL saw savings of INR1.7b/INR3b in FY22 from localization/VAVE (v/s INR1.4b/ INR2.5b in FY21). Total savings stood at 0.5% of total sales (v/s 0.6% in FY21). Despite these savings, RM cost, as a percentage of sales, grew 330bp due to commodity cost inflation.
- Royalty declined by 120bp to 3.4% (the lowest since FY10) as there were no model launches in the last two years.
- Core working capital days rose to -17 days from -30 days in FY21 due to a reduction in payable days.
- Weak operating performance and higher working capital led to a sharp decline in CFO to INR17.9b in FY22 from INR88.4b in FY21). This, coupled with an increase in capex, led to the first negative FCF in a decade (at -INR15.3b v/s INR65b in FY21).

- Net cash fell by ~INR9b to INR434b, which is ~80% of capital employed (v/s ~82.5% in FY21).
- Considering a weak operating performance in a COVID-affected FY22, RoE fell to 7% (down 120bp YoY). This is lowest RoE in MSIL's listed history. However, RoIC improved by 7.9pp to 26.8% in FY22.

## Valuation and view

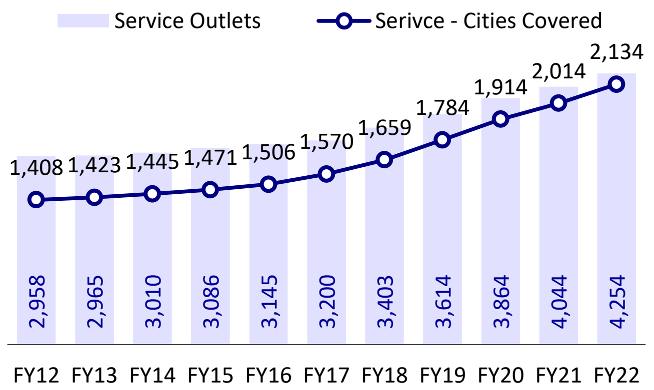
- Strong demand and favorable product lifecycle for MSIL augurs well for market share and margin. We expect a recovery in both market share and margin in 2HFY23, led by an improvement in supplies and mix, a favorable product lifecycle, RM and forex benefits, and operating leverage.
- The stock trades at 39x/23.5x FY23E/FY24E consolidated EPS. We maintain our Buy rating with a TP of INR11,300 (27x Sep'24E consolidated EPS).

