

## Addressing investor concerns; strong comeback in store

Auto &amp; Auto Ancillaries ▶ Company Update ▶ July 19, 2023

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TARGET PRICE (Rs): 11,000

MSIL has underperformed the BSE Auto Index by ~8% on YTD basis, on investor concerns around: i) customer acceptance for SUV launches, esp. in the Rs1.8-2mn+ price bracket; ii) weakness in small cars and consequent high discounts/margin pressures; and iii) perception of being a laggard in EV launches. Based on our extensive checks, we argue that customer response for the entire new-product suite has been strong (incl. that for the more premium models like *Jimny*, *Invicto*), indicating improving brand perception; SUV market share has risen to ~19% vs. ~12% prior to the new launches (expected to reach ~22% by FY24-end). Further, MSIL's silent work on EVs is set to be highlighted (MSIL is likely to see industry leadership in born EVs, with first launch in Oct-24E), even as the small-car distress appears to be peaking with stabilizing volumes. Better supplies from Jul-23E and improving mix (SUVs at ~29%/~32% in FY24E/FY25E vs 21%/25% in 4QFY23/1QFY24) are seen driving 3.6%/6.1% EPS upgrade in FY24E/FY25E; we maintain BUY on MSIL, with revised TP of Rs11,000/share (vs. Rs10,300 earlier; 25x core FY25E PER + Rs1,530 cash/share).

## Maruti Suzuki India: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	7,03,325	8,82,956	11,75,229	14,45,113	16,04,165
EBITDA	53,453	57,012	1,10,077	1,61,460	1,85,650
Adj. PAT	42,297	37,663	80,492	1,20,223	1,38,383
Adj. EPS (Rs)	140.1	124.7	266.5	398.1	458.2
EBITDA margin (%)	7.6	6.5	9.4	11.2	11.6
EBITDA growth (%)	(26.8)	6.7	93.1	46.7	15.0
Adj. EPS growth (%)	(25.1)	(11.0)	113.7	49.4	15.1
RoE (%)	8.5	7.1	14.1	18.6	18.8
RoIC (%)	22.1	35.6	71.6	91.3	85.1
P/E (x)	68.6	77.0	36.0	24.1	21.0
EV/EBITDA (x)	46.2	43.6	22.3	14.7	12.5
P/B (x)	5.6	5.4	4.8	4.2	3.7
FCFF yield (%)	2.6	(0.6)	1.2	4.4	4.0

Source: Company, Emkay Research

## Aiming for ~15% volume growth in FY24E; we build in ~11% (potential upside risk):

As per our checks, MSIL is targeting ~60% growth in the Nexa channel during FY24E with stable Arena volumes, driving ~15% volume growth. Our checks suggest strong demand for the recent SUV launches and a 3-12M waitlist despite reasonably-high volumes (3-4M in new *Brezza*, *Fronx*; 4-6M in *Ertiga*; >12M for both, *Jimny* and *Invicto* — pointing to improving brand perception among customers which is also because of catch-up vs. rivals in features like sunroofs, infotainment systems, etc). Availability of wide powertrain options is proving to be a strong edge; CNG penetration has risen to ~20% now (~6% in FY19; now offered in 14 models), while strong hybrid acceptance is also gaining pace (18-20% penetration in *Grand Vitara*). We expect MSIL's domestic market share to rise to 45% by FY25E (vs 41.4% in FY23).

## Small-car distress appears to be peaking; Wagon R registering near-peak sales:

Small-car demand remains weak (high channel inventory at >60 days vs. 35-40 days overall), leading to high absolute discounts (albeit lower as a % of ASPs; ~2% now vs. ~4.5-5% at previous peaks amid lack of competitive intensity — MSIL's non-SUV market share now at ~66% vs ~58%/~47% 5/10-years ago). With bulk of regulation-led cost hikes behind and inflation/interest rates peaking, we believe small cars could see a similar recovery as currently underway in commuter 2Ws. Ex-SUVs (*Ertiga* and *Brezza*), we build-in -7%/+4% Nexa volumes in FY24E/FY25E (another potential upside risk).

