

## Automobile | Q3FY23 Result Update

## Stable performance

- M&M demonstrated a stable performance in 3Q led by better mix and cost cutting measures. EBITDA grew by 13% QoQ with margin at 12.8%. EBIT margin for automotive division expanded 55 bps QoQ to 6.7 % and for FES by 15 bps to 16.6%.
- Management indicated outstanding bookings of 266K+ (including XUV700 at 77K and Scorpio-N at 119K) and mentioned cancellation rate is stable at 7-8%. M&M remains the leader in UV with SUV revenue market-share at 20.6%. We expect automotive margin in FY24 to see further improvement led by end of introductory pricing of XUV700 and Scorpio-N along with economies of scale.**
- We believe the stock to trade at a premium to historical multiple as the company moves higher to its guided ROE target of 18%. Our SOTP valuation comes at Rs 1646 (We value the core business at Rs.1132/share (17x FY25E core EPS) and subsidiaries at Rs.287/share +Value of EVs arm Rs 227). Maintain BUY.**

## Stable outlook for Automotive segment

M&M is in the midst of a very strong model cycle in SUVs. We believe high demand for premium SUVs like XUV700, Thar and Scorpio-N will help in sharp improvement in net ASP per vehicle and margin expansion. However in LCV, price sensitivity and inflationary situation may put pressure on demand. Margin expansion will be majorly driven by operating leverage, cost cuttings, and removal of introductory pricing on many models. However increase in prices due to BS6 Phase 2(Rs.9-15k) will put some pressure on margin.

## Tractor Segment- Gaining market share

The company gained 90bps market share in tractor segment to 41.40% YTD FY23. Tractor dispatches and retail demand is strong and channel inventory at comfortable level. **We expect strong reservoir level, strong Rabi sowing and output and pre-election spending will aid volume for tractor segment for FY24. Hoverers growth would be constrained due to high base.**

## Q3FY23 Result (Rs Mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Revenue	2,16,537	1,53,491	41.1	2,10,101	3.1
Total Expense	1,88,395	1,35,463	39.1	1,85,128	1.8
EBITDA	28,142	18,027	56.1	24,973	12.7
Depreciation	8,292	6,447	28.6	7,913	4.8
EBIT	19,850	11,580	71.4	17,060	16.4
Other Income	6,700	5,173	29.5	13,134	(49.0)
Interest	686	540	26.9	641	6.9
EBT	19,576	16,212	20.7	27,074	(27.7)
Tax	4,296	2,859	50.3	6,394	(32.8)
RPAT	15,281	13,354	14.4	20,680	(26.1)
APAT	21,569	13,354	61.5	23,159	(6.9)
			(bps)		(bps)
Gross Margin (%)	24.0	25.3	(127)	23.5	56
EBITDA Margin (%)	13.0	11.7	125	11.9	111
NPM (%)	7.1	8.7	(164)	9.8	(279)
Tax Rate (%)	21.9	17.6	431	23.6	(167)
EBIT Margin (%)	9.2	7.5	162	8.1	105

CMP	Rs 1,365
Target / Upside	Rs 1,646 / 21%
NIFTY	17,857

## Scrip Details

Equity / FV	Rs 5,983mn / Rs 5		
Market Cap	Rs 1,698bn		
	USD 20.6bn		
52-week High/Low	Rs 1,392/ 671		
Avg. Volume (no)	23,03,890		
Bloom Code	MM IN		
Price Performance	1M	3M	12M
Absolute (%)	4	6	60
Rel to NIFTY (%)	3	8	56

## Shareholding Pattern

	Jun'22	Sep'22	Dec'22
Promoters	18.9	18.9	18.9
MF/Banks/FIs	28.7	28.6	27.6
FIs	40.2	40.1	41.2
Public / Others	12.2	12.2	12.3

## Valuation (x)

	FY23E	FY24E	FY25E
P/E	23.8	20.3	17.2
EV/EBITDA	16.3	14.0	11.4
ROE (%)	17.1	17.4	17.9
RoACE (%)	15.0	15.8	16.4

## Estimates (Rs bn)

	FY23E	FY24E	FY25E
Revenue	834.3	956.6	1,111.0
EBITDA	103.7	118.0	140.6
PAT	71.2	83.5	98.6
EPS (Rs.)	57.3	67.2	79.3

VP - Research: Abhishek Jain

Tel: +9122 40969739

E-mail: abhishejkj@dolatcapital.com

Associate: Kumar Gaurav

Tel: +9122 40969741

E-mail: gauravk@dolatcapital.com

### Aggressive expansion in EV Business

In EV space the company has sold 2.75% to 4.76% stake of its proposed EVs arm at Rs.19.25bn (implied valuation USD 9.1bn). The company will unveil its first electric product in SUV segment- XUV 400 in 15 cities XUV 400 bookings started from 26<sup>th</sup> Jan, received 15k+ booking within 13 days. It will be manufactured on the same platform of XUV300. Electric 3W is getting good response, market share stands at 64%.