**Exhibit 1: MSIL's sales outlets grew by 237, taking the total count to 3,357 in 2,156 cities**



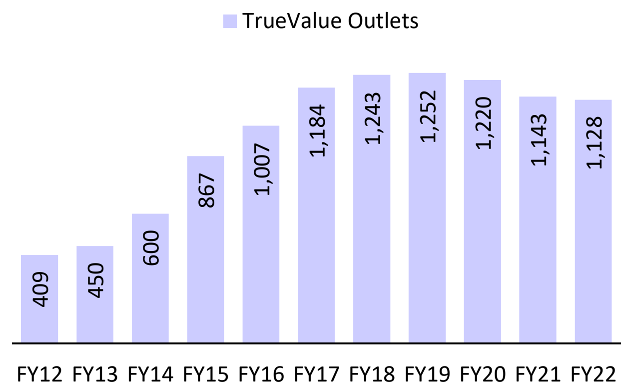

Source: Company, MOFSL

**Exhibit 2: Expansion in its service network continues**



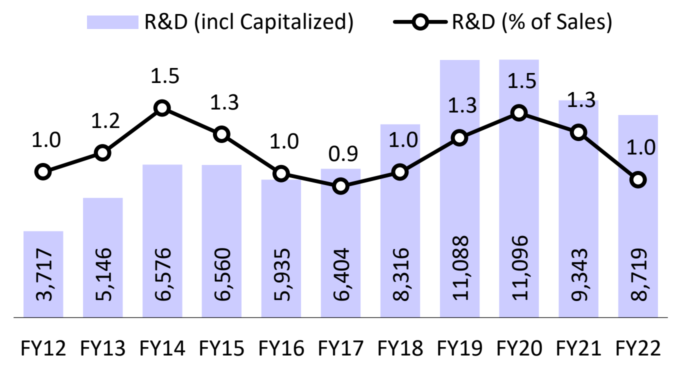

Source: Company, MOFSL

**Exhibit 3: Pre-owned car network declines for the third year in a row in FY22**



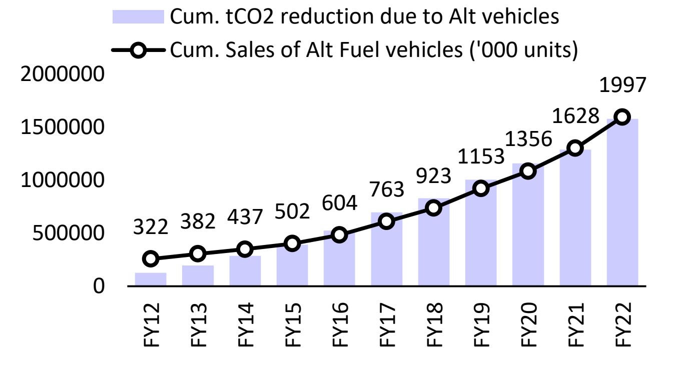

Source: Company, MOFSL

**Exhibit 4: R&D investments decline by ~7% (or 30bp) in FY22**



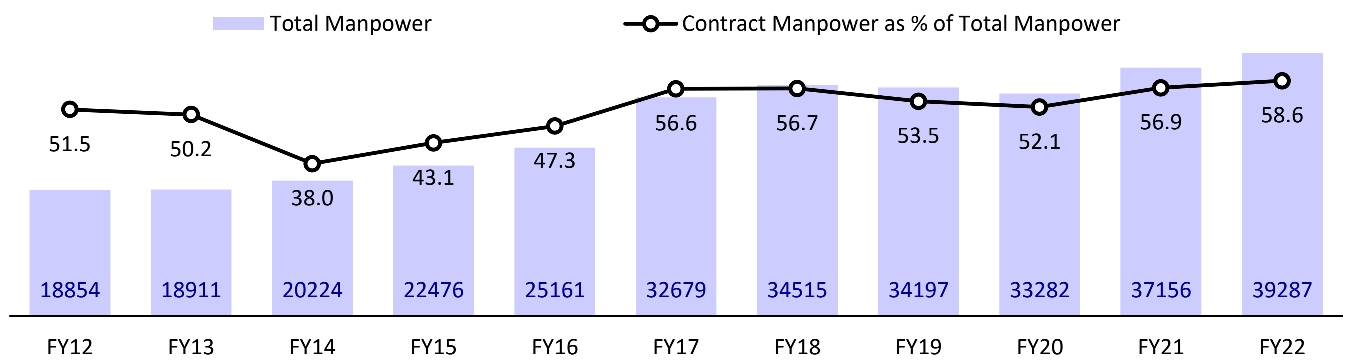

Source: Company, MOFSL

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



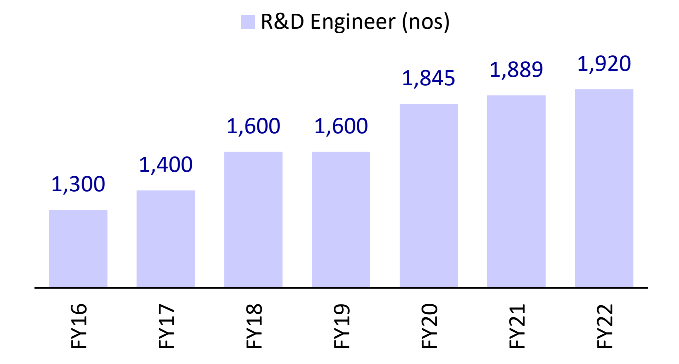

Source: Company, MOFSL

**Exhibit 6: Contract manpower increases by ~6% in FY22**



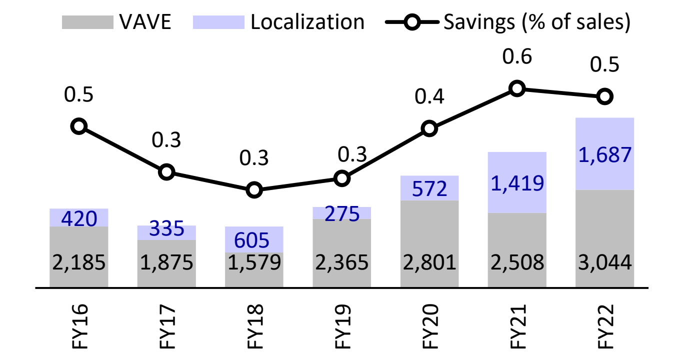

Source: Company

**Exhibit 7: Growth in R&D engineers expands at a slower pace**




Source: Company

**Exhibit 8: MSIL sees significant growth in savings due to localization (INR m)**



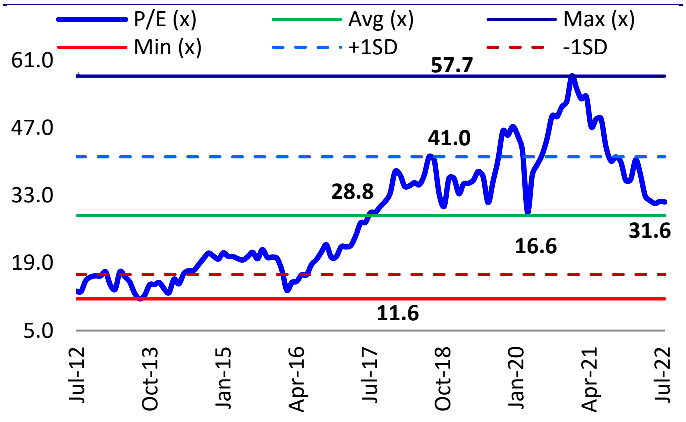

Source: Company

## Valuation and view

- **Our long-term view on the PV industry remains intact**: Growth in the Indian PV industry has undershot our volume expectations for the past five years (volume CAGR of ~1.3% over FY15-20). This can be attributed to several factors, including weaker economic growth, stringent financing, regulatory impact on costs in FY19 and FY20, and the COVID-19 pandemic. We expect industry volumes to recover from the low base of FY21, driven by higher aspirations, improving affordability, and lower penetration (less than 30 cars per population of 1,000). We estimate a 13.5% PV industry volume CAGR over FY22-25.

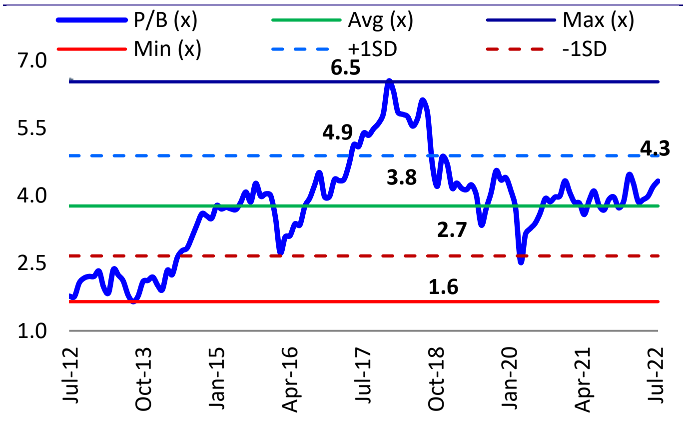
