

AUTOMOBILES

24 December 2021

Smoother road ahead but drive carefully

- Growing middle / upper class to drive 4Ws demand. SUVs in particular to grow strongly but competition is higher versus hatchback segment
- CV growth driven by ageing fleet and demand recovery. Tractor growth driven by low mechanisation and falling farm labour
- Retain BUY on ESC as Kubota stake rise and upgrade MM to BUY on strong launch pipeline. Upgrade AL to HOLD and retain MSIL at HOLD

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PVs growth outlook intact but rising SUV share will increase competition: In

2018-30 households in Middle class (5.5 to 27.5 l/y) will grow by 2.8x to 168m and in upper class (+27.5/l) will grow by 3.6x to 29m, driving PV demand. But rising share of SUV's, c50% now, will increase competition as SUV model portfolio of global majors is much larger versus hatchbacks which dominated the market in the past.

CV will grow due to freight, ageing fleet and despite some traffic shift to rail:

CV market will continue to grow strongly due to 1) macro recovery 2) replacement demand as fleet is the oldest in a decade and due to scrappage policy. But there are risks like traffic shifting to rail after East / West Dedicated Freight Corridor (DFC) are completed in FY23E and better utilization of trucks (from 65% to developed market average of 80%) with rising share of organised logistics. But change will be gradual.

Tractor demand should grow steadily: Demand for tractors should continue due to low mechanisation rates and continued drop in availability of farm labour and demand from non – agricultural sectors like infrastructure.

Rate MM & ESC BUY; MSIL & MSIL HOLD: We upgrade MM to BUY from SELL driven by strong SUV/ UV launch pipeline (XUV700, Scorpio), steady tractor sales, reasonable valuation and group's focus on capital efficiency. Our new TP of Rs.1,011 (630 earlier) is based on market cap of listed subsidiaries and 13.6x FY23 PE of auto business in line with historical median. We retain ESC at BUY as expected majority control by global major Kubota will help tractor business. As deal milestones are reached, stock price should rise. Our new TP of 2,201 (1,350 earlier) implies a FY23 PE of 25x – 48% above median – justified by positive developments.

We retain MSIL at HOLD but cut TP to Rs7,771 (8,000 earlier). MSIL should recover in next few quarters as chip supply normalizes and SUV launches help get back lost share but lack of an EV pipeline until FY25e will cap investor interest given premium valuation of EV players. We upgrade AL to a HOLD from SELL as we expect a sharp recovery in sales volumes in FY23-24 due to growth in the CV industry. Our new TP of Rs121 (80 earlier) implies PE of 34x.

Recommendation snapshot

Ticker	Price	Target	Rating
AL IN	126	121	HOLD
ESC IN	1,856	2,201	BUY
MM IN	827	1,011	BUY
MSIL IN	7,387	7,771	HOLD

Price & Target in Rupees | Price as of 23 Dec 2021



4W can grow by +6%/y; SUV share is rising

We expect 4W sales to grow by c6% over the long run driven by a 9%/y growth in households earning over 5.5 l/y but growth is expected to be higher in FY23E/FY24E due to pent up demand. We expect that the growth is likely to be faster in SUVs priced +10 l given the faster growth in households with income over 27.5l/y.

Fig 1 – 4W Market expect to recover after two years to downturn

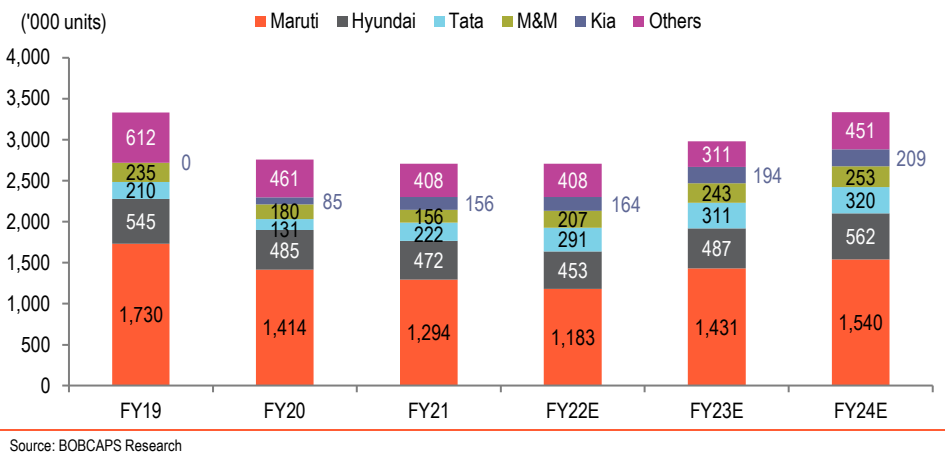


Fig 2 – Market Share

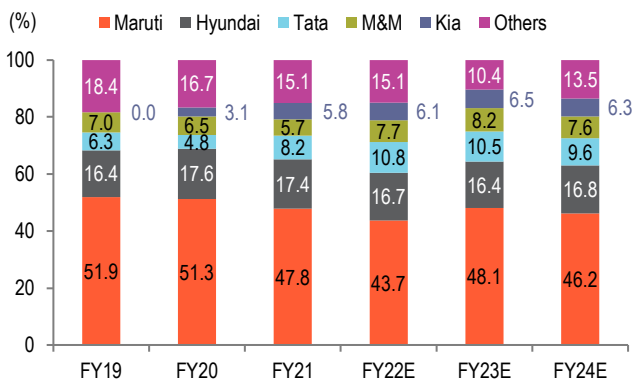
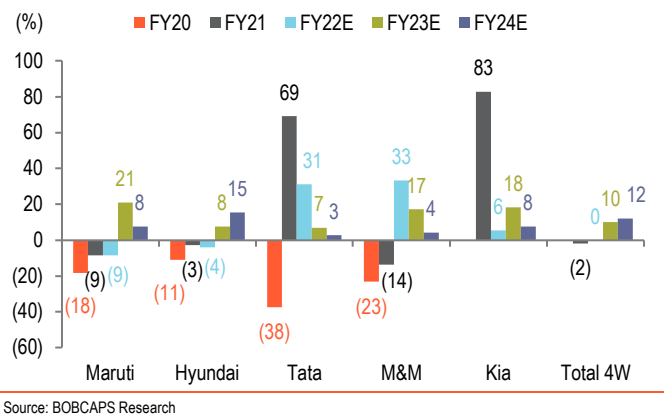


Fig 3 – MSIL and M&M to see good volume recovery



Growth at c6%/y in long term but pent-up demand to push FY23/24 growth higher

We estimate that auto sales can grow by +6%/y given 9%/ y increase in number of households earning over 5.5l/y (Source: World Economic Forum) in 2018-30. We assume that 40% of such households will own a 4W in 2030 which is lower than c50% now to adjust for inflation.

We estimate that in FY21 India had 42mn passenger vehicles based on 30m registered passenger vehicles in FY16 (As per India Statistical Year Book FY18), sales in FY17-21 and a 1.7% annual deregistration rate based on historical data.

Fig 4 – Estimation of 4w market

(mn)	Year			Growth (%)		CAGR (%)	
	2005	2018	2030E	2005-18	2018-30	2005-18	2018-30E
Household above 5.5/y	17.0	69.0	197.0	4.1	2.9	11.4	9.1
Cars Owned	10.3	35.5	78.8	3.4	2.2	10.0	6.9
% Ownership	61	51	40	-	-	-	-
Annual Sales	1.1	3.3	6.9	3.1	2.1	9.1	6.4

Source: World Economic Forum, Ministry of Statistics and Program Implementation, Government of India BOBCAPS Research,

We however, expect a stronger growth in FY23/ FY24 due to pent up demand from Covid-19 in FY21 due to lockdowns and due to chip shortage in FY22E leading to supply constraints. We expect market to recover to FY19 levels in FY24.

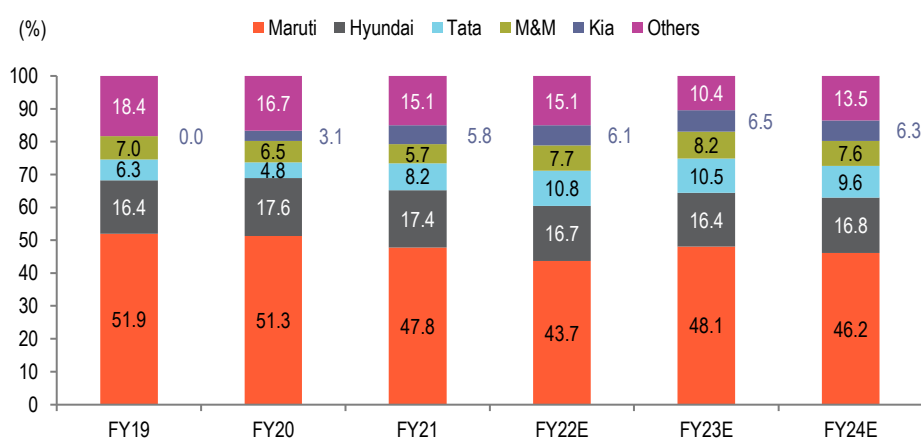
MSIL share up in FY23 but below 50%; MM share to rise

We estimate that MSIL’s share will continue to remain below 50% even after the chip supplies and therefore vehicle production normalises. Market share will recover in FY23E primarily due to the launch of the new generation of Alto and Brezza and the expected launch of SUV models.

MM share is expected to grow in FY23E due to the full year impact of XUV700 sales and the launch of the new generation of Scorpio.

Tata Motors market share is expected to fall slightly in FY23E as we expect some drop in Nexon’s market share as the model is getting old and newsflow on launch of new generation in 2023/ 24 will impact sales. Tata’s new launch the Blackbird, full year contribution from the Punch will be able to make up partially for that drop. In FY24E as models get older and competition increases, the market share will drop. Note however, that we have not assumed any model launches in FY24E for Tata Motors.

Fig 5 – Market Share



Source: BOBCAPS Research

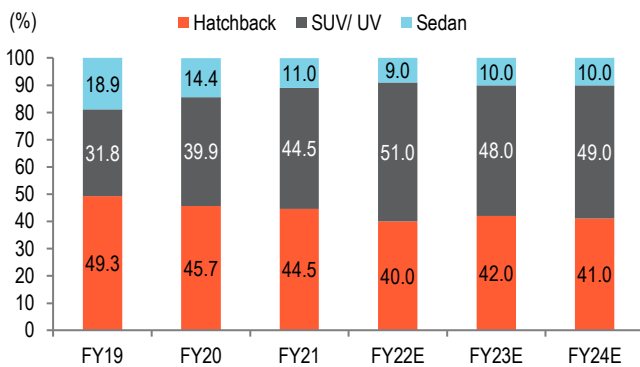
Growing share of SUV/UV is a negative for MSIL

Share of SUV in the Indian passenger car has been increasing from c30% in FY19 to c45% in FY21 and to over 50% in Apr-Nov’21. This is in line with international trends. However, the Apr-Nov’21 numbers have been impacted by weak MSIL’s numbers due

to chip supply issue more than the other OEMs which are relatively stronger in SUVs. We estimate that share of SUVs will continue remain c50% by FY24E as most companies are launching models mostly in this segment.

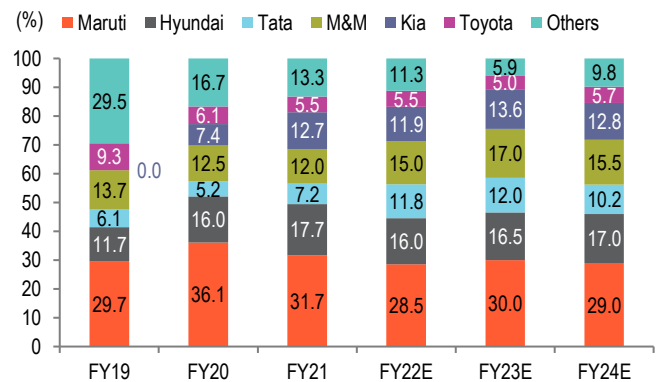
MSIL had a 32% market share in SUV/UV in FY21 through the Brezza / XL-6. However, one key weakness of MSIL is limited volumes in faster growing above 10lakhs segment dominated by Hyundai (Creta), Kia (Seltos), Tata (Nexon) and M&M (XUV700, Thar). News reports suggest two MSIL models a 5-seater and a 7-seater model are expected to be launched to plug this gap. It is also to be noted that this segment is expected to see maximum launches by all players and therefore retaining market share is not as easy.