### Strong order back to drive volume in Automotive segment

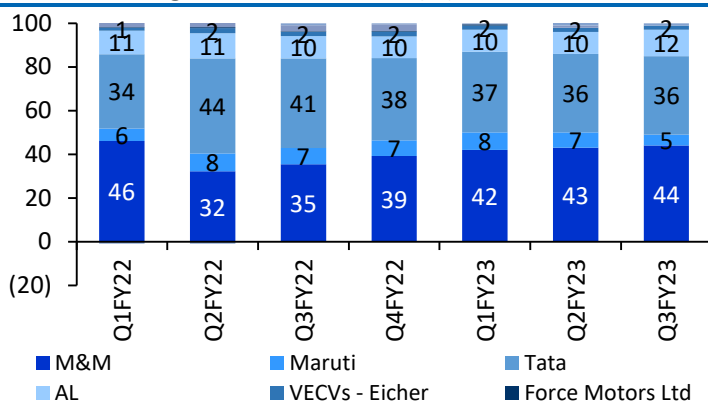
- We expect strong demand for SUVs to continue over the next 2-3 years and the premiumization trend would further pick up. Demand is strong with a healthy order book of 266k+ vehicles. (XUV300 &400 -23k, XUV700-77k, Thar 37k, Bolero- 9k, and Scorpio-N 119k). Q3FY23, SUV revenue market share stood at 20.6% vs 19.9%. in 2Q
- Company is expanding its PVs capacity from 32k currently to 39k by 4QFY23 and 49k in Q4FY24. Capacity of Scorpio-N, Scorpio classic and current portfolio of Thar will be expanded to 10k/ 5.5k/6k/month respectively by Q4FY24. Major capacity addition will be done for Thar, XUV300 & XUV400. EV capacity addition will be over and above these capacity additions.
- Management sees gradual margin improvement in Auto margin, led by operating leverage, model mix (higher number of high end XUV 700, value engineering along with structured cost reduction program (material and other cost), however commodity prices outlook is uncertain.
- We expect automotive margin in FY24 would improve 50-100bps led by end of introductory pricing of XUV700 and Scorpio-N along with operating leverage and product mix. However increase in prices due to BS6 Phase 2(Rs.9-15k) would put some pressure on margin

### Exhibit 1: Segment wise Quarterly Summary

Particulars	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Volumes</b>									
Auto volumes	122,277	108,677	86,848	101,680	121,167	155,902	153,462	1,79,683	1,76,094
yoy growth %	(7.6)	17.6	192.9	10.5	(0.9)	43.5	76.7	76.7	45.3
Tractor volumes	101,701	93,894	99,929	88,920	92,967	72,882	118,509	93,540	1,05,765
yoy growth %	20.4	58.4	52.2	(4.6)	(8.6)	(22.4)	18.6	5.2	13.8
<b>Realisation</b>									
Auto avg Realisation	679,691	723,073	696,647	778,630	787,974	774,312	801,913	8,19,497	8,40,263
yoy growth %	21.2	21.4	1.3	12.7	15.9	7.1	15.1	5.2	5.5
Tractor avg Realisation	519,320	529,906	532,235	551,423	561,249	593,735	564,399	5,92,060	5,93,549
yoy growth %	2.5	1	4.6	6.3	8.1	12	6	7.4	5.8
<b>Net sales (Rs Mn)</b>									
Automotive	83,111	78,581	60,502	79,171	95,476	120,717	123,063	1,47,250	1,47,965
Yoy (%)	12	42.7	196.7	24.6	14.9	53.6	103.4	86	53.3
FES	52,815	49,755	53,186	49,033	52,178	43,273	66,886	55,381	62,777
Yoy (%)	23.5	59.9	59.2	1.4	(1.2)	(13)	25.8	12.9	20.3
Others	5,359	5,904	5,904	5,531	5,429	7,793	6,776	6,562	6,800
Yoy (%)	12.7	30.7	167.7	0	0	0	0	0	0.0
Less: intersegmental	719.7	858.5	616.9	680.6	694.6	542.1	598.9	602	1,004.1
Total	<b>140,565</b>	<b>133,382</b>	<b>118,975</b>	<b>133,054</b>	<b>152,388</b>	<b>171,240</b>	<b>196,126</b>	<b>2,08,591</b>	<b>2,16,537</b>
Yoy (%)	16	48.1	112.9	14.8	8.4	28.4	64.8	56.8	41.1
<b>EBIT</b>									
Automotive	6,441	3,900	1,025	2,109	3,491	6,748	7,035	9,035	9,896
FES	12,359	10,949	10,811	9,159	9,052	6,778	10,735	9,085	10,393
Others	380	(192)	139	419	330	465	418	551	481
Total	<b>19,180</b>	<b>14,656</b>	<b>11,975</b>	<b>11,687</b>	<b>12,872</b>	<b>13,990</b>	<b>18,189</b>	<b>18,671</b>	<b>20,770</b>