- **Strong product portfolio with numerous launches lined up over the next few years:** MSIL can emerge as the biggest beneficiary of a demand recovery once the COVID pandemic ends, considering its stronghold in the Entry-level segment and a favorable product lifecycle. Launches like the Brezza and Grand Vitara are seeing a good customer pull. It can gain further market share from an expected shift towards petrol and Hybrid vehicles, resulting in ~14% volume CAGR over FY22-25E. This, coupled with an improved mix and lower discounts, will drive ~19% revenue CAGR over FY22-25E.
- **Recovery underway in its operating performance:** While FY21 saw the brunt of COVID-led restrictions on its operations, FY22 was marred by a second lockdown and semiconductor shortages. A recovery in demand will be supported by a favorable product lifecycle as well as a continued shift to personal mobility. EBITDA margin fell to a 20-year low of 6.5% in FY22 on higher commodity costs, a weak forex rate, and an operating deleverage. The recovery in EBITDA margin to ~12% in FY25E is driven by: a) normalization in the product lifecycle, b) lower discounts, c) price increases and an improvement in the mix, d) cost-saving initiatives, e) lower royalty, and f) operating leverage.
- **Strong margin and an asset-light model to result in a strong FCF generation and RoE improvement:** The Gujarat plant's arrangement with its parent Suzuki will render MSIL's business asset-light, allowing the management to focus on marketing. We expect FCF generation to improve to ~INR258.6b over FY22-25 (v/s ~INR84b in FY19-21), after budgeting for an annual capex of ~INR40b. We expect RoCE to improve gradually to ~23.3% by FY25 from 8.7% in FY22.
- **Structural improvements in the business to support valuations**: After a gap of over two years, we expect product launches to resume, with a mix of complete product upgrades (five within the next two-to-three years) and model launches (four within the next two years). This should drive volume and market share growth. We see scope for a further improvement in dividend payouts and a resultant re-rating. The stock trades at 39x/23.5x FY23E/FY24E consolidated EPS. We maintain our Buy rating with a TP of INR11,300 (27x Sep'24E consolidated EPS).