**Poised for 'born electric' leadership:** As against the general perception of being behind the curve in EV preparedness, we highlight that MSIL is likely to be the industry-first to launch a 'born electric'/ground-up EV ('eVX'; class-leading features like a 550-km range, 60kWh battery, fast-charging capability, etc) by Oct-24E (vs. earlier plans of Mar-25). The launch would be at scale, with plans to start with ~1k charging stations (dealers invited to set up infra). High localization levels, strong hybrid experience and development of associated supply chain would help drive cost leadership in EVs; backed by parent Suzuki's strong capex commitments (Rs100bn over 5 years at SMG; to introduce 6 EVs by 2030, i.e. a new launch each year towards ~15% penetration).

**Improving mix drives earnings upgrades; Maintain BUY:** MSIL's improving mix (share of SUVs at 29%/32% in FY24E/FY25E vs. 19% in FY23) drives revenue upgrade of 4%/4.8% in FY24/FY25E (~31% FY23-25E EPS CAGR). We retain BUY on the stock, with TP of Rs11,000/share (25x core FY25E PER; Rs1,530 cash/share).

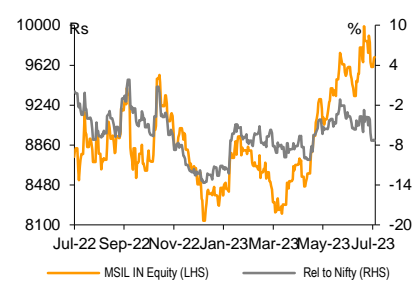
Target Price – 12M	Jun-24
Change in TP (%)	6.8
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	14.5
CMP (19-Jul-23) (Rs)	9,607.6

Stock Data	Ticker
52-week High (Rs)	10,037
52-week Low (Rs)	8,076
Shares outstanding (mn)	302.1
Market-cap (Rs bn)	2,902
Market-cap (USD mn)	35,352
Net-debt, FY24E (Rs mn)	-5,23,606
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	4,519.4
ADTV-3M (USD mn)	55.1
Free float (%)	-
Nifty-50	19,833
INR/USD	82.1
<b>Shareholding, Mar-23</b>	
Promoters (%)	56.5
FPIs/MFs (%)	21.1/18.7

## Price Performance

(%)	1M	3M	12M
Absolute	0.8	10.7	10.2
Rel. to Nifty	(4.7)	(1.7)	(9.2)

## 1-Year share price trend (Rs)



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**Exhibit 1: Expect MSIL to register a robust ~31% EPS CAGR over FY23-25E, led by 10% volume CAGR and better mix**

Revenue Model (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Avg. monthly volumes (units)	130,275	121,488	137,742	163,844	182,332	196,521
Volumes (units)	1,563,297	1,457,861	1,652,901	1,966,133	2,187,985	2,358,255
Growth (%)	(16.1)	(6.7)	13.4	19.0	11.3	7.8
ASP (Rs/unit)	483,661	482,436	534,186	597,736	660,477	680,234
Growth (%)	4.7	(0.3)	10.7	11.9	10.5	3.0
Revenues	756,106	703,325	882,956	1,175,229	1,445,113	1,604,165
Growth (%)	(12.1)	(7.0)	25.5	33.1	23.0	11.0
EBITDA	73,026	53,453	57,012	110,077	161,460	185,650
EBITDA margin (%)	9.7	7.6	6.5	9.4	11.2	11.6
EBITDA growth (%)	(33.6)	(26.8)	6.7	93.1	46.7	15.0
EBITDA (Rs/unit)	46,713	36,665	34,492	55,987	73,794	78,724
EBIT	39,191	23,617	29,147	84,844	135,306	156,939
EBIT margin (%)	5.2	3.4	3.3	7.2	9.4	9.8
Other income	34,208	29,464	17,935	21,613	22,803	24,403
PBT	70,648	51,594	45,823	101,591	153,150	176,284
Tax	14,142	9,297	8,160	21,099	32,927	37,901
Tax rate (%)	20	18	18	21	22	22
PAT	56,506	42,297	37,663	80,492	120,223	138,383
EPS (Rs)	187	140	125	267	398	458