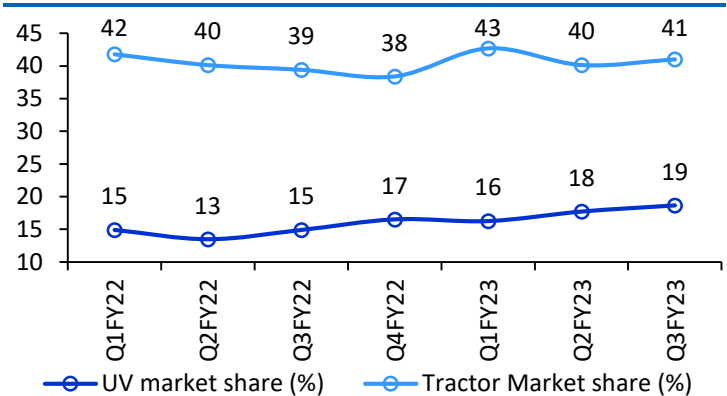
Source: Company, DART

### Exhibit 2: LCV goods market share (%)



Source: Company, DART

### Exhibit 3: UV & Tractor market share (%)



Source: Company, DART

### Gaining ground in tractor segment

- We expect strong reservoir level, strong Rabi sowing and output and pre-election spending will aid volume for tractor segment for FY24. Hoverers growth would be constrained due to high base.
- Operating margin for tractor expanded by 15bps QoQ to 16.6 % in 3Q due to successful launches of high margin products. Going ahead better product mix and HP mix will help to expand margin.
- The company gained 90 bps market share in tractor segment to 41.4% YTD FY23. Company have delivered 9 quarters of +ve PBIT for FES subsidiaries. Growth opportunity in farm machinery segment is high and expect double-digit growth for next couple of years.
- M&M remains the undisputed leader and has largely maintained its market share due to its strong rural network and product development capabilities.

### Aggressive expansion plan for 4Ws EVs

- The company will unveil its first electric product in SUV segment- XUV 400 in 15 cities XUV 400 bookings started from 26<sup>th</sup> Jan, received 15k+ booking within 13 days. It will be manufactured on the same platform of XUV300.
- Under Mahindra's partnership with Volkswagen (VW's MEB electric components for M&M's INGLO platform), the company will launch five models with two brands – XUV and BE. XUV e8 is planned to launch in Dec-24, XUV e9 in Apr-25, BE 05 in Oct-25 and BE 07 in Oct-26. M&M expect electric SUV penetration to be 20-30% by FY27 of its overall SUV portfolio.

#### Exhibit 4: Actual vs estimated performance

Particulars (Rs.mn)	Actual	Dart Estimates	Variance (%)
Revenue	2,16,537	2,13,544	1.4
EBIDTA	28,142	27,334	3.0
EBIDTA Margin (%)	13.00	12.80	19.6bps
APAT	21,569	15,824	36.3

Source: Company, DART

#### Exhibit 5: Change in Estimates

Particulars (Rs Mn)	FY23E			FY24E			FY25E		
	New	Previous	% Cng	New	Previous	% Cng	New	Previous	% Cng
Net sales	8,34,268	8,21,448	1.6	9,56,602	9,87,176	(3.1)	11,10,971	11,40,842	(2.6)
EBITDA	1,03,690	1,01,145	2.5	1,18,006	1,27,040	(7.1)	1,40,554	1,50,734	(6.8)
EBITDA margin (%)	12.4	12.3	12bps	12.3	12.9	(53)bps	12.7	13.2	(56)bps
APAT	71,248	68,980	3.3	83,480	87,502	(4.6)	98,632	1,03,427	(4.6)
EPS	57.0	55.2	3.3	66.8	70.0	(4.6)	78.8	82.7	(4.6)

Source: Company, DART

**Exhibit 6: Assumption table**

(in '000 units)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total PV	187	157	226	354	473	569
% YoY	(26.6)	(15.9)	43.7	56.8	33.7	20.1
LCV	193	153	173	245	226	240
% YoY	(18.7)	(20.8)	12.8	42.1	(7.7)	6.1
MHCV	5.9	3.1	4.5	6.1	8.3	11.4
% YoY	(46.0)	(46.9)	46.1	35.0	36.0	37.0
Three wheelers	62	21	30	57	74	97
% YoY	(7)	(67)	47	90	30	31
Total Domestic	448	334	433	663	782	918
% YoY	(21)	(26)	30	53	18	17
Exports	27	18	33	36	46	57
% YoY	(30.0)	(32.0)	76.9	12.0	25.0	25.0
Total Auto	475	352	466	699	828	974
% YoY	(21.9)	(25.9)	32.2	50.1	18.4	17.7
Tractor						
Total tractor	302	354	355	397	381	394
% YoY	(9)	17	0	12	(4)	4

Source: DART

**Exhibit 7: Summary for quarterly performance**

Particulars	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	FY23E
<b>Automobile(units)</b>	<b>122,277</b>	<b>108,677</b>	<b>86,848</b>	<b>101,680</b>	<b>121,167</b>	<b>155,902</b>	<b>153,462</b>	<b>1,79,683</b>	1,76,094	6,99,080
Tractor (units)	101,701	93,894	99,929	88,920	92,967	72,882	118,509	93,540	1,05,765	3,96,556
<b>Total (units)</b>	<b>223,978</b>	<b>202,571</b>	<b>186,777</b>	<b>190,600</b>	<b>214,134</b>	<b>228,784</b>	<b>271,971</b>	<b>2,73,223</b>	2,81,859	10,95,636
Net sales (Rs.Mn)	<b>140,565</b>	<b>133,382</b>	<b>117,628</b>	<b>133,054</b>	<b>152,428</b>	<b>171,240</b>	<b>196,126</b>	<b>2,08,393</b>	<b>2,16,537</b>	<b>8,34,268</b>
% YoY	9.17	35.88	165.79	25.37	10.41	16.27	52.65	56.8	41.1	
% QoQ	21	(5)	(12)	13	15	12	15	6	3%	
<b>Materials</b>	<b>96,292</b>	<b>92,255</b>	<b>81,922</b>	<b>96,808</b>	<b>113,931</b>	<b>130,755</b>	<b>150,240</b>	<b>1,59,490</b>	<b>1,64,471</b>	<b>6,35,712</b>
% sales	68.5	69.2	69.6	72.8	74.7	76.4	76.6	76.5	76.0%	76.2%
<b>Employee cost</b>	<b>8,841</b>	<b>7,964</b>	<b>8,855</b>	<b>7,965</b>	<b>8,790</b>	<b>7,461</b>	<b>8,362</b>	<b>9,129</b>	9,342	36,366
% sales	6.3	6	7.5	6	5.8	4.4	4.3	4.4	4.3%	4.4%
<b>Other op cost</b>	<b>11,576</b>	<b>13,559</b>	<b>10,534</b>	<b>11,682</b>	<b>11,609</b>	<b>13,568</b>	<b>14,114</b>	<b>14,811</b>	<b>14,583</b>	<b>58,501</b>
% sales	8.2	10.2	9	8.8	7.6	7.9	7.2	7.1	6.7%	7.0%
<b>EBITDA (Rs.mn)</b>	<b>23,856</b>	<b>19,605</b>	<b>16,317</b>	<b>16,598</b>	<b>18,098</b>	<b>19,455</b>	<b>23,410</b>	<b>24,963</b>	<b>28,142</b>	<b>1,03,690</b>
% YoY	33.37	59.72	184.67	-19.32	-24.14	-0.76	43.48	50.40	56.11	47.24
Margin (%)	17	14.7	13.9	12.5	11.9	11.4	11.9	12.0	13.0%	12.4%