Fig 6 – 4W Mix – SUVs taking share from sedans



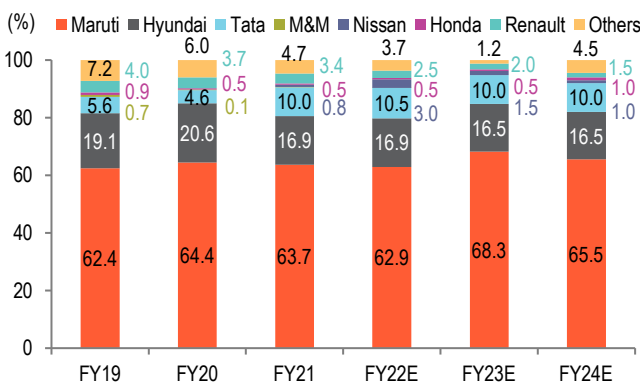
Source: BOBCAPS Research

Fig 7 – SUV / UV market share



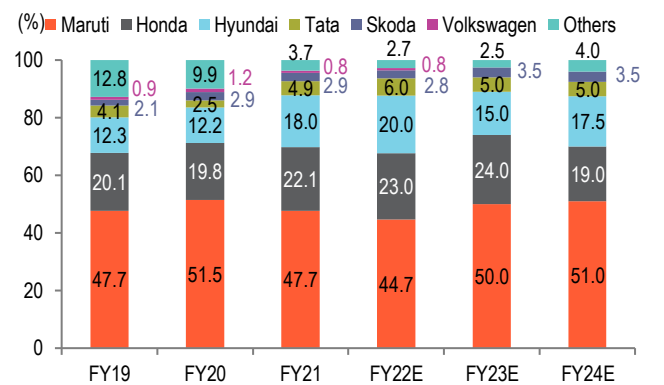
Source: BOBCAPS Research

Fig 8 – Hatchback market share



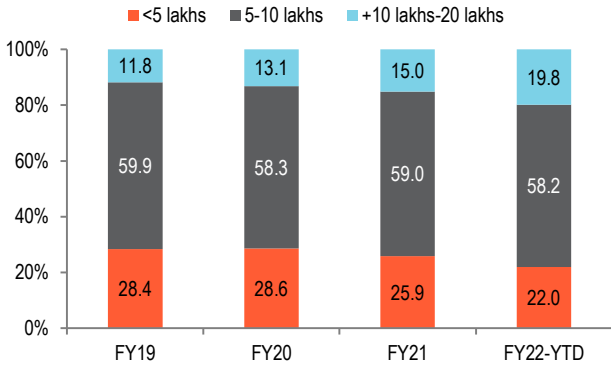
Source: BOBCAPS Research

Fig 9 – Sedan market share: MSIL to recover



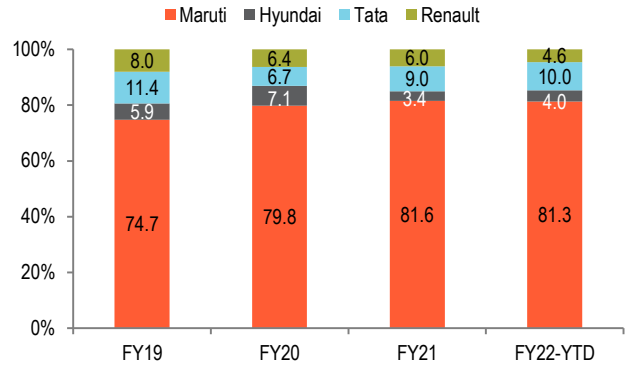
Source: BOBCAPS Research

Fig 10 – Vehicles costing 5-10 lakhs makes up for 58% of market but +10 lakhs gaining and -5 lakhs losing share



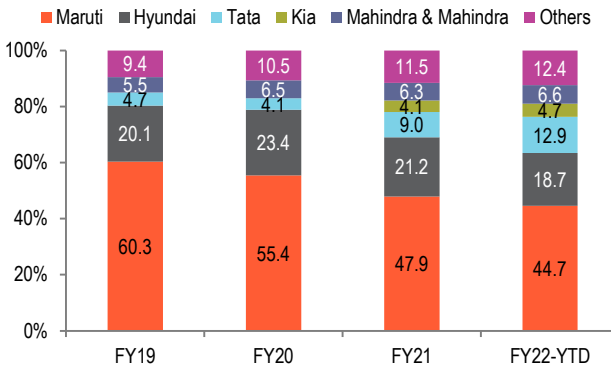
Source: Company, News Reports, BOBCAPS Research/ Based on low end of the price range

Fig 11 – Maruti dominates the under 5 lakhs segment



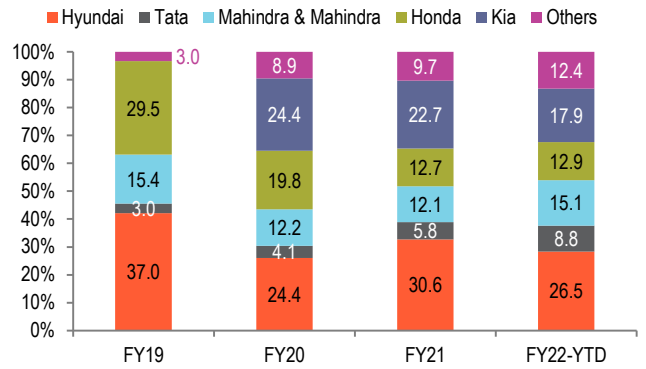
Source: Company, News Reports, BOBCAPS Research/ Based on low end of the price range

Fig 12 – TTMT and others are taking share from MSIL in 5-10 lakhs segment



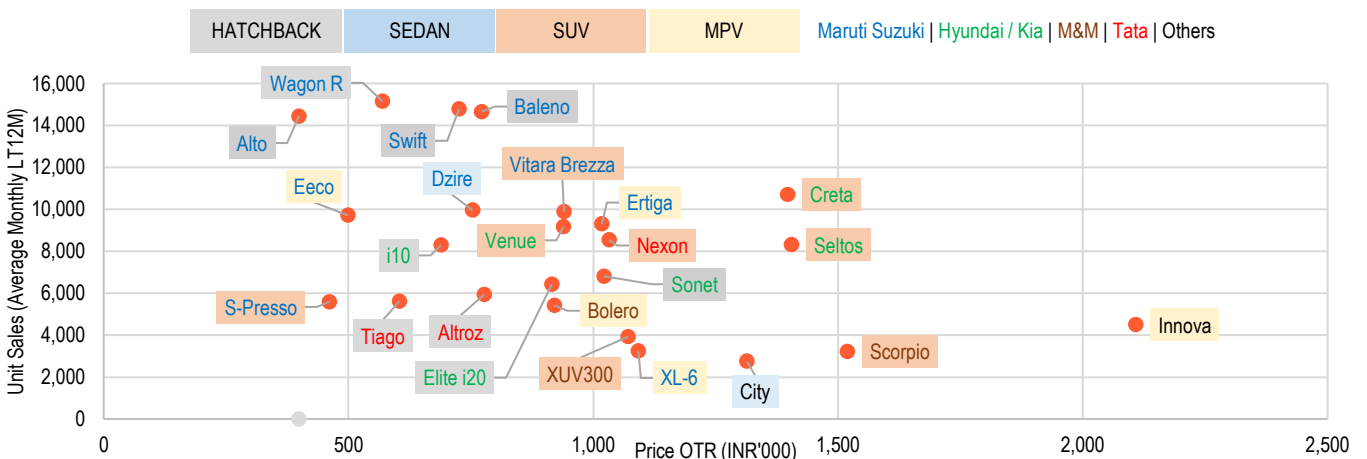
Source: Company, News reports, BOBCAPS Research/ Based on low end of the price range

Fig 13 – Kia, TTMT and MM gaining market share in 10-20 lakhs segment



Source: Company, News reports, BOBCAPS Research/ Based on low end of the price range

Fig 14 – Maruti continues to dominate the top 25 models sold



Source: Company, News reports, BOBCAPS Research

Fig 15 – Launch Pipeline: several key SUV launches are expected in FY23E

OEM	Model	Market Share FY21 (%)	Price (Low)	Price (High)	Current Gen Launch CY	FY22E	FY23E	FY24E
Hatchback								
Maruti	Swift	6.4	585	867	2021			
Maruti	Baleno	6.0	599	945	2015	New		
Maruti	Wagon R	5.9	493	646	2019		Facelift	
Maruti	Alto	5.9	315	483	2014	New		
Hyundai	i10	3.7	529	850	2020			Facelift
Hyundai	Elite i20	2.9	691	1140	2021			
Maruti	Celerio	2.3	499	694	2021	New		
Tata	Tiago	2.2	500	708	2020			Facelift
Tata	Altroz	2.2	590	965	2020			Facelift
Others		7.0						
Total Hatchback		44.5						
SUV / UV								
Hyundai	Creta	4.4	1016	1778	2020			Facelift
Maruti	Eeco	3.9	430	569	2010			
Maruti	Vitara Brezza	3.5	762	1120	2016		New	
Hyundai	Venue	3.4	699	1180	2019		Facelift	
Maruti	Ertiga	3.3	797	1238	2018	Facelift		
Kia	Seltos	3.3	995	1810	2019		Facelift	
Tata	Nexon	2.4	730	1335	2020			Facelift
Kia	Sonnet	2.4	689	1355	2020			Facelift
Maruti	S-Presso	2.5	378	544	2019		Facelift	
M&M	Bolero	2.2	872	970	2015			New
Toyota	Innova	1.4	1718	2499	2020			Facelift
M&M	XUV300	1.3	796	1346	2019		Facelift	
MG	Hector	1.2	1350	1936	2021			
M&M	Scorpio	1.3	1277	1762	2018		New	
Tata	Harrier	0.7	1440	2119	2019			
M&M	THAR	0.5	1279	1509	2020			Facelift
M&M	XUV700	0.0	1249	2129	2021			
Honda	HRV	0.0			2022		New	
Tata	Blackbird	0.0			2023		New	
Maruti	Toyota Rush	0.0			2022-23		New	
Kia	Carens	0.0			2022	New		
Tata	Punch	0.0	549	909	2021	New		
Volkswagen	Taigun	0.0	1054	1754	2021	New		
Others	Others	6.8						
Total SUV/UV		44.5						
Sedans								
Maruti	Dzire	4.7	599	908	2017			New
Honda	Amaze	1.5	632	1115	2021			New
Hyundai	Xcent	1.3	600	936	2020			Facelift
Honda	City	0.9	1116	1511	2020			Facelift
Hyundai	Verna	0.7	929	1533	2017		New	
Tata	Tigor	0.5	568	785	2017			New

OEM	Model	Market Share FY21 (%)	Price (Low)	Price (High)	Current Gen Launch CY	FY22E	FY23E	FY24E
Maruti	Ciaz	0.5	872	1171	2014	New		
Skoda	Rapid	0.3	779	1349	2011			
Volkswagen	Vento	0.1	1000	1450				
Skoda	Octavia	0.0	2629	2929	2021			
Skoda	Slavia	0.0	1049	1759	2021			
Others	Others	0.4						
Total Sedan		11.0						

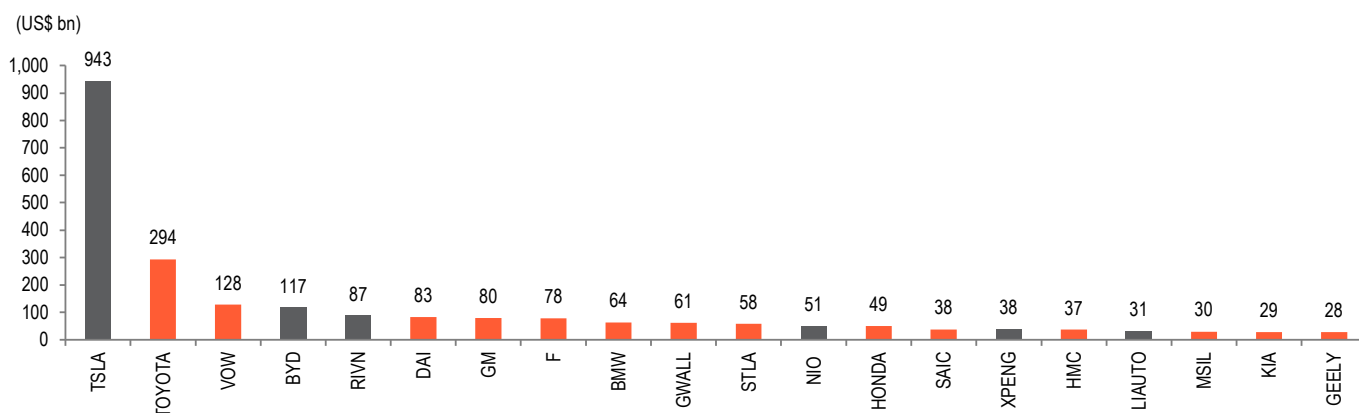
Source: BOBCAPS Research

Investors are showing preference for Electric Vehicles

Investors have continued to be bullish on EV players, particularly since 2020. Globally, EV OEM stock prices have risen by 4.2-29.4x during the last five years whereas the top 30 ICE OEM stocks have risen less than 4x. Six EV players now feature among the top 20 global automakers when ranked by market cap.