Source: Company, Emkay Research

**Exhibit 2: Strong product actions akin to the FY14-17 'Golden Phase' — MSIL comprehensively addressing white spaces**

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

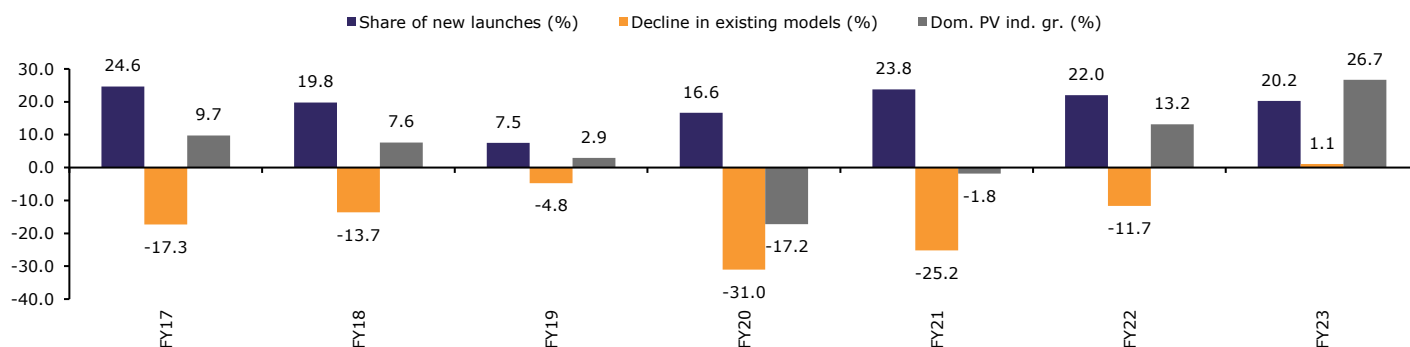
Source: Company, Emkay Research; Note: Red indicates new launch, Blue indicates Upgrade, Green indicates UV

### Exhibit 3: Peak of competition likely behind for MSIL

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

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

### Exhibit 4: Historically, new launches have been the key driver of the industry volume growth



Source: Company, Emkay Research

### Exhibit 5: Significant shift in preference towards SUVs, but largely at the cost of sedans (vs hatchbacks, as widely perceived)

Industry volume split (%)	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24
Entry	14	13	13	11	9	7	4
Compact Hatch	17	16	15	15	13	12	11
Entry SUV	3	3	2	2	4	6	6
Premium Hatch	20	20	20	20	17	16	16
Entry Sedan	13	14	11	8	7	8	7
Compact SUV	9	9	12	15	18	18	20
SUV	8	8	9	11	14	18	19
Sedan	5	5	3	3	3	3	3
Executive Sedan	0	0	0	0	0	0	0
Premium SUV	2	2	2	3	4	4	4
MPV	10	11	12	11	11	10	9
Premium MPV	-	-	0	0	0	0	-
<b>SUV share</b>	<b>21</b>	<b>21</b>	<b>26</b>	<b>31</b>	<b>40</b>	<b>45</b>	<b>49</b>
<b>Non-SUV share</b>	<b>79</b>	<b>79</b>	<b>74</b>	<b>69</b>	<b>60</b>	<b>55</b>	<b>51</b>

Source: Company, Emkay Research

**Exhibit 6: MSIL has strengthened its presence in non-SUVs; its SUV share has increased to 19% in FY24YTD**

MSIL market share (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24
Entry	65	53	59	61	69	76	80	91	93
Compact Hatch	49	48	48	48	54	54	59	59	60
Entry SUV	-	-	-	-	-	-	-	-	31
Premium Hatch	57	64	65	71	71	68	69	70	70
Entry Sedan	53	49	58	55	59	58	57	51	47
Compact SUV	7	50	53	53	33	23	20	21	23
SUV	12	9	12	14	5	6	5	8	14
Sedan	31	41	35	30	30	19	19	13	12
Executive Sedan	-	-	-	-	-	-	-	-	-
Premium SUV	0	-	-	-	-	-	-	-	1
MPV	64	61	68	66	69	73	76	77	71
Premium MPV	-	-	-	-	-	-	-	-	-
<b>SUV share</b>	<b>8</b>	<b>24</b>	<b>27</b>	<b>28</b>	<b>17</b>	<b>13</b>	<b>11</b>	<b>12</b>	<b>19</b>
<b>Non-SUV share</b>	<b>54</b>	<b>53</b>	<b>57</b>	<b>58</b>	<b>63</b>	<b>64</b>	<b>65</b>	<b>66</b>	<b>64</b>