**Exhibit 9: One-year forward P/E (x) band**




Source: MOFSL

**Exhibit 10: One-year forward P/B (x) band**




Source: MOFSL

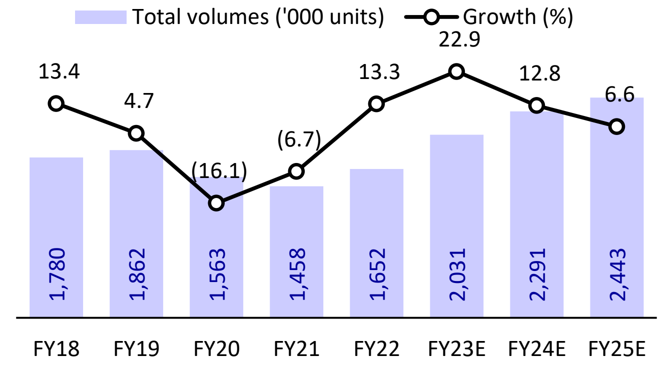
## Expect 53% EPS CAGR over FY22-25

**Exhibit 11: Market share declines (excluding Mini) due to the absence of the diesel portfolio**

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

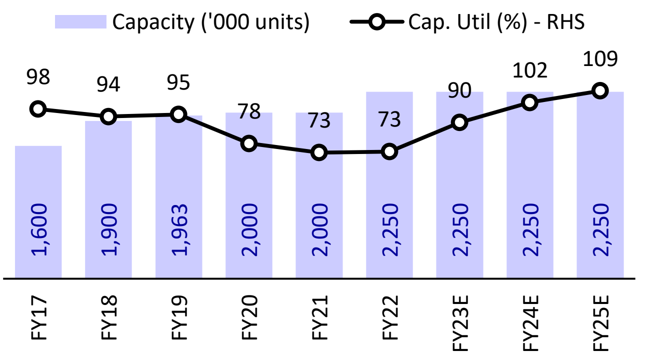
*Excluding supplies to Toyota; Source: Company, MOFSL