Source: Company, DART

**Exhibit 8: SOTP Valuation**

Particular	Per share value
Core business EPS Sep FY24E EPS	<b>1132</b>
Subsidiaries	
Tech Mahindra	144
MMFS	96
Mahindra Life space	06
Mahindra Holidays	14
Swaraj Engines	04
MCIE	13
Mahindra Logistics	10
Total valuation for Subs and others with 25% discounts	<b>287</b>
<b>Price (INR)</b>	<b>1419</b>
<b>EV Stake Value</b>	<b>227</b>
<b>Total Price</b>	<b>1646</b>

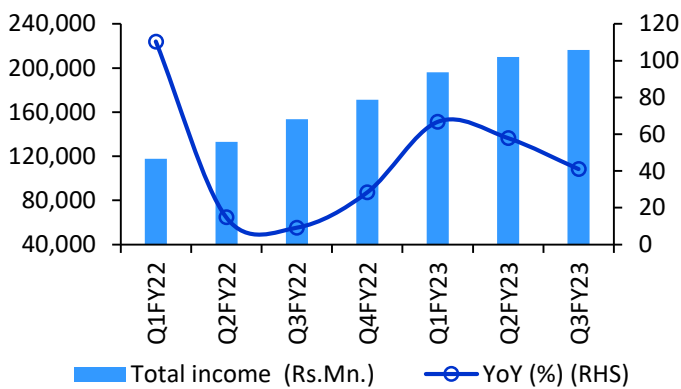
## Earnings call KTAs

- **Outlook for Auto segment:** Going ahead demand remains strong led by strong order backlog of new launches in SUVs segment and strong volume recovery in 3Ws. LCV is a price sensitive segment and inflationary condition may put pressure on demand. Current order backlog in Auto stands at 266k+ vehicles. (XUV300&400-23k, XUV700-77k, Thar-37k, Bolero- 9k, and Scorpio-N-119k. Considering customers concerns for high waiting period, key focus of management is bringing waiting period down. Currently cancellation is in the range of 7-8%. Q3FY23, SUV revenue market share stood at 20.6% vs 19.9% in 2Q. The company successfully launched XUV 400 on 26th Jan, and received 15k+ booking within 13 days. The company surpassed its guided ROE target of 18% and achieved ROE 20.3% on 9MFY23.
- **Outlook for Tractor-** Tractor industry volume is expected to touch 9 lacs (+10% YoY) units in FY23. For FY24 demand momentum is expected to remain strong in FY24 but base is high. M&M recorded highest ever Q3 volumes (104.9k tractors). The Company gained 90 bps market share in tractor segment to 41.4% YTD led by new launches and network expansion. The company added 120 new dealership and gained strong market share in 30-50HP. It has delivered 9 quarters of +ve PBIT for FES subsidiaries. Growth opportunity in farm machinery segment (Industry size is Rs 93bn vs tractor market size Rs 470bn) is high as current market share is low, however margin is still under pressure.
- **Export-** Export demand for Auto is strong in South Africa due to new launches, however demand in neighboring countries like Sri Lanka and Bangladesh is quite weak for both Auto and Tractor
- **Capacity Expansion-** Company is expanding its PVs capacity from 32k currently to 39k by 4QFY23 and 49k in Q4FY24. EV capacity addition will be over and above these capacity additions.
- **EVs-** The Company have launched XUV 400 and booking started from 26th Jan. It has received 15k+ booking within 13 days (large customers are first time buyer mostly from tech city. Other are doctors and multi car owner). Pricing of XUV 400 is not key factor, it is all about customer experience and awareness and developing ecosystem for products, the company has enough room to take price action. Company expects Strong Brand Value, Platform and EV Strategy, de-risk supply chain and optimization of costs as major growth driver. The company is not looking for any separate distribution channel for EVs. Electric 3W is getting good response, achieved highest ever quarterly billing of 11,801 units with market share of 63.5%.
- **Operating margin-** Operating margin (EBIT) for auto segment increased by 55 bps QoQ to 6.7 % led by end of introductory pricing for XUV 700 & Thar, cost reduction program and operating leverage. 3% margin improvement target has already been achieved. Expects margin to improve further but difficult to predict due to uncertain commodity cycle. BS 6 Phase 2 Cost increase would be passed in phased manner to customers. Operating margin for tractor expanded by 15 bps QoQ to 16.6 % in 3Q, the company has passed on all material cost. Going ahead better product mix and HP mix will help to expand margin.
- **Strong booking across variants-** XUV300 &400 (23k open bookings, 9.3k per month), XUV700 (77k open bookings, 9.9k per month), THAR (37k open bookings, 4.6k per month), Bolero (incl NEO) (9k open bookings, 10.4k per month), Scorpio- N (119k open bookings, 16.5k per month).
- **BS6 Phase 2 and TREM IV norms-** Due to BS6 phase 2 norms cost will increase to the tune of Rs.9-15k per vehicle while some model it will touch to 20k. Cost increase would be passed on phases to customers. TREM IV currently apply to more than 50HP tractor. TREM V would be applicable on 25HP to 50HP application is expected to get delayed till FY25.