Enterprise value/sales ratio of top 10 EV OEMs is at 14.1x vs. just 0.3-5.3x for the top 30 ICE OEMs, indicating investor confidence in the structural shift to electrification in mobility. Investors are taking a long-term view as price have rallied despite continued losses made by many of these companies.

Fig 16 – Top auto companies by market cap globally



Source: Bloomberg

Fig 17 – Top 20 auto stocks by market cap globally

Rank	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	Current
1	TOYOTA	TOYOTA	TOYOTA	TOYOTA	TOYOTA	TSLA	TSLA
2	DAI	DAI	VOW	VOW	VOW	TOYOTA	TOYOTA
3	VOW	VOW	DAI	TSLA	TSLA	VOW	VOW
4	BMW	BMW	BMW	DAI	DAI	BYD	BYD
5	HONDA	GM	HONDA	BMW	BMW	NIO	RIVN
6	FORD	HONDA	GM	HONDA	GM	DAI	DAI
7	GM	FORD	SAIC	GM	HONDA	GM	GM
8	NISSAN	NISSAN	TSLA	SAIC	SAIC	BMW	FORD
9	SAIC	SAIC	FORD	NISSAN	FORD	HONDA	BMW
10	TSLA	TSLA	MSIL	MSIL	MSIL	GWALL	GWALL

Rank	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	Current
11	RNO	HMC	NISSAN	FORD	NISSAN	SAIC	STLA
12	HMC	RNO	HMC	SUZUKI	STLA	HMC	NIO
13	MSIL	MSIL	GEELY	HMC	HMC	FORD	HONDA
14	BYD	TTMT	RNO	STLA	SUZUKI	GEELY	SAIC
15	TTMT	BYD	SUZUKI	BYD	GEELY	MSIL	XPENG
16	KIA	SUZUKI	STLA	RNO	BYD	STLA	HMC
17	STLA	GAG	BYD	GEELY	GAG	KIA	LIAUTO
18	SUZUKI	STLA	GAG	MM	KIA	NISSAN	MSIL
19	GAG	KIA	TTMT	GAG	RNO	SUZUKI	KIA
20	GWALL	GWALL	BJAUT	KIA	BJAUT	GAG	GEELY

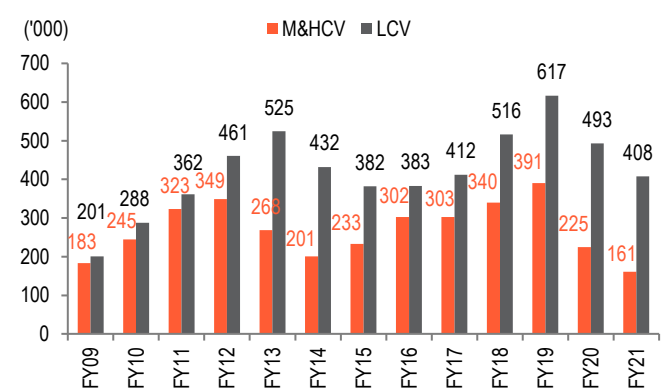
Source: Bloomberg, BOBCAPS Research

Commercial Vehicles: Upsides outweigh risks

Commercial Vehicles (CV) market in India is currently recovering from two years of a severe downturn caused by Covid-19, relaxation in axle load norms (leading to higher loading and therefore reduced demand) and emissions norms shifting to Bharat VI which led to an increase in the prices.

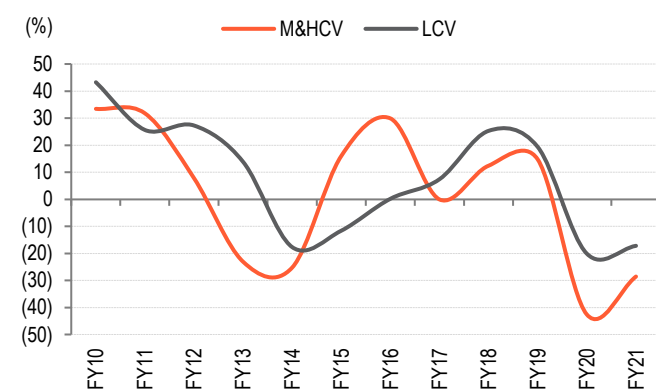
Demand should improve from current low levels in the medium term as M&HCV (Medium & Heavy CV) sales in FY21 reached a 12-years low and LCV sales reached a 5-year low.

Fig 18 – M&HCV are at a 12y low



Source: Shriram Transport

Fig 19 – YoY indicates downturn last for 2 years



Source: Shriram Transport

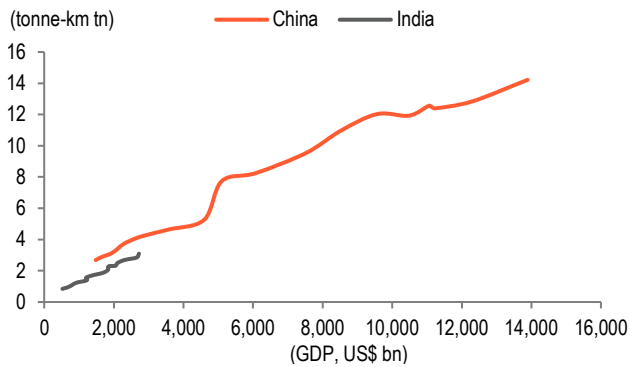
However, long term picture is not all positive. We identify the key positives and negative factors that may drive the sales.

Freight growth/ Ageing fleet key positive

Key drivers supporting CV growth are:

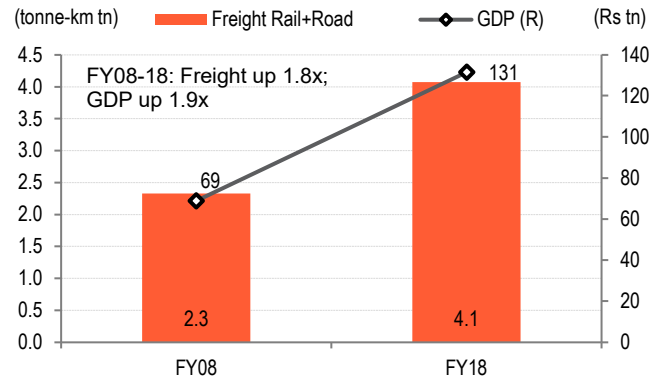
- **Macro growth supports freight volumes:** Freight growth is expected to be in line with GDP (in line with historical trends) which is expected to grow at +5% over the long run. Growth can accelerate if manufacturing starts growing at a faster pace versus the economy.
- **Scrapage Policy and highest fleet age in a decade:** New scrapage policy has mandated scrapping of commercial vehicles older than 15 years. This will help in supporting replacement demand of the fleet. At the end of FY21 27% of vehicles were over 10 years old- a decade high
- **Integration of warehousing and manufacturing post GST:** If manufacturing and ecommerce sector starts integrating factories and warehouses to achieve scale it could lead to increase in distance travelled and support demand for CV
- **Development of Roads:** Development of new road infrastructure could help road sector improve its infrastructure. Creation of new roads like the new Delhi-Mumbai expressway are likely to support growth of freight traffic.

Fig 20 – Freight volumes can grow with rising GDP



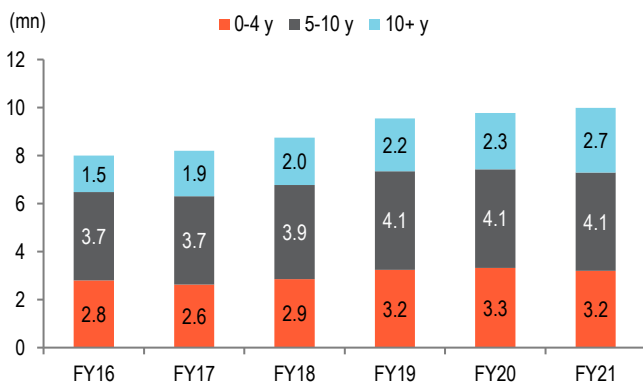
Source: World Bank, OECD, BOBCAPS Research | 2003-18 Range (ECD data doesn't match the Indian data)

Fig 21 – Freight traffic has grown in line with GDP



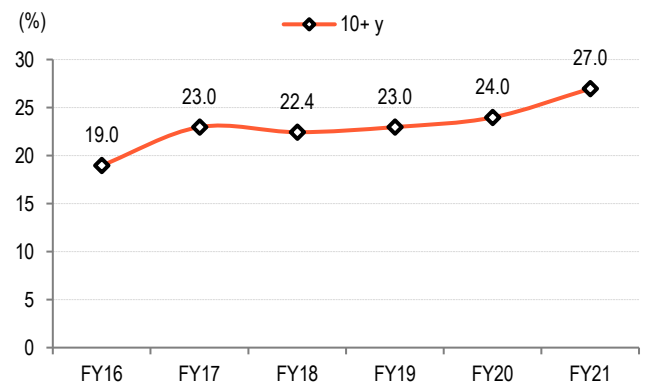
Source: National Rail Plan

Fig 22 – Over 10y old CVs are up c1.8x in FY16-21



Source: Shriram Transport

Fig 23 – 27% of fleet, a multi years high, is above 10y



Source: Shriram Transport

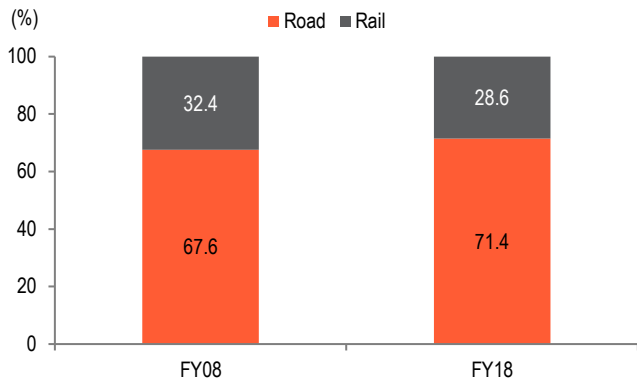
Rise in rail market share and better fleet utilization a key risk

Key factors which may lead to a drop in demand for CVs include:

- **Share of rail in freight transport can increase but requires construction of DFCs:** Share of rail in Indian freight volume is 30% and road makes for almost the entire remaining 70%. The Government targets to increase the share of rail as it is more cost effective and can help in reduction of logistics costs (at 14% India has among the largest logistics costs) and emissions. Government is expecting shift of bulk traffic (minerals, coal, foodgrains) to rail and take overall share of rail to 45% by 2030 which in our view looks difficult unless new DFCs (Dedicated Freight Corridors) come into operation as the current rail network is already capacity constrained. The under construction Eastern and Western Dedicated Freight Corridor could help in diverting traffic by about 5% starting from FY23. However, we expect the shift to rail freight to be gradual.
- **Improvement in efficiency of logistics sector:** Indian trucks travel 325 kms versus 500-800kms in other major economies. Truck fleet utilisation at 65% is lower than 80% in Europe and the US. Growing share of organized logistics companies is required to drive better utilization rates. We believe this this is also likely to be a gradual process.