**Exhibit 12: Trends in volume and growth over FY22-25E**



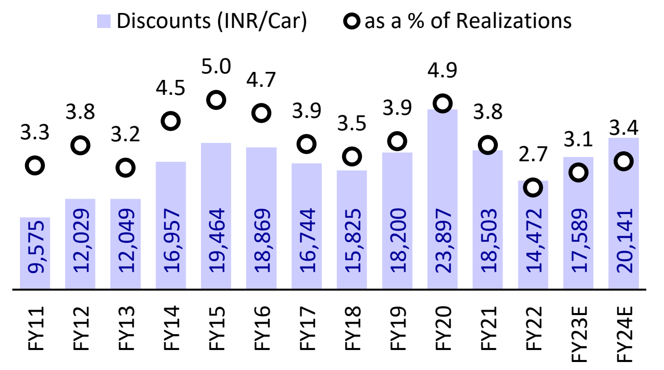

Source: Company, MOFSL

**Exhibit 13: Utilization to improve materially**



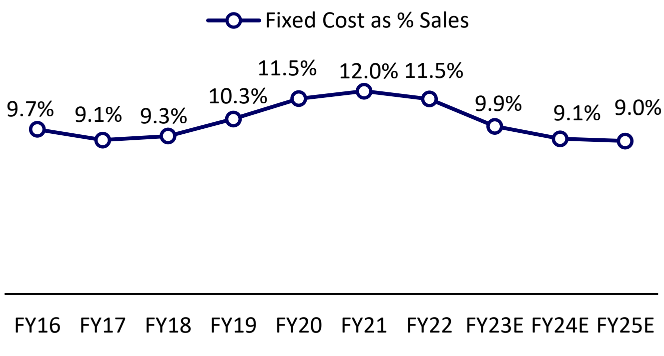

Source: Company, MOFSL

**Exhibit 14: Discounts to increase from the lows of FY22**



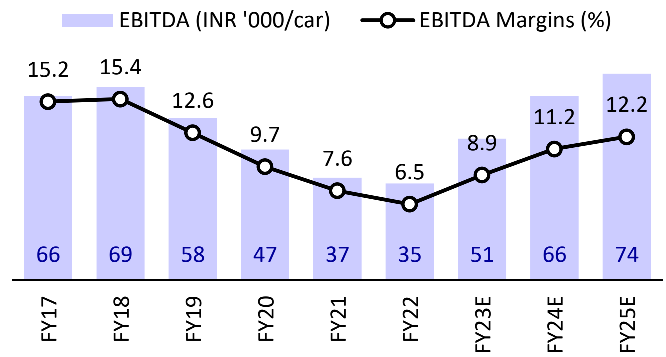

Source: Company, MOFSL

**Exhibit 15: Fixed cost as a percentage of sales**



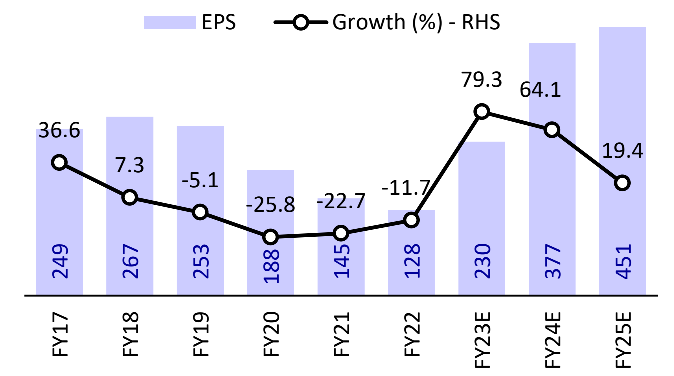

Source: Company, MOFSL

**Exhibit 16: EBITDA margin and EBITDA per car**



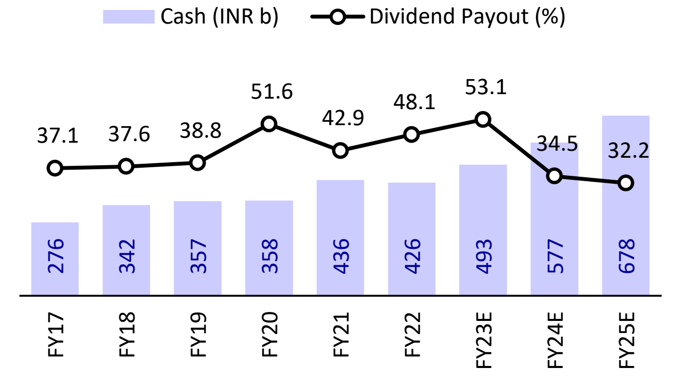

Source: Company, MOFSL

**Exhibit 17: EPS (INR) and growth in EPS**



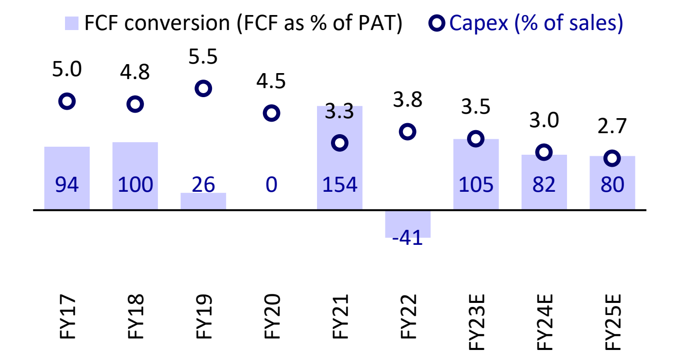

Source: MOFSL, Company

**Exhibit 18: Dividend payout (%) and cash balance (INR b)**



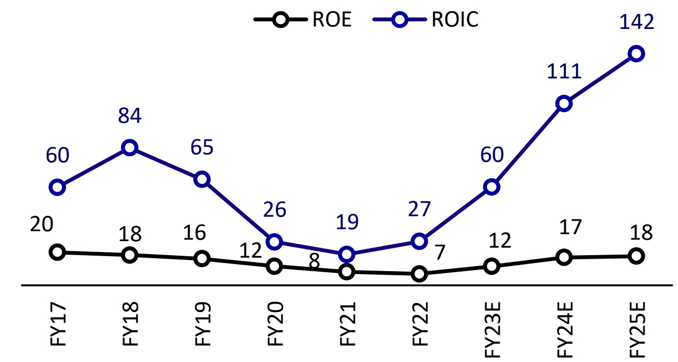

Source: MOFSL, Company

**Exhibit 19: Expect a recovery in FCF conversion**




Source: Company, MOFSL

**Exhibit 20: RoE v/s RoIC (%)**




Source: Company, MOFSL

**Exhibit 21: Snapshot of the revenue model**

| '000 units | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|---|---|
| A1/LCVs | 24 | 22 | 30 | 34 | 42 | 46 | 49 |
| Growth (%) | 138.0 | -8.8 | 35.7 | 14.4 | 25.0 | 8.0 | 8.0 |
| As a percentage of dom. vol. | 1.4 | 1.5 | 2.2 | 2.4 | 2.4 | 2.3 | 2.3 |
| MPV (Vans) | 179 | 118 | 105 | 108 | 128 | 136 | 144 |
| Growth (%) | 15.1 | -33.7 | -11.3 | 3.1 | 18.5 | 6.0 | 6.0 |
| As a percentage of dom. vol. | 10.2 | 8.1 | 7.7 | 7.7 | 7.4 | 6.9 | 6.8 |
| A2 (other Hatchbacks) | 987 | 881 | 840 | 810 | 971 | 1,015 | 1,065 |
| Growth (%) | 5.5 | -10.8 | -4.6 | -3.6 | 19.8 | 4.5 | 5.0 |
| As a percentage of dom. vol. | 56.3 | 60.3 | 61.7 | 57.3 | 56.1 | 51.4 | 50.5 |
| A3 (Dzire, Ciaz) | 300 | 204 | 142 | 145 | 176 | 185 | 194 |
| Growth (%) | 0.3 | -31.9 | -30.5 | 1.8 | 21.7 | 5.0 | 5.0 |
| As a percentage of dom. vol. | 17.1 | 14.0 | 10.4 | 10.2 | 10.2 | 9.4 | 9.2 |
| UVs (Ertiga, Compact SUV) | 264 | 235 | 245 | 317 | 413 | 593 | 654 |
| Growth (%) | 4.1 | -10.9 | 4.3 | 29.3 | 30.0 | 43.6 | 10.4 |
| As a percentage of dom. vol. | 15.1 | 16.1 | 18.0 | 22.4 | 23.9 | 30.0 | 31.1 |
| **Total domestic** | **1,754** | **1,460** | **1,362** | **1,414** | **1,730** | **1,974** | **2,107** |
| Growth (%) | 6.1 | -16.7 | -6.7 | 3.8 | 22.3 | 14.1 | 6.8 |
| As a percentage of total vol. | 94.2 | 93.5 | 93.4 | 85.6 | 85.2 | 86.1 | 86.3 |
| Exports | 109 | 102 | 96 | 238 | 301 | 317 | 335 |
| Growth (%) | -14 | -6 | -6 | 148 | 26 | 5 | 6 |
| As a percentage of total vol. | 6 | 7 | 7 | 14 | 15 | 14 | 14 |
| **Total volumes** | **1,862** | **1,563** | **1,458** | **1,652** | **2,031** | **2,291** | **2,443** |
| Growth (%) | 4.7 | -16.1 | -6.7 | 13.3 | 22.9 | 12.8 | 6.6 |
| **ASP (INR'000/unit)** | **462** | **484** | **482** | **534** | **566** | **591** | **606** |
| Growth (%) | 3.0 | 4.8 | -0.3 | 10.8 | 5.9 | 4.4 | 2.5 |
| **Net sales (INR b)** | **860** | **756** | **703** | **883** | **1,149** | **1,354** | **1,479** |
| Growth (%) | 8 | -12 | -7 | 26 | 30 | 18 | 9 |