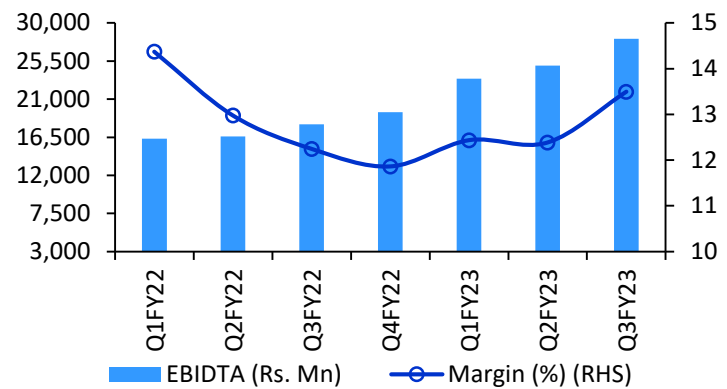
- **LCV and 3Ws-** In LCV 2-3.5T Company have achieved 60.1% market share in Q3 FY23. In E-3Ws it clocked highest ever quarterly billing 11,801 units with market share of 63.5%. LCV is a price sensitive and inflationary condition may pressure on demand. LCV volumes has started to show the weakness in lower category (less than 2 tonnes), while 2-5 tonne category is standing strong. Cost of e-mobility, momentum of e-commerce is driving e-LCVs well.
- **Exceptional items (net)** loss of Rs. 6.28bn for 3Q for impairment provision for a certain long-term investment, impairment of certain assets of trucks and buses business, net off gain on sale of certain freehold land. All impairment is accounting for category C companies
- Company is well in path to deliver its promised performance i.e. ROE of 18% (FY23 YTD 20.3%), EPS Growth 15-20% (68.4% YTD FY23), value creation and lead ESG. Tractor/FES business.
- The Company has seen sharp growth Farm Machinery segment; revenue jumped by 40% YTD FY23.
- **MMFSL-** In 3QFY23 MMFSL disbursement improved to Rs 144.7bn (vs 118.2bn in 2Q). PAT was down 30% YoY, driven by lower provision reversals. GNPA in Mahindra Finance reduced to 5.9% vs 6.7% in 3Q and net NPA less than 2.5%.