Source: Company, Emkay Research

**Exhibit 7: MSIL's domestic PV market share (excluding Toyota') at 41.7% in Q1FY24**

MSIL's mkt share (%)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24
Entry	60.4	64.4	67.3	65.3	53.1	59.0	61.3	69.3	76.0	80.2	90.7	92.6
Compact Hatch	34.5	37.7	47.5	48.7	48.0	47.7	47.6	54.2	54.2	58.8	59.3	59.9
Entry SUV	-	-	-	-	-	-	-	-	-	-	-	31.1
Premium Hatch	61.6	71.5	67.0	57.3	64.1	70.8	74.9	72.5	68.7	69.4	70.6	70.2
Entry Sedan	53.1	52.4	47.9	52.7	49.4	57.8	54.9	59.1	57.9	57.1	50.9	47.5
Compact SUV	-	-	6.6	49.6	53.0	52.7	32.9	22.9	20.1	21.3	22.6	22.6
SUV	-	-	11.6	9.3	10.2	12.6	4.6	5.8	4.7	8.2	14.2	14.2
Sedan	4.6	3.3	30.9	40.6	34.6	29.8	29.9	19.1	18.9	12.6	12.4	12.4
Executive Sedan	0.7	0.0	-	-	-	-	-	-	-	-	-	-
Premium SUV	0.1	0.0	0.0	-	-	-	-	-	-	-	0.5	0.5
MPV	54.5	57.6	58.0	64.1	60.5	67.7	66.4	68.5	72.9	75.5	76.5	70.7
<b>Dom. PV market share</b>	<b>41.6</b>	<b>43.9</b>	<b>46.0</b>	<b>47.6</b>	<b>48.0</b>	<b>50.8</b>	<b>51.9</b>	<b>51.3</b>	<b>47.8</b>	<b>43.5</b>	<b>41.4</b>	<b>41.7</b>
Incl. Toyota supplies	-	-	-	-	-	-	-	0.9	1.4	1.6	1.6	1.2
<b>Dom. PV market share (incl. Toyota supplies)</b>	<b>41.6</b>	<b>43.9</b>	<b>46.0</b>	<b>47.6</b>	<b>48.0</b>	<b>50.8</b>	<b>51.9</b>	<b>52.2</b>	<b>49.2</b>	<b>45.1</b>	<b>43.0</b>	<b>42.9</b>

Source: Company, Emkay Research

**Exhibit 8: We expect MSIL's SUV launches to help gain ~350bps market share over FY23-25E**

Market share (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	Q1FY23	Q1FY24
Chevrolet	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jeep	0.5	0.3	0.2	0.4	0.3	0.2	0.1	0.4	0.2
Ford	2.8	2.4	1.8	0.5	0.0	0.0	0.0	0.0	0.0
HM-Mitsubishi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Honda	5.5	3.7	3.0	2.8	2.4	1.6	1.7	2.6	1.5
Hyundai	16.4	17.6	17.4	15.7	14.6	14.4	14.0	14.9	14.9
Kia	0.0	3.1	5.8	6.1	6.9	5.6	5.2	6.8	6.2
Mahindra	7.0	6.5	5.7	7.3	9.2	9.6	9.5	8.3	10.1
Maruti	51.9	51.3	47.8	43.5	41.4	44.0	44.9	40.7	41.7
Morris Garage	0.0	0.8	1.3	1.3	1.3	1.5	1.5	1.2	1.5
Nissan	1.1	0.7	0.7	1.2	0.9	0.7	0.6	0.9	0.8
Citreon	0.0	0.0	0.0	0.0	0.2	0.2	0.3	0.0	0.2
Renault	2.4	3.2	3.4	2.9	2.0	1.5	1.4	2.4	1.4
Skoda	0.5	0.5	0.4	1.1	1.3	1.1	1.1	1.7	1.2
Tata	6.3	4.8	8.2	12.1	13.9	13.5	13.9	14.3	14.1
Toyota	4.5	4.1	3.4	4.0	4.5	5.1	4.9	4.6	5.2
Volkswagen	1.0	0.9	0.8	1.0	1.1	1.0	0.8	1.1	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