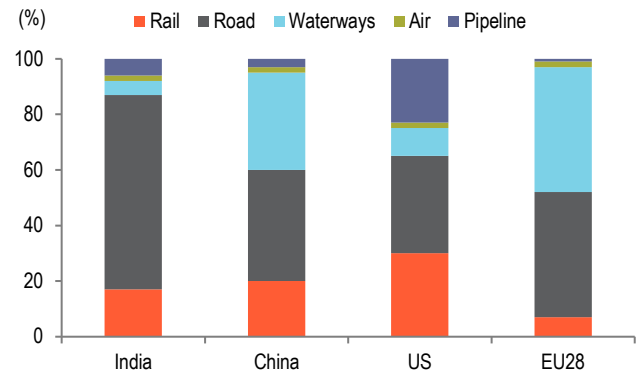
- **Financing Challenges for smaller players:** Post Covid-19 smaller truck operators finances have been hit. They have as a result found it difficult to finance their purchase

Fig 24 – Road and rail share in goods transport has not changed much...



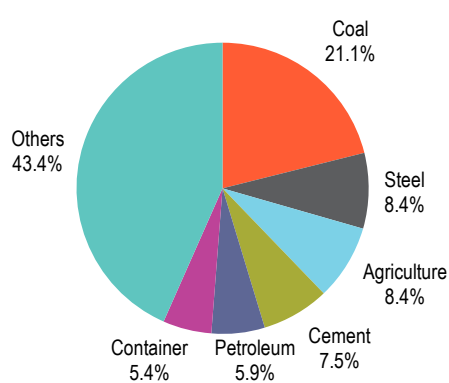
Source: National Rail Plan

Fig 25 – Share of road in India is higher relative to other countries



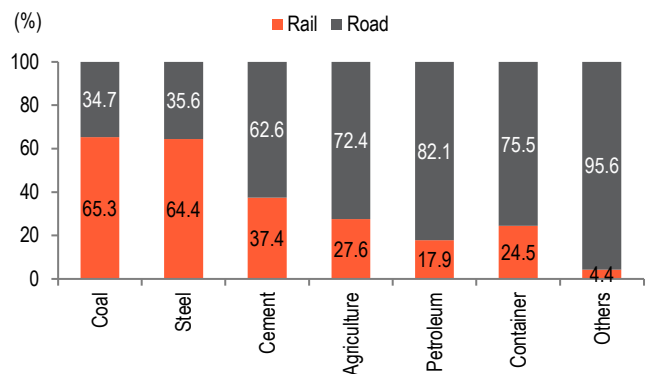
Source: Niti Aayog

Fig 26 – Rail+Road freight mix, FY18



Source: National Rail Plan

Fig 27 – Road dominates all sectors except coal and steel



Source: National Rail Plan

Fig 28 – Truck productivity in India is low

Parameter	India	BRICS	USA	Europe
Daily Average Running Distance (km)	325	500	800	800
Empty Running (%)	35.5	NA	21.0	22.5
Logistics Cost as a % of GDP	14	10	8	9

Source: Niti Aayog

We expect a 20/25% YoY growth in CV volumes in FY22/23 followed by a 10% growth in FY24. This estimation is based on scrapping / deregistration of 20% of the fleet in FY22-24 versus the normal rate of 10% in 3 years, fleet utilisation and average distance remaining stable.

Fig 29 – CV market estimation

	FY19	FY20	FY21	FY22E	FY23E	FY24E
Freight (tonne km in trillions)	4.4	4.6	4.2	4.6	4.8	5.0
GDP (YoY %)	6.8	4.2	(7.3)	8.0	5.0	5.0
Road Transport Share	70	70	70	70	68	65
Road Freight (tonne km trillion)	3.1	3.2	3.0	3.2	3.3	3.3
Road Freight (YoY %)	5.3	4.2	(7.3)	8.0	2.0	0.4
% of Fleet De registered / Scrapped	2.3	5.1	3.7	4.5	8.0	10.0
New CV Sales	1.01	0.72	0.57	0.71	0.85	0.94
% YoY New CV Sales	17.6	(28.8)	(20.8)	25	20	10
Number of vehicles (mn)	9.6	9.8	10.0	10.3	10.3	10.2
Average Tonnage/ vehicle (tonnes)		4.2	4.2	4.2	4.2	4.2
Average Distance per day (km)		325	325	333	340	348
Total annual capacity (tonne km in trillions)		4.9	5.0	5.3	5.4	5.5
Capacity utilisation (%)		65	59	61	60	60

Source: BOBCAPS Research

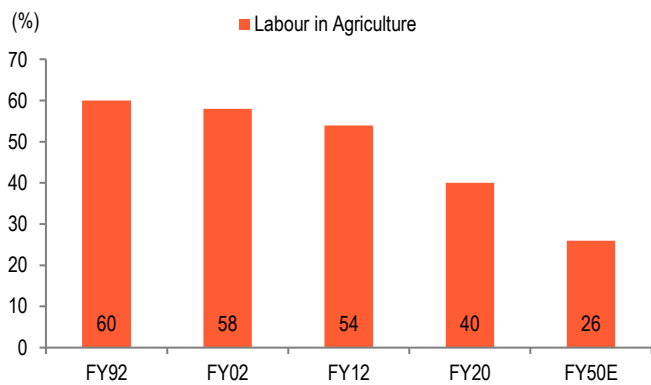
Tractors: Low mechanization & drop in labour

Indian tractor industry has grown strongly driven by growth in agriculture, growing cost of farm labour, prevailing low mechanization rates in India and growth in other segments like infrastructure / construction which also use tractors.

Positive Drivers

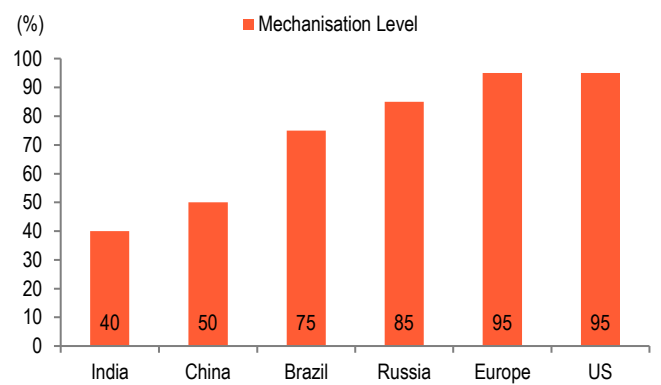
- India has low levels of farm mechanization rates at 40% versus +90% in developed countries and 70% in China. Increase in farm yields, which are also low in India, can only be achieved by growing mechanisation
- Availability of farm labour is expected to continue to fall to 25% of labour force by FY50E from 40% of labour force in 2020 as more labour is diverted to manufacturing and services. Cost of farm labour have also increased by over 30% in the past few years.
- Trends of hiring tractors is emerging. This will support demand for tractors

Fig 30 – Farm Labour is likely to fall continuously



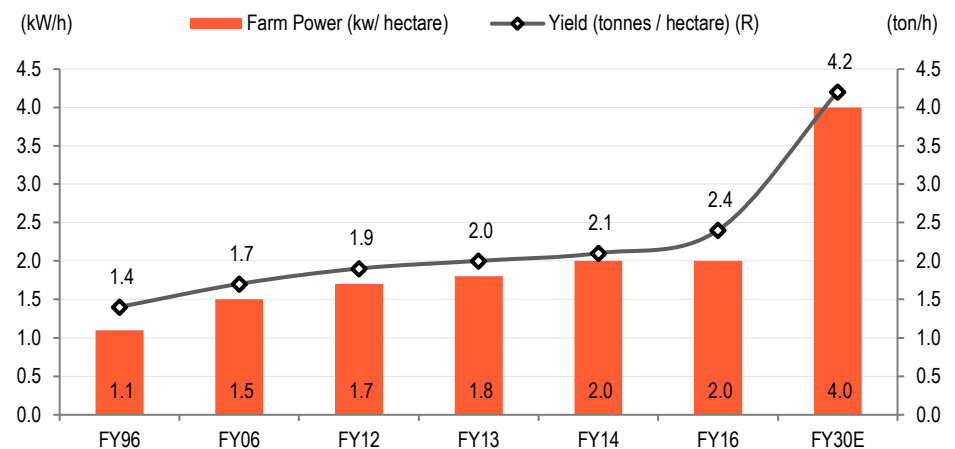
Source: FICCI

Fig 31 – India has low mechanisation level in agriculture



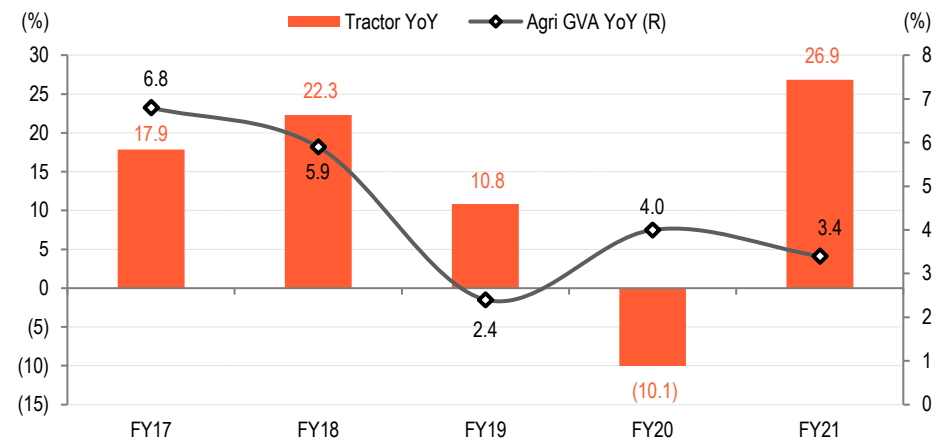
Source: FICCI, World Bank

Fig 32 – Mechanisation will help in improving yield



Source: FICCI

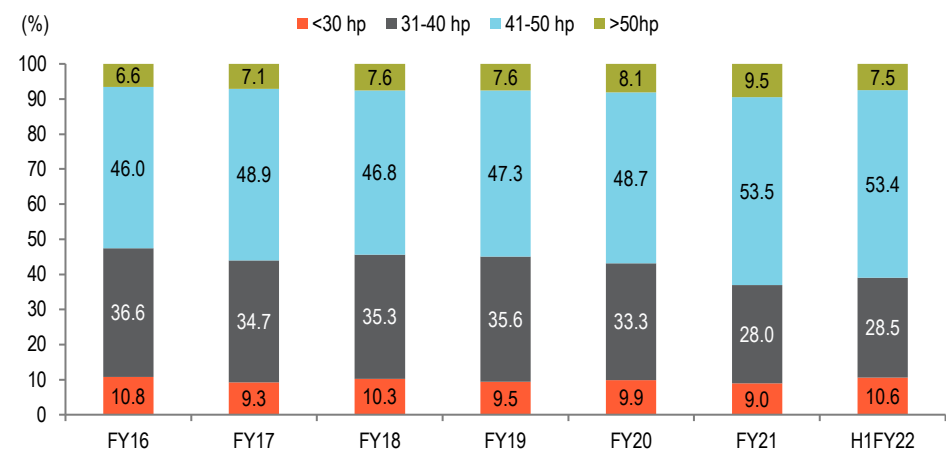
Fig 33 – Agriculture growth is expected to support tractor demand



Source: Economic Survey 2021

Tractors are also used for several non-agriculture activities like being attached with trailers, excavators, loaders etc. Some tractors are lent for this purpose. The use of tractors for these activities has led to a reduction in tractor life and helping the sales of high-power tractors.