**Exhibit 9: Revenue grew QoQ/YoY**



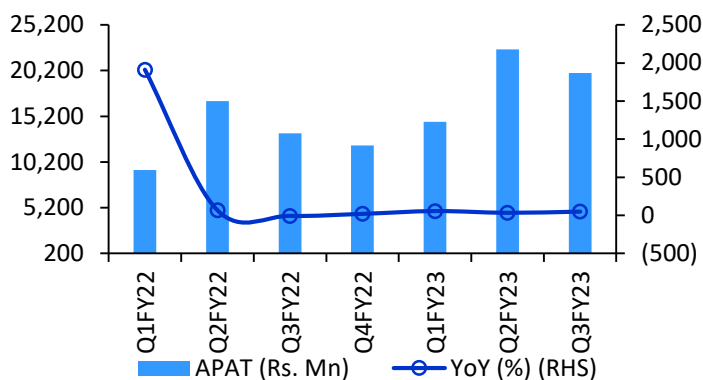
Source: Company, DART

**Exhibit 10: EBIDTA margin expanded QoQ**



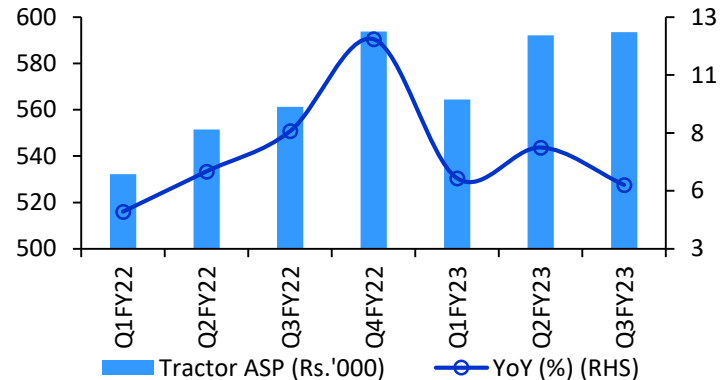
Source: Company, DART

**Exhibit 11: APAT trend**

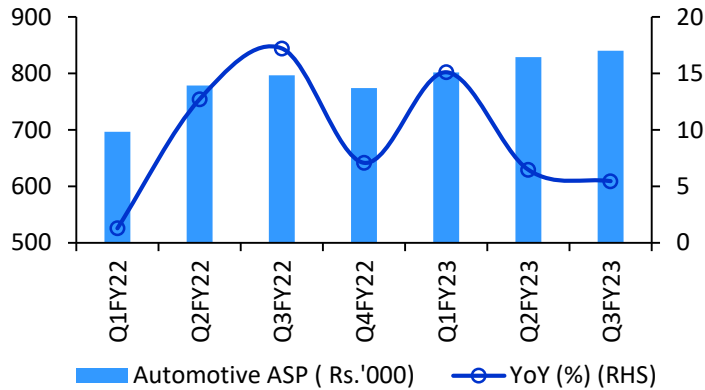


Source: DART, Company

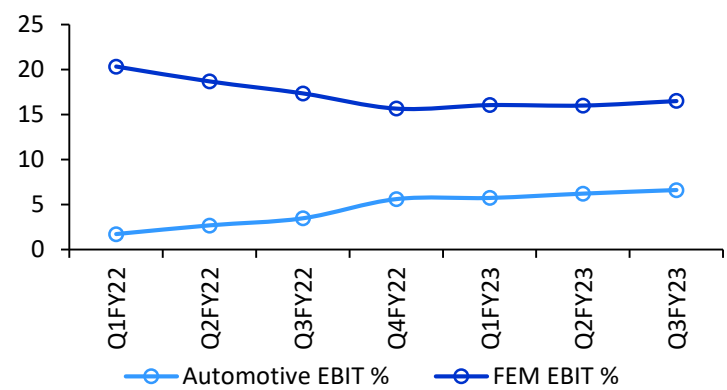
**Exhibit 12: FES Realization increased QoQ**