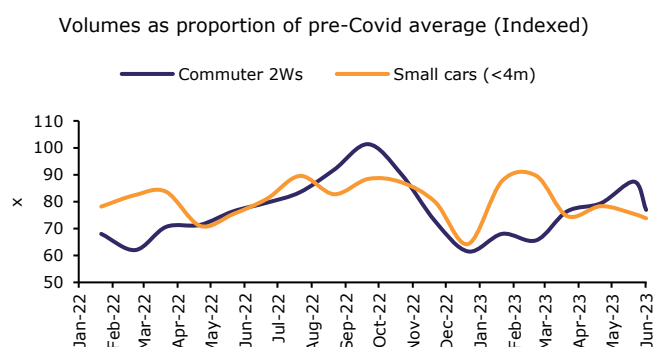
Source: Company, Emkay Research

**Exhibit 9: Almost 188k units/minute run-rate required over remaining FY24E, to meet our volume estimates**

	Monthly run-rate (units)		
	FY23	FY24E	FY25E
<b>Domestic PVs</b>	<b>1,33,906</b>	<b>1,51,946</b>	<b>1,64,653</b>
Alto	14,975	11,603	12,484
Eeco	10,933	11,142	11,786
Wagon R	17,695	17,662	18,355
Ertiga	10,640	13,094	16,212
CELERIO	5,053	5,038	5,547
Vitara Brezza	12,139	14,091	16,290
Swift	14,742	15,706	15,460
DZIRE	12,533	10,255	10,254
S-Presso	4,434	3,548	3,823
IGNIS	4,988	4,570	4,567
Baleno	16,908	17,280	17,948
S-Cross	421	-	-
Ciaz	1,134	1,359	1,367
Vitara	4,276	10,123	10,486
Jimny	-	2,789	3,885
Fronx	-	9,412	11,028
Invicto	-	930	1,218
XL6	3,035	3,345	3,941
<b>Sales to OEMs</b>	<b>5,160</b>	<b>3,625</b>	<b>3,536</b>
<b>Export PVs</b>	<b>21,611</b>	<b>23,340</b>	<b>24,740</b>
<b>LCVs</b>	<b>3,167</b>	<b>3,421</b>	<b>3,592</b>
<b>Grand total</b>	<b>1,63,844</b>	<b>1,82,332</b>	<b>1,96,521</b>
<b>FY24-YTD</b>		<b>1,65,951</b>	
<b>FY24E-remainder</b>		<b>1,87,773</b>	