Fig 34 – Tractor Sales Mix by Power Ratings



Source: Escorts

Financing, higher costs of farming are key risks

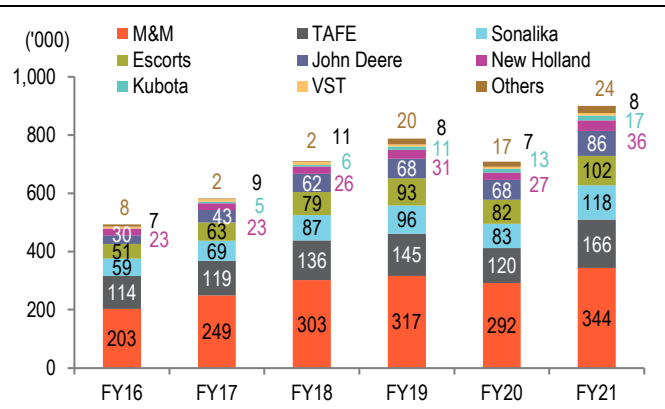
- Financing remains a challenge due to lack of credit history for many farmers
- Tractors require 3-4 years of testing before they can be launched. As there is just one testing facility it takes 3 to 4 years to get slots for testing and 1 year to get the results.
- Temp 4 emission norms only apply to 50 Hp plus. It is also likely to be applied to other categories it will lead to price increase
- Pricing uncertainty related to farm produce and cost increase (fertilizers, fuel etc.) can lead to a drop in purchasing power of farmers

We expect tractor sales to remain flattish in FY22 followed by a 5% growth in FY23E and FY24E when agriculture growth in addition to the economic growth will drive tractors sales.

Growth in agri Implants

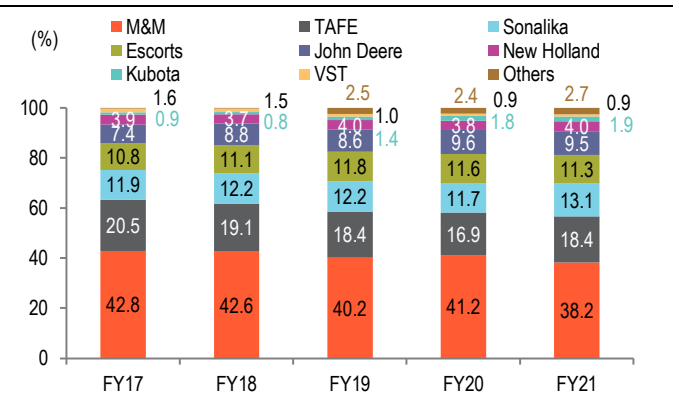
India is 10% of global market for tractors but just 1% of agriculture implants market. With labour challenges, use of agri implants are likely to increase.

Fig 35 – Indian domestic tractors market



Source: Company

Fig 36 – Market Share



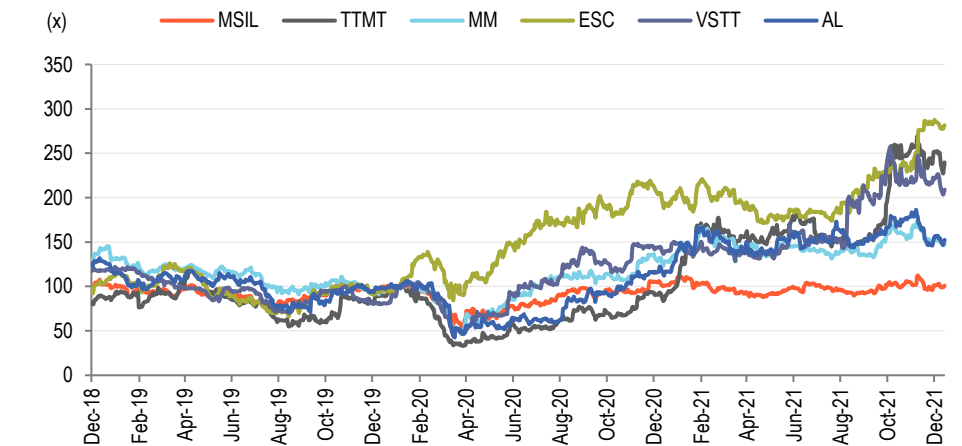
Source: Company

Estimates and ratings revised

Auto stocks performance has been a mixed picture this calendar year. Company specific factors like announcement of EV subsidiary in case of TTMT and announcement of plans of global major Kubota taking majority stake in ESC have driven their stock prices. Stock price of other companies have not rallied as much. We expect normalization of chip supply and new launches to drive stock prices over the next few quarters. We upgrade MM to BUY, retain ESC at BUY and MSIL at HOLD and upgrade AL to HOLD.

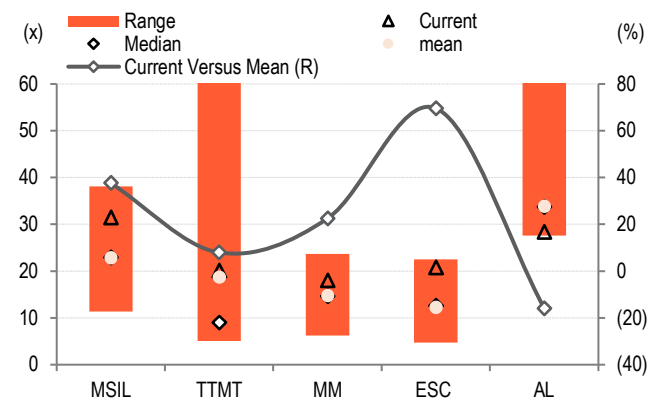
We value each company barring MM using a three-stage DCF model comprising a three-year explicit forecast in Stage 1, a seven-year high-growth period in Stage 2 and a terminal period in Stage 3. Stage 2 assumptions are based on market growth, company strategy and historical performance. Our WACC estimate is derived from the risk-free rate as on end Sep'21, gearing forecasts and estimated beta as on end Sep'21 (based on two-year weekly returns). For MM we use SOTP. We value MM's auto business using DCF (same methodology as described above), use current market cap for listed subsidiaries/ associates and book value for unlisted associates.

Fig 37 – Stocks flattish y-t-d rally in TTMT / ESC driven by stock specific factors



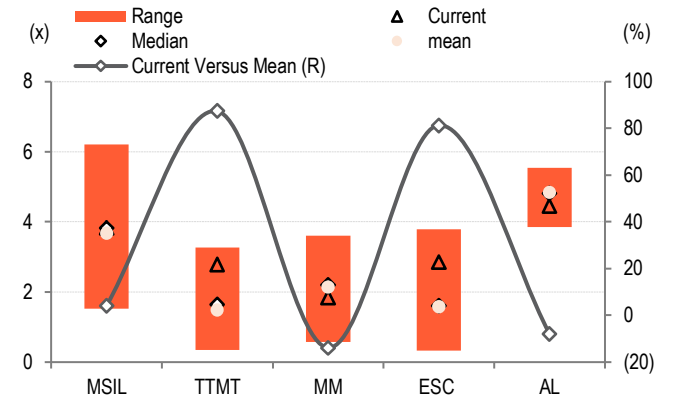
Source: Bloomberg

Fig 38 – 1Y fwd P/E close to mean for TTMT and MM; ESC & MSIL trade above median



Source: Bloomberg

Fig 39 – 1Y fwd P/B trading close to mean for MSIL, AL and MM



Source: Bloomberg

Maruti Suzuki – HOLD, TP Rs 7,771

We cut our FY22E EPS projections for MSIL by 54% driven by a drop in sales volume as chip supply issues have hit production. We also cut our estimates for FY23E as we believe that the chip supply may remain impacted into FY23E.

MSIL is trading at a premium to its peak five-year forward P/E and close to the historical median P/B multiples.

We now use DCF to value MSIL which leads us to our new TP of Rs 7,771 (Rs 8,000 earlier) – which implies an FY23E P/E of 33x and P/B of 4.1x, 23% premium and 6% discount to the five-year mean respectively. We retain HOLD as we believe that while MSIL will benefit from recovering demand once chip supply issues are resolved and it remains the cleanest way of playing the India auto demand, the delayed response to growing electrification compared to peers may cap the upside. Growing share of more competitive SUV segment is also a risk for MSIL.

Fig 40 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	752.9	961.4	1,069.4	937.7	1,043.1	1,149.1	(19.7)	(7.8)	(6.9)
EBITDA	36.6	85.6	105.8	81.1	98.8	109.8	(54.9)	(13.4)	(3.6)
EBIT	39.0	89.1	111.6	83.5	102.3	115.6	(53.3)	(12.9)	(3.4)
Pretax Income	38.2	88.3	110.8	82.7	101.5	114.8	(53.8)	(13.0)	(3.5)
Net Income	30.6	70.6	88.6	66.2	81.2	91.8	(53.8)	(13.0)	(3.5)
EPS	101.3	233.8	293.4	219.1	268.7	303.9	(53.8)	(13.0)	(3.5)

Source: BOBCAPS Research

Fig 41 – Estimates vs. Consensus

(Rs bn)	BOBCAPS		Consensus		Variance (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	752.9	961.4	889.4	1091.0	(15.3)	(11.9)
EBITDA	36.6	85.6	58.7	107.8	(37.7)	(20.6)
EBIT	39.0	89.1	64.1	71.1	(39.1)	25.3
Pretax Income	38.2	88.3	50.9	97.9	(24.9)	(9.9)
Net Income	30.6	70.6	40.7	78.0	(24.9)	(9.4)
EPS (Rs)	101.3	233.8	142.7	270.7	(29.0)	(13.6)

Source: BOBCAPS Research, Bloomberg

Fig 42 – Key operational assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
Unit Sales YoY (%)	(16.0)	(6.8)	(8.5)	20.0	8.0
Revenue per Car YoY (%)	4.7	(0.2)	17.0	6.4	3.0
Cost per Car YoY (%)	5.1	2.5	24.0	2.0	2.0

Source: Company, BOBCAPS Research

Fig 43 – DCF assumptions

Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.2	Indian 10-year TB yield as of end-Sep'21	
Equity Risk Premium (%) (B)	6.9	NYU Stern India equity risk premium	
Beta (C)	1.3	Weekly returns over 2 years as of end-Sep'21	
Cost of Equity (%) (D) = A + B x C	15.0		
Cost of Debt (E)	7.5		
Marginal Tax Rate (%) (F)	20.0		
Post-Tax Cost of Debt (%) (G) = E x (1-F)	6.00		
Current Debt to Equity (2023) (H)	0.16		
WACC (I) = (1 x D + H x G)/(1 + H)	13.7		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	12.8	20.0	5.0

Source: BOBCAPS Research

Fig 44 – Target price: Implied multiples

Multiples (x)	Target Price	Current Price	Consensus 12M forward 5Y mean	Consensus 5Y range	Variance vs. MSIL 5Y historical mean (%)
P/E FY23E	33.2	30.3	27.1	17.2 - 38.1	22.9
EV/EBITDA FY23E	29.1	26.6	17.4	8.5 - 23.9	67.0
P/B FY23E	4.1	3.7	4.3	2.2 - 6.2	(5.6)

Source: Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates include:

- Strong and faster than expected recovery in auto sales due to demand and normalisation of chips supply
- Rise in market share in the growing SUV/ UV segment
- Announcement of aggressive plans for Electric Vehicles and earlier launch of EV vehicles before current guidance for 2025.

Key downside risk to our estimates include:

- Delay in sales recovery due to prolonged chip crisis or another wave of Covid-19
- Drop in market share if upcoming SUV models are not successful

M&M – BUY, TP Rs 1,011

We raise our FY22/FY23 PAT estimates for MM which based on our estimates of strong volumes growth in the SUV/ UV growth due to the XUV700 and expected launch of the new generation of Scorpio. Note that our estimates are for MM and MVML business which include parent, PV, CV and tractor business but excludes most of the listed subsidiaries. As a result, they are not comparable to Bloomberg consensus which is for consolidated company.

Fig 45 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	539.2	611.5	627.5	531.0	573.4	625.6	1.5	6.7	0.3
EBITDA	72.8	88.2	92.4	71.2	80.4	92.0	2.3	9.7	0.4
EBIT	61.2	72.7	75.5	59.5	64.9	75.1	2.8	12.1	0.6
Pretax Income	57.2	68.7	71.5	55.5	60.9	71.1	3.0	12.9	0.6
Net Income	42.8	51.4	53.5	41.5	45.5	53.2	3.0	12.9	0.6
EPS (Rs)	34.4	41.4	43.0	33.5	36.7	42.8	3.0	12.9	0.6

Source: BOBCAPS Research,

Our new SOTP-based TP of Rs 1,011 (Rs 630 earlier), is based on the market cap of listed subsidiaries and DCF of the MM and MVML (PV, CV, 3W and tractor business) at an implies an FY23E P/E of 13.6x – below historical two-year mean.