Source: MOFSL, Company

# Financials and valuations

| Income Statement | | | | | | | | (INR M) |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023E** | **2024E** | **2025E** |
| **Net Op Income** | **7,97,627** | **8,60,203** | **7,56,106** | **7,03,325** | **8,82,956** | **11,49,784** | **13,54,562** | **14,80,116** |
| Change (%) | 17.2 | 7.8 | -12.1 | -7.0 | 25.5 | 30.2 | 17.8 | 9.3 |
| **EBITDA** | **1,23,122** | **1,07,993** | **73,026** | **53,453** | **57,012** | **1,02,731** | **1,51,191** | **1,79,662** |
| EBITDA Margins (%) | 15.4 | 12.6 | 9.7 | 7.6 | 6.5 | 8.9 | 11.2 | 12.1 |
| Depreciation | 27,579 | 30,189 | 35,257 | 30,315 | 27,865 | 26,817 | 28,360 | 33,547 |
| **EBIT** | **95,543** | **77,804** | **37,769** | **23,138** | **29,147** | **75,914** | **1,22,832** | **1,46,114** |
| EBIT Margins (%) | 12.0 | 9.0 | 5.0 | 3.3 | 3.3 | 6.6 | 9.1 | 9.9 |
| Interest | 3,457 | 758 | 1,329 | 1,008 | 1,259 | 1,025 | 1,025 | 1,025 |
| Other Income | 20,455 | 25,610 | 34,208 | 29,464 | 17,935 | 15,191 | 27,967 | 32,865 |
| EO Expense | 2,507 | -2,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Def Revenue Exp. / Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **PBT** | **1,10,034** | **1,04,656** | **70,648** | **51,594** | **45,823** | **90,080** | **1,49,774** | **1,77,954** |
| Effective tax Rate (%) | 29.8 | 28.3 | 20.0 | 18.0 | 17.8 | 23.7 | 23.5 | 23.6 |
| **PAT** | **77,218** | **75,006** | **56,506** | **42,297** | **37,663** | **68,725** | **1,14,535** | **1,36,045** |
| Change (%) | 5.1 | -2.9 | -24.7 | -25.1 | -11.0 | 82.5 | 66.7 | 18.8 |
| % of Net Sales | 9.9 | 9.0 | 7.9 | 6.4 | 4.5 | 6.3 | 8.8 | 9.6 |
| **Adj. PAT** | **78,977** | **73,573** | **56,506** | **42,297** | **37,663** | **68,725** | **1,14,535** | **1,36,045** |
| Change (%) | 7.4 | -6.8 | -23.2 | -25.1 | -11.0 | 82.5 | 66.7 | 18.8 |