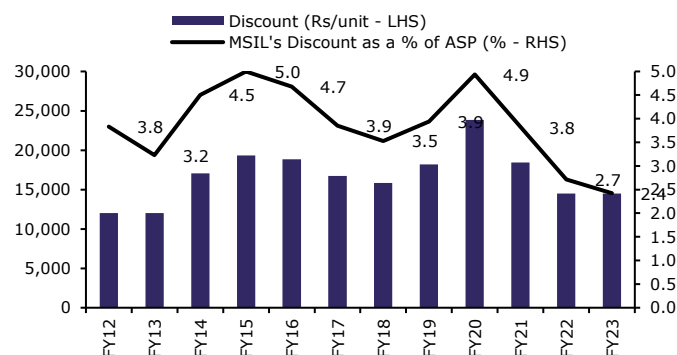
Source: SIAM, Emkay Research

**Exhibit 10: Small cars set to revive, akin to commuter 2Ws**



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

**Exhibit 11: Discounts as a % of ASPs far from earlier peaks**



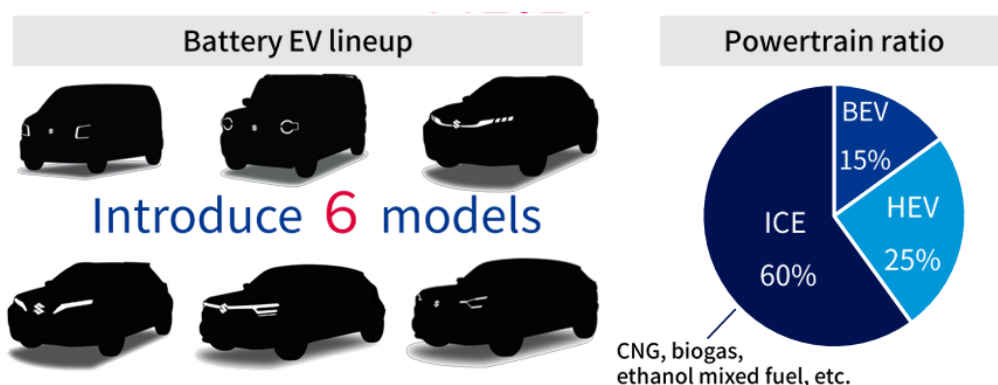
Source: Company, Emkay Research

Exhibit 12: MSIL's first EV (eVX) is expected to be launched in Oct-24



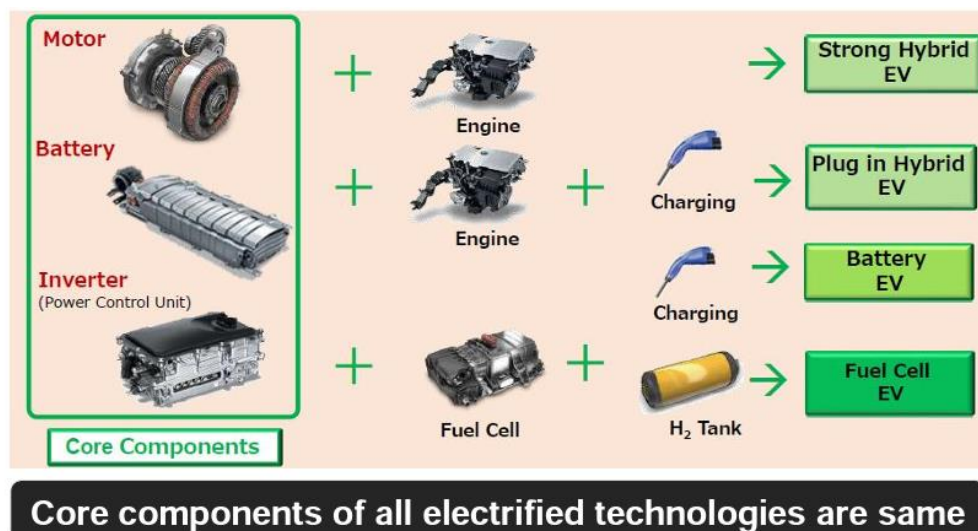
Source: Company

Exhibit 13: Parent Suzuki plans to launch 6 EVs in India by 2030; targets 15% EV penetration by then



Source: Company

Exhibit 14: Commonality of core components between strong hybrids and EVs could help drive cost leadership in electrics ...



Source: Company

**Exhibit 15: Change in estimates: We raise EPS by 3.6%/6.1% in FY24E/FY25E largely driven by mix-led revenue upgarde**

(Rs mn)	FY24E				FY25E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes (Units)	2,172,792	2,187,985	0.7	11.3	2,327,157	2,358,255	1.3	7.8
Revenues	1,389,343	1,445,113	4.0	23.0	1,531,044	1,604,165	4.8	11.0
EBITDA	155,409	161,460	3.9	46.7	174,657	185,650	6.3	15.0
Margin (%)	11.2	11.2	(1) bps	181 bps	11.4	11.6	17 bps	4 bps
PAT	115,990	120,223	3.6	49.4	130,556	138,383	6.0	15.1
EPS (Rs)	384.1	398.1	3.6	49.4	432.0	458.2	6.1	15.1

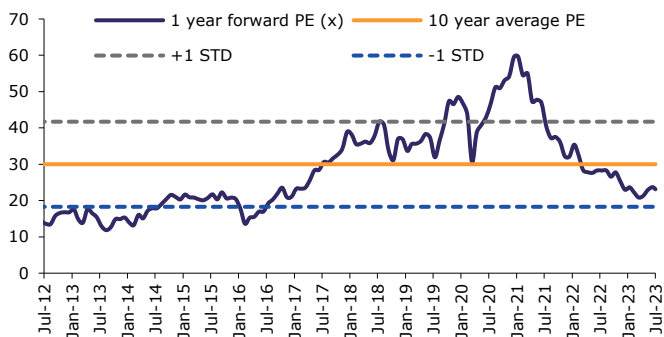
Source: Emkay Research

**Exhibit 16: Comparison vs. consensus estimates**

(Rs mn)	Emkay Estimates		Consensus Estimates		Difference (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Total Revenue	1,445,113	1,604,165	1,373,000	1,535,000	5	5
EBITDA	161,460	185,650	147,817	172,722	9	7
EBITDA (%)	11.2	11.6	10.8	11.3	40 bps	30 bps
EPS (Rs)	398.1	458.2	360.0	418.8	11	9