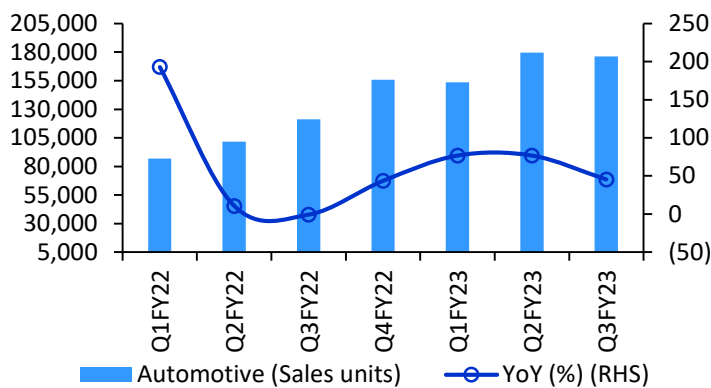
Source: DART, Company

**Exhibit 13: Automotive realization improved YoY/QoQ**


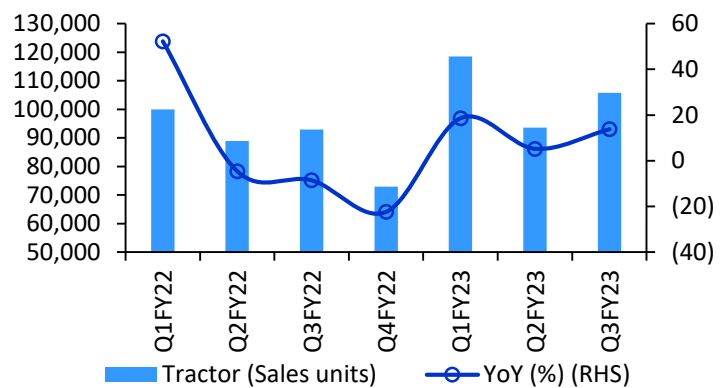
Source: DART, Company

**Exhibit 14: Automotive & FEM EBIT margin %**


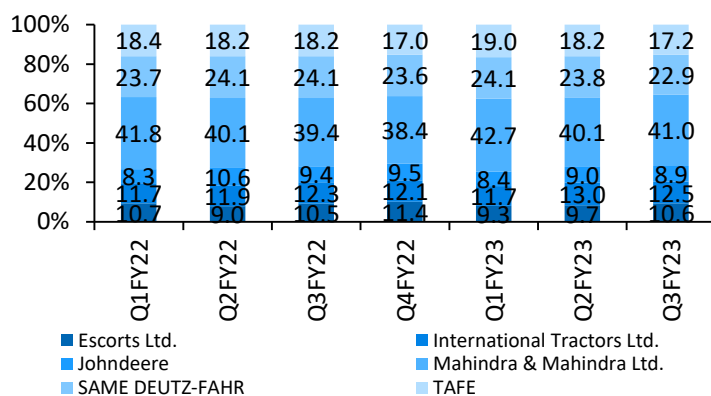
Source: DART, Company

**Exhibit 15: Automotive volume trend**


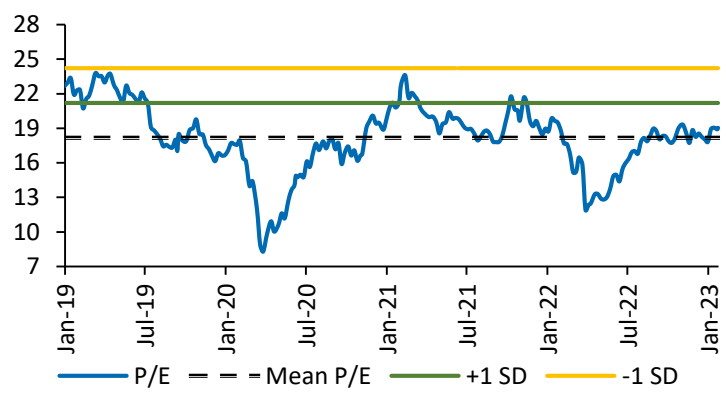
Source: DART, Company

**Exhibit 16: Tractor volume trend**


Source: DART, Company

**Exhibit 17: Tractor market share (%)**


Source: DART, Company

**Exhibit 18: PE Band 1 Yr forward**


Source: DART, Company



## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>5,74,460</b>	<b>8,34,268</b>	<b>9,56,602</b>	<b>11,10,971</b>
<b>Total Expense</b>	<b>5,04,037</b>	<b>7,30,579</b>	<b>8,38,596</b>	<b>9,70,418</b>
COGS	4,23,416	6,35,712	7,27,018	8,45,450
Employees Cost	33,060	36,366	42,548	47,653
Other expenses	47,561	58,501	69,031	77,314
<b>EBIDTA</b>	<b>70,423</b>	<b>1,03,690</b>	<b>1,18,006</b>	<b>1,40,553</b>
Depreciation	24,511	31,055	30,060	33,635
<b>EBIT</b>	<b>45,912</b>	<b>72,635</b>	<b>87,946</b>	<b>1,06,918</b>
Interest	2,230	1,910	1,551	955
Other Income	20,759	24,911	25,659	26,429
Exc. / E.O. items	(2,087)	0	2	2
<b>EBT</b>	<b>62,355</b>	<b>95,635</b>	<b>1,12,056</b>	<b>1,32,395</b>
Tax	13,002	24,387	28,574	33,760
RPAT	49,352	71,248	83,483	98,634
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>51,439</b>	<b>71,248</b>	<b>83,481</b>	<b>98,632</b>

### Balance Sheet

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
<b>Sources of Funds</b>				
Equity Capital	5,983	5,983	5,983	5,983
Minority Interest	0	0	0	1
Reserves & Surplus	3,83,626	4,39,335	5,06,032	5,86,638
<b>Net Worth</b>	<b>3,89,610</b>	<b>4,45,318</b>	<b>5,12,015</b>	<b>5,92,621</b>
Total Debt	67,336	41,836	39,785	38,736
Net Deferred Tax Liability	17,008	17,008	17,008	17,008
<b>Total Capital Employed</b>	<b>4,73,953</b>	<b>5,04,161</b>	<b>5,68,809</b>	<b>6,48,366</b>

### Applications of Funds

Net Block	1,45,486	1,57,486	1,67,486	1,77,486
CWIP	50,182	60,182	60,182	60,182
Investments	2,51,098	2,67,098	2,83,098	2,99,098
<b>Current Assets, Loans &amp; Advances</b>	<b>2,24,537</b>	<b>2,88,488</b>	<b>3,57,757</b>	<b>4,49,617</b>
Inventories	58,829	77,484	89,108	1,06,532
Receivables	30,351	45,713	52,417	60,875
Cash and Bank Balances	36,505	51,611	85,501	1,31,869
Loans and Advances	28,057	32,266	37,106	42,671
Other Current Assets	70,795	81,414	93,626	1,07,670
<b>Less: Current Liabilities &amp; Provisions</b>	<b>1,97,350</b>	<b>2,69,093</b>	<b>2,99,714</b>	<b>3,38,017</b>
Payables	1,28,935	1,99,310	2,28,536	2,65,416
Other Current Liabilities	68,414	69,782	71,178	72,602
<i>sub total</i>				
Net Current Assets	27,187	19,395	58,043	1,11,600
<b>Total Assets</b>	<b>4,73,953</b>	<b>5,04,161</b>	<b>5,68,809</b>	<b>6,48,366</b>

E – Estimates

### Important Ratios

Particulars	FY22A	FY23E	FY24E	FY25E
<b>(A) Margins (%)</b>				
Gross Profit Margin	26.3	23.8	24.0	23.9
EBIDTA Margin	12.3	12.4	12.3	12.7
EBIT Margin	8.0	8.7	9.2	9.6
Tax rate	20.9	25.5	25.5	25.5
Net Profit Margin	8.6	8.5	8.7	8.9
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	73.7	76.2	76.0	76.1
Employee	5.8	4.4	4.4	4.3
Other	8.3	7.0	7.2	7.0
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	20.6	38.0	56.7	112.0
Inventory days	37	34	34	35
Debtors days	19	20	20	20
Average Cost of Debt	3.2	3.5	3.8	2.4
Payable days	82	87	87	87
Working Capital days	17	8	22	37
FA T/O	3.9	5.3	5.7	6.3
<b>(D) Measures of Investment</b>				
AEPS (Rs)	41.4	57.3	67.2	79.3
CEPS (Rs)	61.1	82.3	91.3	106.4
DPS (Rs)	11.6	12.5	13.5	14.5
Dividend Payout (%)	27.9	21.8	20.1	18.3
BVPS (Rs)	313.4	358.2	411.9	476.7
RoANW (%)	13.3	17.1	17.4	17.9
RoACE (%)	11.7	15.0	15.8	16.4
RoAIC (%)	11.3	16.3	18.8	21.4
<b>(E) Valuation Ratios</b>				
CMP (Rs)	1365	1365	1365	1365
P/E	33.0	23.8	20.3	17.2
Mcap (Rs Mn)	16,97,517	16,97,517	16,97,517	16,97,517
MCap/ Sales	3.0	2.0	1.8	1.5
EV	17,28,347	16,87,742	16,51,802	16,04,383
EV/Sales	3.0	2.0	1.7	1.4
EV/EBITDA	24.5	16.3	14.0	11.4
P/BV	4.4	3.8	3.3	2.9
Dividend Yield (%)	0.8	0.9	1.0	1.1
<b>(F) Growth Rate (%)</b>				
Revenue	28.9	45.2	14.7	16.1
EBITDA	0.9	47.2	13.8	19.1
EBIT	(0.5)	58.2	21.1	21.6
PBT	178.1	53.4	17.2	18.1
APAT	25.5	38.5	17.2	18.2
EPS	25.5	38.5	17.2	18.2