| Balance Sheet | | | | | | | | (INR M) |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023E** | **2024E** | **2025E** |
| **Sources of Funds** | | | | | | | | |
| Share Capital | 1,510 | 1,510 | 1,510 | 1,510 | 1,510 | 1,510 | 1,510 | 1,510 |
| Reserves | 4,16,063 | 4,59,905 | 4,82,860 | 5,12,158 | 5,39,350 | 5,89,950 | 6,68,236 | 7,65,010 |
| **Net Worth** | **4,17,573** | **4,61,415** | **4,84,370** | **5,13,668** | **5,40,860** | **5,91,460** | **6,69,746** | **7,66,520** |
| Loans | 1,108 | 1,496 | 1,063 | 4,888 | 3,819 | 3,819 | 3,819 | 3,819 |
| Deferred Tax Liability | 5,589 | 5,640 | 5,984 | 3,847 | -2,027 | -2,027 | -2,027 | -2,027 |
| **Capital Employed** | **4,24,270** | **4,68,551** | **4,91,417** | **5,22,403** | **5,42,652** | **5,93,252** | **6,71,538** | **7,68,312** |
| **Application of Funds** | | | | | | | | |
| Gross Fixed Assets | 2,14,239 | 2,63,293 | 2,97,260 | 3,14,553 | 3,24,892 | 3,29,186 | 3,54,186 | 4,54,186 |
| Less: Depreciation | 80,649 | 1,09,215 | 1,40,157 | 1,64,983 | 1,87,719 | 2,14,536 | 2,42,896 | 2,76,444 |
| **Net Fixed Assets** | **1,33,590** | **1,54,078** | **1,57,103** | **1,49,570** | **1,37,173** | **1,14,650** | **1,11,290** | **1,77,742** |
| Capital WIP | 21,259 | 16,001 | 14,083 | 14,898 | 29,294 | 65,000 | 80,000 | 20,000 |
| Investments | 3,52,902 | 3,65,150 | 3,64,676 | 4,17,867 | 4,07,633 | 4,07,633 | 4,07,633 | 4,07,633 |
| **Curr.Assets, Loans** | **81,841** | **89,815** | **84,390** | **1,12,943** | **1,52,387** | **2,36,955** | **3,33,587** | **4,42,019** |
| Inventory | 31,608 | 33,257 | 32,149 | 30,500 | 35,331 | 50,402 | 59,378 | 64,882 |
| Sundry Debtors | 14,618 | 23,104 | 21,270 | 12,766 | 20,301 | 22,051 | 25,978 | 28,386 |
| Cash & Bank Balances | 711 | 1,789 | 211 | 30,364 | 30,362 | 98,109 | 1,81,838 | 2,82,358 |
| Loans & Advances | 2,878 | 5,126 | 5,246 | 6,642 | 307 | 307 | 307 | 307 |
| Others | 32,026 | 26,539 | 25,514 | 32,671 | 66,086 | 66,086 | 66,086 | 66,086 |
| **Current Liab & Prov.** | **1,65,322** | **1,56,493** | **1,28,835** | **1,72,875** | **1,83,835** | **2,30,985** | **2,60,972** | **2,79,082** |
| Sundry Creditors | 1,04,970 | 96,330 | 74,941 | 1,01,617 | 97,610 | 1,48,054 | 1,74,423 | 1,90,590 |
| Others | 50,055 | 51,069 | 44,889 | 60,252 | 71,104 | 71,104 | 71,104 | 71,104 |
| Provisions | 10,297 | 9,094 | 9,005 | 11,006 | 15,121 | 11,827 | 15,445 | 17,387 |
| **Net Current Assets** | **-83,481** | **-66,678** | **-44,445** | **-59,932** | **-31,448** | **5,970** | **72,615** | **1,62,937** |
| **Appl. of Funds** | **4,24,270** | **4,68,551** | **4,91,417** | **5,22,403** | **5,42,652** | **5,93,252** | **6,71,538** | **7,68,312** |