Fig 46 – M&M SOTP

Business	EV	FY 23E Net Debt	Equity Value	Shareholding	Contribution to Group Valuation	EBITDA FY23E	EV by EBITDA FY23	PE FY23
M&M and MVML	7,69,152	72,143	6,97,009	100	6,97,009	88,238	8.7	13.6
Mahindra Finance	6,59,344	4,81,428	1,77,916	53	95,143	28,016	23.5	7.7
Mahindra Logistics	46,548	(2,248)	48,796	57	27,572	3,348	13.9	32.3
Mahindra EPC Irrigation	3,154	(61)	3,214	55	1,754	-	-	NA
Mahindra Lifespace	36,930	1,088	35,842	52	18,635	305	121.3	21.3
Majority Owned	15,15,128	5,52,351	9,62,778	-	8,40,114	1,19,906	12.6	-
Associates and Assets for Sales								
TechM	14,13,311	(72,283)	14,85,595	26	3,85,415	1,02,807	13.7	20.5
Mahindra CIE	97,627	11,961	85,666	11	9,678	13,094	7.5	13.6
Swaraj Engine	18,209	(1,336)	19,546	35	6,859	-	-	-
Ssangyong	-	-	-	75	14,730	-	-	-
Total Associates & Assets for Sales	-	-	-	-	4,16,682	-	-	-
Consolidated Total	-	-	-	-	12,56,796	-	-	-
Number of Shares					1,242			
Value per Share	-	-	-	-	1,012	-	-	-
Target Price	-	-	-	-	1,011	-	-	-

Source: BOBCAPS Research

Fig 47 – Key operational assumptions

Parameter	FY21	FY22E	FY23E	FY24E
Total PV + CV (YoY %)	(11.7)	31.3	18.3	(1.2)
Tractor Sales (YoY %)	19.7	7.1	6.1	9.1

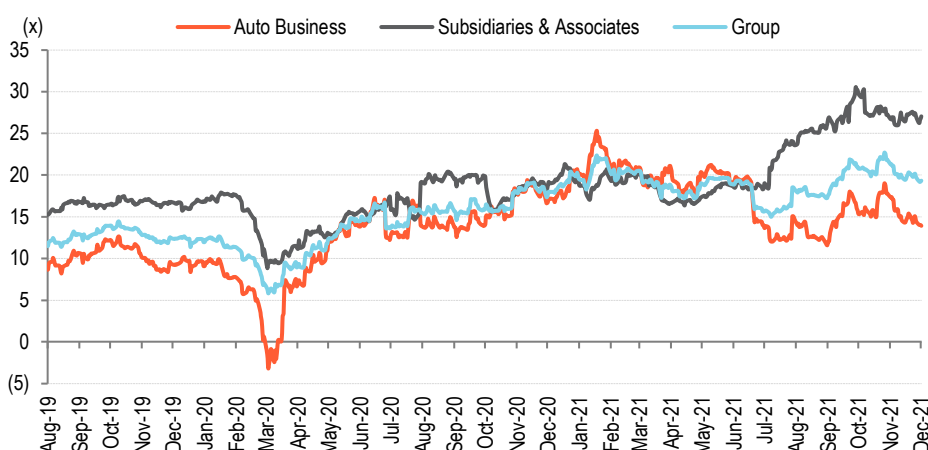
Source: Company, BOBCAPS Research

Fig 48 – DCF assumptions (for M&M and MMVL)

Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.2	Indian 10-year TB yield as of end-Sep'21	
Equity Risk Premium (%) (B)	6.9	NYU Stern India equity risk premium	
Beta (C)	1.4	Weekly returns over 2 years as of end-Sep'21	
Cost of Equity (%) (D) = A + B x C	16.0		
Cost of Debt (E)	7.5		
Marginal Tax Rate (%) (F)	34.3		
Post-Tax Cost of Debt (%) (G) = E x (1F)	4.93		
Current Debt to Equity (2021) (H)	0.20		
WACC (I) = (1 x D + H x G)/(1 + H)	14.1		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	(5.4)	15.0	5.0

Source: BOBCAPS Research

Fig 49 – M&M - Group, Associates / Subsidiaries and Implied Auto 1y fwd PE



Source: Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- slower-than-expected auto sales due to a third Covid wave or macro challenges, and
- Weaker tractor sales due to weaker monsoons or other issues.

Escorts – BUY, TP Rs 2,201

We raise our FY24 EPS estimates for ESC by 9% as we expect some of the benefits from the control of the company by global agri machinery major Kubota to start showing some impact. Note however, that we are not modelling any change in the business structure following the announcement of plans for Kubota to take over the company as we await the various steps related to the acquisition to be completed.

Escorts is currently trading at close to its peak multiples at 20x based on its own as well as peer history. However, in our view post Kubota taking control, multiples are likely to expand.

We retain ESC at BUY, shift to a DCF-based TP of Rs 2,201 (Rs 1,350 earlier) – this implies an FY23E P/E of 25x and P/B of 3.3x, a 53% and 48% deviation respectively from the historical mean.

Fig 50 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	73.0	80.0	96.4	75.4	80.8	89.6	(3.1)	(0.9)	7.5
EBITDA	9.7	10.8	14.4	10.2	11.0	13.0	(4.8)	(1.4)	10.9
EBIT	11.1	13.1	17.6	11.6	13.3	16.1	(4.2)	(1.1)	8.7
Pretax Income	11.0	13.0	17.4	11.5	13.2	16.0	(4.2)	(1.2)	8.8
Net Income	8.2	9.7	13.0	8.6	9.9	12.0	(4.2)	(1.2)	8.8
EPS (Rs)	74.7	88.3	118.2	78.0	89.3	108.6	(4.2)	(1.2)	8.8

Source: BOBCAPS Research,

Fig 51 – Estimates vs. Consensus

(Rs bn)	Current		Consensus		Variance (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	73.0	80.0	77.0	82.1	(5.2)	(2.6)
EBITDA	9.7	10.8	11.0	11.8	(11.2)	(8.3)
EBIT	11.1	13.1	9.9	10.7	12.1	22.4
Pretax Income	11.0	13.0	11.6	12.9	(5.4)	1.3
Net Income	8.2	9.7	8.7	9.6	(5.7)	1.5
EPS (Rs)	74.7	88.3	82.7	90.5	(9.7)	(2.5)

Source: BOBCAPS Research, Bloomberg

Fig 52 – Key operational assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
Tractor Market Growth (%YoY)	(11.1)	26.5	0.0	5.0	5.0
Escorts Tractor Share (%)	11.0	10.8	10.8	11.0	12.0
Construction Equipment Revenues (% YoY)	(20.3)	(7.3)	9.0	25.0	25.0
Railways Equipment Revenue (% YoY)	(21.1)	(0.1)	15.0	15.0	15.0

Source: Company, BOBCAPS Research

Fig 53 – DCF assumptions

Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.2	Indian 10-year TB yield as of end-Sep'21	
Equity Risk Premium (%) (B)	6.9	NYU Stern India equity risk premium	
Beta (C)	1.0	Weekly returns over 2 years as of end-Sep'21	
Cost of Equity (%) (D)= A + B x C	12.8		
Cost of Debt (E)	8.0		
Marginal Tax Rate (%) (F)	25.2		
Post-Tax Cost of Debt (%) (G)= E x (1-F)	5.98		
Current Debt to Equity (2021) (H)	0.00		
WACC (I)= (1 x D + H x G)/(1 + H)	9.8		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	18.4	15.0	5.0

Source: BOBCAPS Research

Fig 54 – Target price: Implied multiples

Multiples (x)	Target price	Current price	Consensus 12M forward 5Y mean	Consensus 5Y range	Variance vs. CCRI 5Y historical mean (%)
P/E FY23E	24.9	20.8	16.3	9.9 - 22.5	53.0
EV/EBITDA FY23E	22.0	18.3	10.0	1.3 - 18.9	119.4
P/B FY23E	3.6	3.0	2.5	1.3 - 3.8	47.7

Source: Bloomberg, BOBCAPS Research

Key risks

Downside risks include:

- cancellation of the deal with Kubota, and
- a sharp downturn in agriculture leading to a drop in demand for tractors.

Ashok Leyland – HOLD, TP Rs 121

We raise our FY24E estimates by 17% driven by better realization. We cut our FY22E estimates by 61% given that AL made losses in H1FY22. We are 35%/66% below FY22/23E consensus as the street is building up a strong recovery

AL is trading at a premium to five-year forward mean EV/EBITDA and P/B multiples but at a discount to PE (PE is high due to last over 2 years of depressed earnings). We expect market will continue to remain optimistic on AL if sales continue to improve. Our analysis on CV industry shows that macro recovery and truck fleet being at its oldest age in the last decade leading to replacement demand will be able to more than make up for the possible drop in share of road traffic due to the shift from road to rail following the completion of Eastern and Western Dedicated Freight Corridor (DFC) in FY23. AL which is second largest CV player after Tata Motors is likely to benefit. In addition, AL plans to improve its product offering in LCV space which should help it gain market share. As a result, we upgrade AL to a HOLD versus SELL earlier.

Our new DCF based TP of Rs 121 (Rs 80 earlier), implies an FY23E P/E of 34x and P/B of 5x, a discount of c40% and premium of 28% respectively to the five-year mean. Note that multiples look higher as earnings are depressed due to several years of downturn and are now likely to start recovering.

Fig 55 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	197.1	271.7	313.8	231.6	293.8	331.2	(14.9)	(7.5)	(5.3)
EBITDA	12.1	23.4	30.6	15.0	23.2	27.5	(19.1)	1.2	11.1
EBIT	5.1	16.2	22.8	8.0	16.0	19.7	(35.9)	1.7	15.5
Pretax Income	1.8	13.5	21.1	4.7	13.2	18.1	(60.9)	2.1	16.9
Net Income	1.4	10.5	16.4	3.6	10.2	14.0	(60.9)	2.1	16.9
EPS (Rs)	0.5	3.6	5.6	1.2	3.5	4.8	(60.9)	2.1	16.9

Source: BOBCAPS Research

Fig 56 – Estimate vs. Consensus

(Rs bn)	BOBCAPS		Consensus		Variance (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	197.1	271.7	254.5	335.8	(22.6)	(19.1)
EBITDA	12.1	23.4	13.8	28.7	(11.9)	(18.3)
EBIT	5.1	16.2	8.6	26.5	(40.5)	(38.7)
Pretax Income	1.8	13.5	6.8	26.0	(73.0)	(48.0)
Net Income	1.4	10.5	5.1	19.5	(72.3)	(46.5)
EPS (Rs)	0.5	3.6	1.4	5.5	(65.6)	(35.0)

Source: Bloomberg, BOBCAPS Research

Fig 57 – Key operational assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
CV Volume (% YoY)	(36.5)	(19.6)	12.0	27.7	10.0
Price / Mix (% YoY)	(4.3)	6.4	15.0	8.0	5.0

Source: Company, BOBCAPS Research

Fig 58 – DCF assumptions

Variable	Assumption	Basis	
Risk Free Rate (%) (A)	6.2	Indian 10-year TB yield as of end-Sep'21	
Equity Risk Premium (%) (B)	6.9	NYU Stern India equity risk premium	
Beta (C)	1.6	Weekly returns over 2 years as of end-Sep'21	
Cost of Equity (%) (D) = A + B x C	17.4		
Cost of Debt (E)	8.0		
Marginal Tax Rate (%) (F)	22.5		
Post-Tax Cost of Debt (%) (G) = E x (1-F)	6.20		
Current Debt to Equity (2023) (H)	0.35		
WACC (I) = (1 x D + H x G)/(1 + H)	14.5		
	Stage 1	Stage 2	Stage 3 (Terminal)
FCF CAGR (%)	(328.9)	20.0	5.0

Source: Bloomberg, BOBCAPS Research

Fig 59 – Target price: Implied multiples

Multiples (x)	Target Price	Current Price	Consensus 12M forward 5Y mean	Consensus 5Y range	Variance vs. TRPC 5Y historical mean (%)
P/E FY23E	34.0	33.7	58.2	16.3 - 15214.1	(41.6)
EV/EBITDA FY23E	17.4	17.3	9.2	8.5 - 19.3	89.4
P/B FY23E	5.0	5.0	3.9	3.9 - 5.5	27.7

Source: Bloomberg, BOBCAPS Research

Key risks

Upside risks to our estimates include:

- faster-than-estimated recovery in CV sales,
- gain in market share and strong recovery in exports

Downside risk include

- Weak CV volumes due to macro reasons or shift of freight to rail.