E – Estimates

## Cash Flow

Particulars	FY22A	FY23E	FY24E	FY25E
<b>Profit before tax</b>	<b>64,441</b>	<b>72,635</b>	<b>87,946</b>	<b>1,06,918</b>
Depreciation & w.o.	24,511	31,055	30,060	33,635
Net Interest Exp	(15,208)	24,911	25,658	26,428
Direct taxes paid	(5,981)	(24,387)	(28,574)	(33,760)
Change in Working Capital	4,967	22,897	(4,757)	(7,189)
Non Cash	(1,793)	0	0	1
<b>(A) CF from Operating Activities</b>	<b>70,937</b>	<b>1,27,111</b>	<b>1,10,333</b>	<b>1,26,033</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(31,859)	(53,055)	(40,060)	(43,635)
<b>Free Cash Flow</b>	<b>39,078</b>	<b>74,056</b>	<b>70,273</b>	<b>82,399</b>
(Inc.)/ Dec. in Investments	(37,958)	(16,000)	(16,000)	(16,000)
Other	26,228	0	0	0
<b>(B) CF from Investing Activities</b>	<b>(43,589)</b>	<b>(69,055)</b>	<b>(56,060)</b>	<b>(59,635)</b>
Issue of Equity/ Preference	1,404	0	1	0
Inc./(Dec.) in Debt	(12,671)	(25,500)	(2,050)	(1,050)
Interest exp net	(4,793)	(1,910)	(1,551)	(955)
Dividend Paid (Incl. Tax)	(10,891)	(15,540)	(16,783)	(18,026)
Other	(26,447)	0	0	0
<b>(C) CF from Financing</b>	<b>(53,398)</b>	<b>(42,950)</b>	<b>(20,383)</b>	<b>(20,031)</b>
Net Change in Cash	(26,050)	15,106	33,890	46,367
<b>Opening Cash balances</b>	<b>62,556</b>	<b>36,506</b>	<b>51,611</b>	<b>85,501</b>
<b>Closing Cash balances</b>	<b>36,506</b>	<b>51,611</b>	<b>85,501</b>	<b>1,31,869</b>

E – Estimates

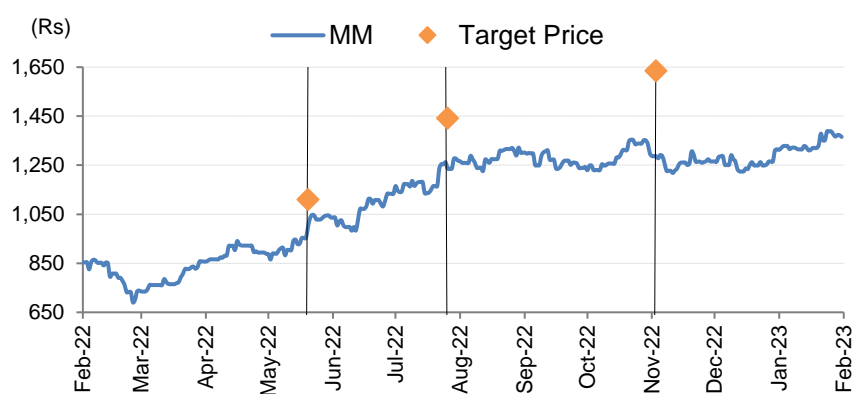
## Notes

## DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

## Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-22	Accumulate	1,109	998
Aug-22	Accumulate	1,441	1,236
Nov-22	Buy	1,635	1,287

*\*Price as on recommendation date*

## DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
-------------	-------------------	-------------------------	-----------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
-------------------	------------------	-----------------------	-----------------

### CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Anjana Jhaveri	VP - FII Sales	anjanaj@dolatcapital.com	+9122 4096 9758
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

**Dolat Capital Market Private Limited.**

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

#### **Analyst(s) Certification**

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

#### **I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)**

#### **II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

**For U.S. Entity/ persons only:** "This Report is considered independent third-party research and was prepared by Dolat Capital Market Private Limited, with headquarters in India. The distribution of this Research is provided pursuant to the exemption under Rule 15a-6(a) (2) and is only intended for an audience of Major U.S. Institutional Investors (MUSIIs) as defined by Rule 15a-6(b)(4). This research is not a product of StoneX Financial Inc. Dolat Capital Market Private Limited has sole control over the contents of this research report. StoneX Financial Inc. does not exercise any control over the contents of, or the views expressed in, any research reports prepared by Dolat Capital Market Private Limited and under Rule 15a-6(a) (3), any U.S. recipient of this research report wishing to affect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through StoneX Financial Inc. Please contact Gene Turok at +1 (212) 379-5463 or email gene.turok@stonex.com. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through the Dolat Capital Market Private Limited."



**Dolat Capital Market Private Limited.**

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com