E: MOSL Estimates

# Financials and valuations

**Ratios**

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | | | |
| **Adjusted EPS** | **261.4** | **243.6** | **187.1** | **140.0** | **124.7** | **227.5** | **379.2** | **450.4** |
| **Consol EPS** | **266.7** | **253.3** | **188.0** | **145.3** | **128.4** | **230.7** | **382.8** | **454.5** |
| Cash EPS | 358.0 | 353.2 | 304.7 | 245.7 | 220.7 | 319.5 | 476.7 | 565.5 |
| Book Value per Share | 1,382 | 1,527 | 1,603 | 1,700 | 1,790 | 1,958 | 2,217 | 2,537 |
| DPS | 80.0 | 80.0 | 60.0 | 45.0 | 60.0 | 120.0 | 130.0 | 145.0 |
| Div. payout (%) | 37.6 | 38.8 | 38.5 | 31.0 | 46.7 | 52.0 | 34.0 | 31.9 |
| **Valuation (x)** | | | | | | | | |
| Consol. P/E | 33.7 | 35.5 | 47.9 | 61.9 | 70.1 | 39.0 | 23.5 | 19.8 |
| Cash P/E | 25.1 | 25.5 | 29.5 | 36.6 | 40.8 | 28.2 | 18.9 | 15.9 |
| EV/EBITDA | 19.2 | 21.8 | 32.2 | 42.6 | 40.1 | 21.6 | 14.1 | 11.3 |
| EV/Sales | 3.0 | 2.8 | 3.3 | 3.4 | 2.7 | 2.0 | 1.6 | 1.4 |
| P/BV | 6.5 | 5.9 | 5.6 | 5.3 | 5.0 | 4.6 | 4.1 | 3.5 |
| Dividend Yield (%) | 0.9 | 0.9 | 0.7 | 0.5 | 0.7 | 1.3 | 1.4 | 1.6 |
| FCF Yield (%) | 2.9 | 0.7 | 0.0 | 2.4 | -0.6 | 2.6 | 3.4 | 4.0 |
| **Profitability Ratios (%)** | | | | | | | | |
| RoIC | 84.1 | 64.7 | 26.5 | 18.9 | 26.8 | 60.3 | 110.8 | 139.3 |
| RoE | 18.5 | 16.3 | 11.7 | 8.2 | 7.0 | 11.6 | 17.1 | 17.7 |
| RoCE | 27.3 | 22.1 | 14.6 | 10.1 | 8.7 | 15.4 | 22.5 | 23.3 |
| **Turnover Ratios** | | | | | | | | |
| Debtors (Days) | 7 | 10 | 11 | 7 | 9 | 7 | 7 | 7 |
| Inventory (Days) | 17 | 16 | 17 | 17 | 16 | 18 | 18 | 18 |
| Creditors (Days) | 70 | 59 | 51 | 73 | 54 | 64 | 65 | 66 |
| Work. Cap. (Days) | -46 | -33 | -23 | -49 | -29 | -39 | -40 | -40 |
| Asset Turnover (x) | 1.9 | 1.8 | 1.5 | 1.3 | 1.6 | 1.9 | 2.0 | 1.9 |
| **Leverage Ratio** | | | | | | | | |
| Net Debt/Equity (x) | -0.8 | -0.8 | -0.7 | -0.8 | -0.8 | -0.8 | -0.9 | -0.9 |

**Cash Flow Statement** (INR M)

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|---|
| Profit before Tax | 1,10,034 | 1,04,656 | 70,948 | 51,594 | 45,823 | 90,080 | 1,49,774 | 1,77,954 |
| Interest | 3,457 | 758 | 1,329 | 1,008 | 1,259 | 1,025 | 1,025 | 1,025 |
| Depreciation | 27,579 | 30,189 | 35,257 | 30,315 | 27,865 | 26,817 | 28,360 | 33,547 |
| Direct Taxes Paid | -30,550 | -31,428 | -14,357 | -10,107 | -11,769 | -21,355 | -35,238 | -41,910 |
| (Inc)/Dec in WC | 28,058 | -13,196 | -25,659 | 43,352 | -28,098 | 30,330 | 17,083 | 10,198 |
| Other Items | -20,728 | -25,047 | -33,467 | -27,774 | -17,168 | -15,191 | -27,967 | -32,865 |
| **CF from Oper.Activity** | **1,17,850** | **65,932** | **34,051** | **88,388** | **17,912** | **1,11,706** | **1,33,036** | **1,47,950** |
| (Inc)/Dec in FA | -38,653 | -47,000 | -33,990 | -23,279 | -33,227 | -40,000 | -40,000 | -40,000 |
| **Free Cash Flow** | **79,197** | **18,932** | **61** | **65,109** | **-15,315** | **71,706** | **93,036** | **1,07,950** |
| (Pur)/Sale of Invest. | -44,168 | 11,617 | 29,351 | -49,560 | 31,337 | 15,191 | 27,967 | 32,865 |
| **CF from Inv. Activity** | **-82,821** | **-35,383** | **-4,639** | **-72,839** | **-1,890** | **-24,809** | **-12,033** | **-7,135** |
| Change in Networth | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -3,728 | 388 | -524 | 3,723 | -1,140 | 0 | 0 | 0 |
| Interest Paid | -3,464 | -732 | -1,342 | -1,006 | -1,291 | -1,025 | -1,025 | -1,025 |
| Dividends Paid | -27,268 | -29,134 | -29,134 | -18,125 | -13,594 | -18,125 | -36,250 | -39,270 |
| **CF from Fin. Activity** | **-34,460** | **-29,478** | **-31,000** | **-15,408** | **-16,025** | **-19,150** | **-37,275** | **-40,295** |
| **Inc/(Dec) in Cash** | **569** | **1,071** | **-1,588** | **141** | **-3** | **67,747** | **83,729** | **1,00,520** |
| Add: Op. Balance | 130 | 699 | 1,770 | 182 | 323 | 320 | 68,067 | 1,51,796 |
| **Closing Balance** | **699** | **1,770** | **182** | **323** | **320** | **68,067** | **1,51,796** | **2,52,316** |

| Explanation of Investment Rating | |
|---|---|
| **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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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