Stock performance

Fig 60 – AL

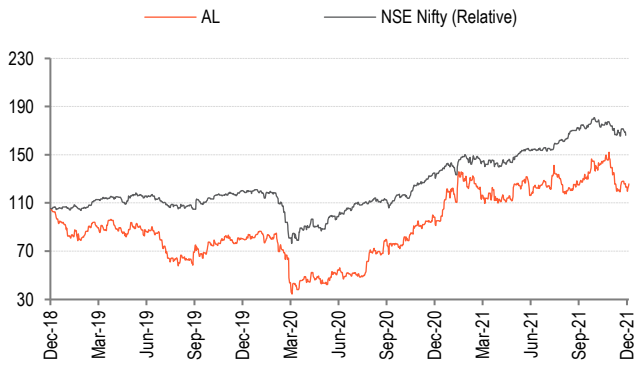


Fig 61 – ESC

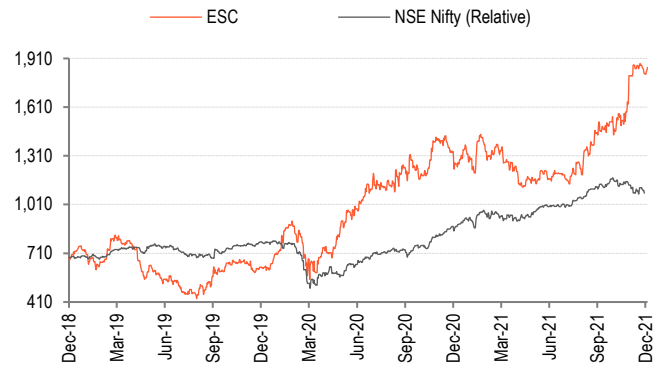


Fig 62 – MM

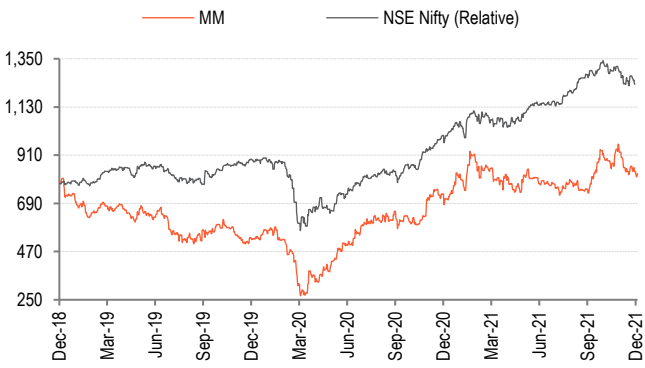
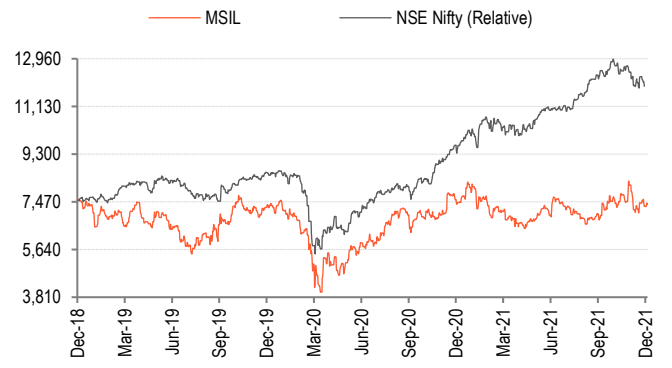


Fig 63 – MSIL



Source: NSE

Financials – AL

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	1,78,847	1,53,014	1,97,056	2,71,686	3,13,797
EBITDA	11,736	5,351	12,136	23,433	30,565
Depreciation	6,698	7,477	8,256	8,483	9,166
EBIT	6,272	(931)	5,107	16,238	22,806
Net interest inc./(exp.)	(1,095)	(3,068)	(3,270)	(2,742)	(1,686)
Other inc./(exp.)	1,233	1,195	1,227	1,287	1,407
Exceptional items	(1,558)	(121)	0	0	0
EBT	3,619	(4,119)	1,837	13,495	21,120
Income taxes	1,224	(983)	413	3,036	4,752
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	2,395	(3,136)	1,424	10,459	16,368
Adjustments	1,558	121	0	0	0
Adjusted net profit	3,953	(3,016)	1,424	10,459	16,368

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	26,239	51,647	44,833	47,786	47,308
Other current liabilities	18,227	14,859	27,149	20,484	15,985
Provisions	8,055	6,545	6,545	6,545	6,545
Debt funds	32,814	37,163	37,163	25,162	13,162
Other liabilities	3,273	2,805	2,805	2,805	2,805
Equity capital	2,936	2,936	2,936	2,936	2,936
Reserves & surplus	69,704	66,837	63,179	68,049	78,269
Shareholders' fund	72,640	69,772	66,115	70,985	81,205
Total liab. and equities	1,61,248	1,82,792	1,84,610	1,73,768	1,67,011
Cash and cash eq.	13,225	8,436	(2,326)	(26,811)	(25,371)
Accounts receivables	11,798	28,160	24,295	26,052	21,493
Inventories	12,380	21,423	21,595	26,052	25,792
Other current assets	17,855	16,397	29,426	31,839	26,126
Investments	27,196	30,687	30,687	33,687	36,687
Net fixed assets	68,036	70,504	73,466	75,983	75,318
CWIP	5,941	3,719	4,000	3,500	3,500
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(2,648)	(1,708)	(1,708)	(1,708)	(1,708)
Other assets	7,464	5,174	5,174	5,174	5,174
Total assets	1,61,247	1,82,792	1,84,610	1,73,768	1,67,011

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	4,104	6,650	7,862	2,574	27,995
Capital expenditures	(17,954)	(7,722)	(11,500)	(10,500)	(8,500)
Change in investments	(831)	(3,491)	0	(3,000)	(3,000)
Other investing cash flows	1,233	1,195	1,227	1,287	1,407
Cash flow from investing	(17,552)	(10,018)	(10,273)	(12,213)	(10,093)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	26,490	4,349	0	(12,000)	(12,000)
Interest expenses	(1,095)	(3,068)	(3,270)	(2,742)	(1,686)
Dividends paid	(12,702)	(1,761)	(5,081)	(5,589)	(6,148)
Other financing cash flows	244	(940)	0	0	0
Cash flow from financing	12,937	(1,421)	(8,351)	(20,331)	(19,834)
Chg in cash & cash eq.	(511)	(4,789)	(10,762)	(29,970)	(1,932)
Closing cash & cash eq.	13,225	8,436	(2,326)	(26,811)	(26,811)

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	1.3	(1.0)	0.5	3.6	5.6
Adjusted EPS	0.8	(1.1)	0.5	3.6	5.6
Dividend per share	4.3	0.6	1.7	1.9	2.1
Book value per share	24.7	23.8	22.5	24.2	27.7

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	2.1	2.5	2.0	1.5	1.3
EV/EBITDA	31.2	70.2	32.4	17.2	13.7
Adjusted P/E	154.3	(117.8)	259.5	35.3	22.6
P/BV	5.1	5.3	5.6	5.2	4.5

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	109.2	73.2	77.5	77.5	77.5
Interest burden (PBT/EBIT)	57.7	442.6	36.0	83.1	92.6
EBIT margin (EBIT/Revenue)	3.5	(0.6)	2.6	6.0	7.3
Asset turnover (Rev./Avg TA)	175.4	140.1	182.6	265.0	320.0
Leverage (Avg TA/Avg Equity)	1.3	1.5	1.6	1.5	1.3
Adjusted ROAE	5.1	(4.2)	2.1	15.3	21.5

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(39.3)	(14.4)	28.8	37.9	15.5
EBITDA	(61.8)	(54.4)	126.8	93.1	30.4
Adjusted EPS	(80.0)			634.7	56.5
Profitability & Return ratios (%)					
EBITDA margin	6.6	3.5	6.2	8.6	9.7
EBIT margin	3.5	(0.6)	2.6	6.0	7.3
Adjusted profit margin	2.2	(2.0)	0.7	3.8	5.2
Adjusted ROAE	5.4	(4.3)	2.2	14.7	20.2
ROCE	4.1	(0.6)	3.7	12.3	18.0
Working capital days (days)					
Receivables	38	48	49	34	28
Inventory	40	40	40	32	30
Payables	115	125	119	84	75
Ratios (x)					
Gross asset turnover	0.5	0.7	0.6	0.5	0.4
Current ratio	1.1	1.0	0.9	0.8	0.7
Net interest coverage ratio	(5.7)	0.3	(1.6)	(5.9)	(13.5)
Adjusted debt/equity	0.5	0.5	0.6	0.4	0.2

Source: Company, BOBCAPS Research

Financials – ESC

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	58,101	70,144	73,009	80,026	96,388
EBITDA	6,624	11,268	9,735	10,808	14,407
Depreciation	1,072	1,183	1,261	1,376	1,471
EBIT	6,528	11,689	11,142	13,150	17,554
Net interest inc./(exp.)	(172)	(133)	(130)	(130)	(130)
Other inc./(exp.)	976	1,604	2,668	3,718	4,618
Exceptional items	(103)	0	0	0	0
EBT	6,252	11,548	11,012	13,020	17,424
Income taxes	1,535	2,832	2,775	3,281	4,391
Extraordinary items	(5)	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	4,722	8,716	8,237	9,739	13,033
Adjustments	103	0	0	0	0
Adjusted net profit	4,825	8,716	8,237	9,739	13,033

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	12,929	11,954	12,998	14,176	7,413
Other current liabilities	3,403	3,980	6,938	7,633	17,294
Provisions	1,563	2,958	0	0	0
Debt funds	192	17	17	17	17
Other liabilities	535	837	837	837	837
Equity capital	1,226	1,348	1,348	1,348	1,348
Reserves & surplus	29,948	48,913	56,455	65,519	77,879
Shareholders' fund	31,174	50,261	57,803	66,868	79,227
Total liab. and equities	49,796	70,008	78,593	89,530	1,04,788
Cash and cash eq.	3,249	14,844	5,386	5,373	5,843
Accounts receivables	7,319	6,576	7,601	8,331	10,035
Inventories	8,834	7,182	8,401	9,208	11,091
Other current assets	3,199	2,122	3,102	3,391	4,063
Investments	7,974	19,380	32,380	40,380	50,380
Net fixed assets	17,024	18,197	19,936	21,060	21,589
CWIP	1,247	412	500	500	500
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(307)	(233)	(233)	(233)	(233)
Other assets	1,310	1,520	1,520	1,520	1,520
Total assets	49,847	69,999	78,593	89,530	1,04,788

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	7,865	12,723	4,518	7,313	8,396
Capital expenditures	(2,071)	(1,521)	(3,088)	(2,500)	(2,000)
Change in investments	(3,066)	(11,407)	(13,000)	(8,000)	(10,000)
Other investing cash flows	976	1,604	2,668	3,718	4,618
Cash flow from investing	(4,161)	(11,324)	(13,420)	(6,782)	(7,382)
Equities issued/Others	(8)	10,583	0	0	0
Debt raised/repaid	(2,618)	(175)	0	0	0
Interest expenses	(172)	(133)	(130)	(130)	(130)
Dividends paid	(260)	(245)	(674)	(674)	(674)
Other financing cash flows	(170)	(40)	(21)	0	0
Cash flow from financing	(3,228)	9,989	(825)	(804)	(804)
Chg in cash & cash eq.	477	11,388	(9,727)	(273)	210
Closing cash & cash eq.	3,249	14,844	5,386	5,373	5,843

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	49.2	79.0	74.7	88.3	118.2
Adjusted EPS	49.2	79.0	74.7	88.3	118.2
Dividend per share	1.7	1.8	5.0	5.0	5.0
Book value per share	254.3	372.8	428.7	495.9	587.6