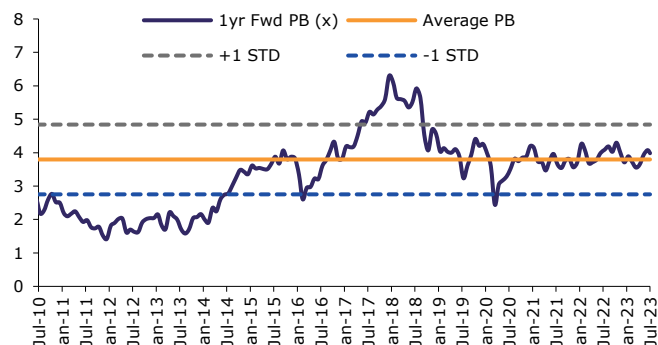
Source: Bloomberg, Emkay Research

**Exhibit 17: One-year forward P/E at 23x;MSIL trades well below 10-year average PER of 30x**



Source: Company, Emkay Research

**Exhibit 18: One-year forward P/B at 4x vs. LTA at 3.8x**



Source: Company, Emkay Research



Maruti Suzuki India: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	7,03,325	8,82,956	11,75,229	14,45,113	16,04,165
Revenue growth (%)	(7.0)	25.5	33.1	23.0	11.0
EBITDA	53,453	57,012	1,10,077	1,61,460	1,85,650
EBITDA growth (%)	(26.8)	6.7	93.1	46.7	15.0
Depreciation & Amortization	30,315	27,865	28,233	29,154	31,711
EBIT	23,138	29,147	81,844	1,32,306	1,53,939
EBIT growth (%)	(38.7)	26.0	180.8	61.7	16.4
Other operating income	0	0	0	0	0
Other income	29,464	17,935	21,613	22,803	24,403
Financial expense	1,008	1,259	1,866	1,959	2,057
PBT	51,594	45,823	1,01,591	1,53,150	1,76,284
Extraordinary items	0	0	0	0	0
Taxes	9,297	8,160	21,099	32,927	37,901
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	42,297	37,663	80,492	1,20,223	1,38,383
PAT growth (%)	(25.1)	(11.0)	113.7	49.4	15.1
Adjusted PAT	42,297	37,663	80,492	1,20,223	1,38,383
Diluted EPS (Rs)	140.1	124.7	266.5	398.1	458.2
Diluted EPS growth (%)	(25.1)	(11.0)	113.7	49.4	15.1
DPS (Rs)	45.0	60.0	90.0	119.4	137.5
Dividend payout (%)	32.1	48.1	33.8	30.0	30.0
EBITDA margin (%)	7.6	6.5	9.4	11.2	11.6
EBIT margin (%)	3.3	3.3	7.0	9.2	9.6
Effective tax rate (%)	18.0	17.8	20.8	21.5	21.5
NOPLAT (pre-IndAS)	18,969	23,957	64,846	1,03,861	1,20,842
Shares outstanding (mn)	302.0	302.0	302.0	302.0	302.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PBT	51,594	45,823	1,01,591	1,53,150	1,76,284
Others (non-cash items)	3,549	11,956	9,215	31,113	33,769
Taxes paid	(10,107)	(11,769)	(22,313)	(35,002)	(40,289)
Change in NWC	43,352	(28,098)	3,787	19,093	2,417
Operating cash flow	88,388	17,912	92,280	1,68,354	1,72,181
Capital expenditure	(32,279)	(33,227)	(62,474)	(64,302)	(80,000)
Acquisition of business	(50,363)	29,074	(19,914)	(35,000)	(45,000)
Interest & dividend income	803	2,263	2,206	0	0
Investing cash flow	(72,839)	(1,890)	(80,182)	(99,302)	(1,25,000)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	3,825	(1,069)	8,339	2,792	1,645
Payment of lease liabilities	(102)	(71)	(444)	0	0
Interest paid	(1,006)	(1,291)	(1,854)	(1,959)	(2,057)
Dividend paid (incl tax)	(18,125)	(13,594)	(18,125)	(27,180)	(36,067)
Others	29,910	(70)	(30,443)	0	0
Financing cash flow	14,604	(16,024)	(42,083)	(26,347)	(36,479)
Net chg in Cash	30,153	(2)	(29,985)	42,705	10,703
OCF	88,388	17,912	92,280	1,68,354	1,72,181
Adj. OCF (w/o NWC chg.)	45,036	46,010	88,493	1,49,261	1,69,764
FCFF	65,109	(15,315)	29,806	1,04,052	92,181
FCFE	64,904	(14,311)	30,146	1,02,093	90,124
OCF/EBITDA (%)	165.4	31.4	83.8	104.3	92.7