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	4.3	3.5	3.2	3.0	2.6
EV/EBITDA	37.4	22.0	24.2	22.1	17.3
Adjusted P/E	37.7	23.5	24.9	21.0	15.7
P/BV	7.3	5.0	4.3	3.7	3.2

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	77.2	75.5	74.8	74.8	74.8
Interest burden (PBT/EBIT)	95.8	98.8	98.8	99.0	99.3
EBIT margin (EBIT/Revenue)	11.2	16.7	15.3	16.4	18.2
Asset turnover (Rev./Avg TA)	187.1	168.9	133.0	126.6	130.4
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
Adjusted ROAE	16.7	21.4	15.2	15.6	17.8

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(7.2)	20.7	4.1	9.6	20.4
EBITDA	(8.3)	70.1	(13.6)	11.0	33.3
Adjusted EPS	0.8	64.2	(5.5)	18.2	33.8
Profitability & Return ratios (%)					
EBITDA margin	11.4	16.1	13.3	13.5	14.9
EBIT margin	11.2	16.7	15.3	16.4	18.2
Adjusted profit margin	8.3	12.4	11.3	12.2	13.5
Adjusted ROAE	15.5	17.3	14.3	14.6	16.5
ROCE	15.9	21.2	15.2	15.6	17.8
Working capital days (days)					
Receivables	52	36	35	36	35
Inventory	55	42	39	40	38
Payables	114	98	90	90	60
Ratios (x)					
Gross asset turnover	0.5	0.4	0.4	0.4	0.4
Current ratio	1.3	1.6	1.2	1.2	1.3
Net interest coverage ratio	(37.9)	(87.6)	(85.7)	(101.2)	(135.0)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research

Financials – MM

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	4,48,655	4,45,744	5,39,187	6,11,519	6,27,542
EBITDA	63,506	69,766	72,815	88,238	92,433
Depreciation	23,631	23,624	28,344	33,384	37,794
EBIT	55,266	58,115	61,186	72,694	75,479
Net interest inc./(exp.)	(1,245)	(3,957)	(4,000)	(4,000)	(4,000)
Other inc./(exp.)	15,391	11,973	16,715	17,840	20,840
Exceptional items	(28,111)	(31,745)	0	0	0
EBT	54,021	54,158	57,186	68,694	71,479
Income taxes	18,513	13,183	14,411	17,311	18,013
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	7,397	9,229	42,775	51,383	53,466
Adjustments	28,111	31,745	0	0	0
Adjusted net profit	35,509	40,974	42,775	51,383	53,466

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	72,006	1,06,438	1,32,101	1,38,127	1,29,901
Other current liabilities	30,229	48,845	62,690	56,109	42,310
Provisions	15,781	15,077	15,077	15,077	15,077
Debt funds	31,530	72,143	72,143	72,143	72,143
Other liabilities	7,274	8,898	8,898	8,898	8,898
Equity capital	5,965	5,974	5,974	5,974	5,974
Reserves & surplus	3,40,326	3,47,239	3,80,698	4,22,766	4,66,916
Shareholders' fund	3,46,291	3,53,212	3,86,672	4,28,740	4,72,890
Total liab. and equities	5,03,111	6,04,613	6,77,581	7,19,093	7,41,220
Cash and cash eq.	42,365	62,555	94,045	97,757	80,107
Accounts receivables	29,012	22,012	37,743	36,691	37,653
Inventories	40,408	47,827	53,919	55,037	56,479
Other current assets	37,496	45,920	53,919	55,037	50,203
Investments	1,75,329	2,22,862	2,22,862	2,52,862	3,02,862
Net fixed assets	1,69,093	1,81,325	1,92,981	1,99,598	1,91,804
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(15,068)	(14,497)	(14,497)	(14,497)	(14,497)
Other assets	24,475	36,609	36,609	36,609	36,609
Total assets	5,03,111	6,04,613	6,77,581	7,19,093	7,41,220

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	31,488	81,660	60,090	61,188	46,826
Capital expenditures	(47,757)	(35,856)	(40,000)	(40,000)	(30,000)
Change in investments	30,933	(47,533)	0	(30,000)	(50,000)
Other investing cash flows	15,391	11,973	16,715	17,840	20,840
Cash flow from investing	(1,433)	(71,415)	(23,285)	(52,160)	(59,160)
Equities issued/Others	7	9	0	0	0
Debt raised/repaid	4,728	40,613	0	0	0
Interest expenses	(1,245)	(3,957)	(4,000)	(4,000)	(4,000)
Dividends paid	(3,327)	(10,868)	(9,315)	(9,315)	(9,315)
Other financing cash flows	(552)	7,980	0	0	0
Cash flow from financing	(389)	33,776	(13,315)	(13,315)	(13,315)
Chg in cash & cash eq.	29,666	44,020	23,489	(4,288)	(25,650)
Closing cash & cash eq.	42,365	62,555	94,045	97,757	80,107

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	28.6	33.0	34.4	41.4	43.0
Adjusted EPS	28.6	33.0	34.4	41.4	43.0
Dividend per share	2.4	8.8	7.5	7.5	7.5
Book value per share	278.8	284.4	311.3	345.2	380.7

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	2.2	2.2	1.7	1.5	1.5
EV/EBITDA	15.6	13.9	12.9	10.4	10.0
Adjusted P/E	28.9	25.1	24.0	20.0	19.2
P/BV	3.0	2.9	2.7	2.4	2.2

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	13.7	17.0	74.8	74.8	74.8
Interest burden (PBT/EBIT)	97.7	93.2	93.5	94.5	94.7
EBIT margin (EBIT/Revenue)	12.3	13.0	11.3	11.9	12.0
Asset turnover (Rev./Avg TA)	116.9	108.8	119.6	125.1	118.0
Leverage (Avg TA/Avg Equity)	1.1	1.2	1.2	1.2	1.2
Adjusted ROAE	2.1	2.6	11.6	12.6	11.9

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(15.1)	(0.6)	21.0	13.4	2.6
EBITDA	(15.7)	9.9	4.4	21.2	4.8
Adjusted EPS	(34.5)	15.4	4.4	20.1	4.1
Profitability & Return ratios (%)					
EBITDA margin	14.2	15.7	13.5	14.4	14.7
EBIT margin	12.3	13.0	11.3	11.9	12.0
Adjusted profit margin	7.9	9.2	7.9	8.4	8.5
Adjusted ROAE	10.2	11.7	11.6	12.6	11.9
ROCE	8.8	10.0	9.5	10.5	10.1
Working capital days (days)					
Receivables	27	21	20	22	22
Inventory	54	53	34	33	32
Payables	107	108	115	116	113
Ratios (x)					
Gross asset turnover	0.4	0.5	0.5	0.5	0.5
Current ratio	1.3	1.0	1.1	1.2	1.2
Net interest coverage ratio	(44.4)	(14.7)	(15.3)	(18.2)	(18.9)
Adjusted debt/equity	0.1	0.2	0.2	0.2	0.2

Source: Company, BOBCAPS Research

Financials – MSIL

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	7,56,106	7,03,325	7,52,945	9,61,360	10,69,416
EBITDA	73,026	53,453	36,591	85,645	1,05,810
Depreciation	35,257	30,315	33,451	36,951	40,201
EBIT	71,977	52,602	39,050	89,083	1,11,599
Net interest inc./(exp.)	(1,329)	(1,008)	(800)	(800)	(800)
Other inc./(exp.)	34,208	29,464	35,909	40,389	45,989
Exceptional items	0	0	0	0	0
EBT	70,648	51,594	38,250	88,283	1,10,799
Income taxes	14,142	9,297	7,650	17,657	22,160
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	56,506	42,297	30,600	70,627	88,639
Adjustments	0	0	0	0	0
Adjusted net profit	56,506	42,297	30,600	70,627	88,639

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	78,549	1,01,681	1,15,367	1,41,210	1,55,556
Other current liabilities	19,484	47,208	(49,906)	(61,186)	(67,501)
Provisions	14,274	7,875	7,875	7,875	7,875
Debt funds	22,860	26,629	91,629	93,629	1,01,629
Other liabilities	0	0	0	0	0
Equity capital	1,510	1,510	1,510	1,510	1,510
Reserves & surplus	4,82,860	5,23,496	5,29,930	5,76,390	6,40,863
Shareholders' fund	4,84,370	5,25,006	5,31,440	5,77,900	6,42,373
Total liab. and equities	6,19,537	7,08,399	6,96,405	7,59,428	8,39,933
Cash and cash eq.	211	31,981	(47,186)	(48,108)	(55,127)
Accounts receivables	21,270	12,766	13,667	17,450	19,411
Inventories	32,149	30,500	32,652	41,690	46,376
Other current assets	13,547	34,485	34,979	37,055	38,131
Investments	3,64,676	4,17,867	4,79,867	5,29,867	6,19,867
Net fixed assets	1,57,812	1,52,545	1,54,094	1,52,143	1,41,942
CWIP	13,374	11,923	12,000	13,000	13,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(715)	(715)	(715)	(715)	(715)
Other assets	17,213	17,047	17,047	17,047	17,047
Total assets	6,19,537	7,08,399	6,96,405	7,59,428	8,39,933

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	34,644	75,978	(59,633)	66,054	82,359
Capital expenditures	(36,364)	(23,597)	(35,077)	(36,000)	(30,000)
Change in investments	474	(53,191)	(62,000)	(50,000)	(90,000)
Other investing cash flows	34,208	29,464	35,909	40,389	45,989
Cash flow from investing	(1,682)	(47,324)	(61,168)	(45,611)	(74,011)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	604	3,769	65,000	2,000	8,000
Interest expenses	(1,329)	(1,008)	(800)	(800)	(800)
Dividends paid	(24,166)	(13,594)	(24,166)	(24,166)	(24,166)
Other financing cash flows	(4,925)	0	0	0	0
Cash flow from financing	(29,816)	(10,833)	40,034	(22,966)	(16,966)
Chg in cash & cash eq.	3,146	17,821	(80,767)	(2,523)	(8,618)
Closing cash & cash eq.	211	31,981	(47,186)	(48,108)	(55,127)

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	187.1	140.0	101.3	233.8	293.4
Adjusted EPS	187.1	140.0	101.3	233.8	293.4
Dividend per share	80.0	45.0	80.0	80.0	80.0
Book value per share	1,603.5	1,738.0	1,759.3	1,913.1	2,126.5

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	2.9	3.2	2.9	2.4	2.2
EV/EBITDA	30.4	41.5	60.2	26.5	21.9
Adjusted P/E	39.5	52.8	72.9	31.6	25.2
P/BV	4.6	4.3	4.2	3.9	3.5

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	80.0	82.0	80.0	80.0	80.0
Interest burden (PBT/EBIT)	98.2	98.1	98.0	99.1	99.3
EBIT margin (EBIT/Revenue)	9.5	7.5	5.2	9.3	10.4
Asset turnover (Rev./Avg TA)	152.6	132.8	128.2	148.5	151.1
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.1	1.2	1.2
Adjusted ROAE	11.9	8.4	5.8	12.7	14.5

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(12.1)	(7.0)	7.1	27.7	11.2
EBITDA	(33.6)	(26.8)	(31.5)	134.1	23.5
Adjusted EPS	(3.1)	(25.1)	(27.7)	130.8	25.5
Profitability & Return ratios (%)					
EBITDA margin	9.7	7.6	4.9	8.9	9.9
EBIT margin	9.5	7.5	5.2	9.3	10.4
Adjusted profit margin	7.5	6.0	4.1	7.3	8.3
Adjusted ROAE	11.9	8.4	5.8	12.7	13.8
ROCE	11.3	7.9	5.2	10.8	12.4
Working capital days (days)					
Receivables	11	9	6	6	6
Inventory	22	22	15	14	15
Payables	61	65	69	66	70
Ratios (x)					
Gross asset turnover	0.4	0.5	0.5	0.4	0.4
Current ratio	0.6	0.7	0.5	0.5	0.5
Net interest coverage ratio	(54.2)	(52.2)	(48.8)	(111.4)	(139.5)
Adjusted debt/equity	0.0	0.1	0.2	0.2	0.2

Source: Company, BOBCAPS Research

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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