FCFE/PAT (%)	153.4	(38.0)	37.5	84.9	65.1
FCFF/NOPLAT (%)	343.2	(63.9)	46.0	100.2	76.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	1,510	1,510	1,510	1,510	1,510
Reserves & Surplus	5,12,158	5,39,350	6,02,310	6,86,466	7,83,334
Net worth	5,13,668	5,40,860	6,03,820	6,87,976	7,84,844
Minority interests	0	0	0	0	0
Deferred tax liability (net)	3,847	(2,027)	(3,411)	(5,485)	(7,873)
Total debt	4,888	3,819	12,158	14,950	16,595
Total liabilities & equity	5,22,403	5,42,652	6,12,567	6,97,440	7,93,566
Net tangible fixed assets	1,38,536	1,25,092	1,65,777	2,09,895	2,58,183
Net intangible assets	5,217	6,402	6,368	6,368	6,368
Net ROU assets	5,817	5,679	5,904	5,904	5,904
Capital WIP	14,898	29,294	28,970	20,000	20,000
Goodwill	0	0	0	0	0
Investments [JV/Associates]	12,162	17,090	17,090	17,090	17,090
Cash & equivalents	4,36,069	4,20,905	4,60,851	5,38,556	5,94,259
Current assets (ex-cash)	87,975	1,27,454	1,43,416	1,70,251	1,88,989
Current Liab. & Prov.	1,78,271	1,89,264	2,15,809	2,70,624	2,97,227
NWC (ex-cash)	(90,296)	(61,810)	(72,393)	(1,00,372)	(1,08,238)
Total assets	5,22,403	5,42,652	6,12,567	6,97,440	7,93,566
Net debt	(4,31,181)	(4,17,086)	(4,48,693)	(5,23,606)	(5,77,663)
Capital employed	5,22,403	5,42,652	6,12,567	6,97,440	7,93,566
Invested capital	59,274	75,363	1,05,656	1,21,794	1,62,217
BVPS (Rs)	1,700.9	1,790.9	1,999.4	2,278.1	2,598.8
Net Debt/Equity (x)	(0.8)	(0.8)	(0.7)	(0.8)	(0.7)
Net Debt/EBITDA (x)	(8.1)	(7.3)	(4.1)	(3.2)	(3.1)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	7.8	6.6	13.4	17.8	17.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	68.6	77.0	36.0	24.1	21.0
P/CE(x)	40.0	44.3	26.7	19.4	17.1
P/B (x)	5.6	5.4	4.8	4.2	3.7
EV/Sales (x)	3.5	2.8	2.1	1.6	1.4
EV/EBITDA (x)	46.2	43.6	22.3	14.7	12.5
EV/EBIT(x)	106.8	85.2	30.0	18.0	15.1
EV/IC (x)	41.7	33.0	23.2	19.5	14.3
FCFF yield (%)	2.6	(0.6)	1.2	4.4	4.0
FCFE yield (%)	2.2	(0.5)	1.0	3.5	3.1
Dividend yield (%)	0.5	0.6	0.9	1.2	1.4
DuPont-RoE split					
Net profit margin (%)	6.0	4.3	6.8	8.3	8.6
Total asset turnover (x)	1.4	1.7	2.0	2.2	2.2
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	8.5	7.1	14.1	18.6	18.8
DuPont-RoIC					
NOPLAT margin (%)	2.7	2.7	5.5	7.2	7.5
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	22.1	35.6	71.6	91.3	85.1
Operating metrics					
Core NWC days	(46.9)	(25.6)	(22.5)	(25.4)	(24.6)
Total NWC days	(46.9)	(25.6)	(22.5)	(25.4)	(24.6)
Fixed asset turnover	2.3	2.8	3.3	3.4	3.2
Opex-to-revenue (%)	20.1	18.8	17.2	16.5	16.5

Source: Company, Emkay Research

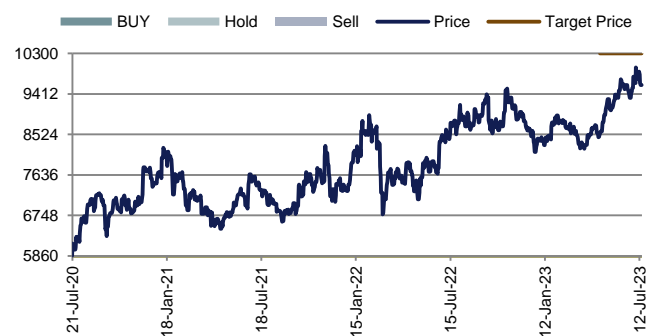


#### RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
27-Apr-23	8,543	10,300	Buy	Chirag Jain

Source: Company, Emkay Research

#### RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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