FIRST LIGHT

29 July 2021

RESEARCH

Maruti Suzuki | Target: Rs 8,000 | +12% | HOLD

Weak Q1, volume outlook healthy; cut to HOLD on limited upside

Mahindra Logistics | Target: Rs 711 | +16% | BUY

Recovery in net income; focus on warehousing

Greenpanel Industries | Target: Rs 315 | +28% | BUY

MDF continues to witness strong growth

Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.25	(4bps)	(23bps)	67bps
India 10Y yield (%)	6.23	0bps	14bps	31bps
USD/INR	74.47	(0.1)	(0.3)	0.6
Brent Crude (US$/bbl)	74.64	0.2	(2.2)	71.6
Dow	35,059	(0.2)	2.1	32.2
Shanghai	3,381	(2.5)	(3.9)	8.2
Sensex	52,579	(0.5)	(0.1)	39.3
India FII (US$ mn)	**26-Jul**	**MTD**	**CYTD**	**FYTD**
FII-D	7.8	(113.7)	(3,280.5)	(1,253.2)
FII-E	(298.1)	(934.3)	7,149.9	(176.5)

Source: Bank of Baroda Economics Research

SUMMARY

Maruti Suzuki

- MSIL's Q1 revenue fell 26% QoQ while lower gross margin and higher staff cost capped EBITDA margin at 4.6%. Adj. PAT declined 62% QoQ
- We expect healthy dispatches driven by low inventory levels and demand revival, though RM cost inflation remains a concern
- With a 10% stock rally in three months, further upsides look capped – downgrade from BUY to HOLD; Mar'22 TP unchanged at Rs 8,000

Click here **for the full report.**

Mahindra Logistics

- Strong Q1 operating income of Rs 164mn in a challenging quarter vs. a loss of Rs 206mn in Q1FY21
- Focus on warehousing to continue; people transport business will take more time to recover
- Retain BUY; we make minor changes to estimates and roll over to a Jun'22 TP of Rs 711 (vs. Rs 701)

Click here **for the full report.**

BOBCAPS Research
researchreport@bobcaps.in

Greenpanel Industries

- Q1 consolidated revenue growth robust at 242% YoY with 272%/132% rebound in MDF/plywood segments off a soft base
- EBITDA margin (ex-forex) rises to 22.7% vs. operating loss YoY with both MDF and plywood seeing good profitability
- We broadly maintain estimates and roll forward to a Jun'22 TP of Rs 315 (vs. Rs 295) – retain BUY

Click here for the full report.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD

TP: Rs 8,000 | ⮝ 12%

MARUTI SUZUKI | Automobiles | 28 July 2021

Weak Q1, volume outlook healthy; cut to HOLD on limited upside

- **MSIL's Q1 revenue fell 26% QoQ while lower gross margin and higher staff cost capped EBITDA margin at 4.6%. Adj. PAT declined 62% QoQ**
- **We expect healthy dispatches driven by low inventory levels and demand revival, though RM cost inflation remains a concern**
- **With a 10% stock rally in three months, further upsides look capped – downgrade from BUY to HOLD; Mar'22 TP unchanged at Rs 8,000**

Mayur Milak | Nishant Chowhan, CFA
researchreport@bobcaps.in

Weak Q1FY22: MSIL's Q1 revenue fell 26% QoQ to Rs 177.8bn due to a 28% volume drop. ASP grew 3% led by price hikes. Lower gross margin (-90bps QoQ) and higher employee cost (at 6% of sales including a Rs 300mn one-off expense) pulled EBITDA margin down to 4.6% (7.2% est.). Below-expected other income at Rs 5bn (vs. Rs 7.5bn on average in the prior four quarters) further dented profitability, resulting in adj. PAT of Rs 4.4bn (Rs 11.3bn est.) and EPS of Rs 14.6.

Healthy volume outlook: Management indicated a healthy sequential uptick in July monthly volumes and expects this traction to continue in the run-up to the festive season – growth will be driven by lower dealer inventory levels of 25-30 days and demand revival in both rural and urban areas. MSIL currently has an order book of ~170k units. We build in strong 27% YoY volume growth in FY22 after a 7% decline in FY21, with a 14% CAGR over FY21-FY24

RM cost inflation a concern: Commodity costs were up 3.5% QoQ in Q1FY22 and management expects further inflation in coming months. MSIL had taken limited price hikes in both April and July but would require further increases to fully offset cost inflation. In Q1, product discounts were at Rs 14,000/unit.

Cut to HOLD: We maintain our estimates for FY22/FY23 and introduce FY24 projections, modelling for a healthy revenue/EBITDA/PAT CAGR of 18%/27%/29% over FY21-FY24 – this will lead to an estimated ~500bps improvement in ROCE and ROE by FY24. We believe the 10% rally in stock price over the past three months prices in the strong growth prospects and hence cut our rating from BUY to HOLD. Our Mar'22 TP remains at Rs 8,000 based on an FY23E P/E multiple of 30x, which is in line with the stock's 10-year average.

Key changes

Target	Rating
◀ ▶	▼

Ticker/Price	MSIL IN/Rs 7,165
Market cap	US$ 29.1bn
Free float	44%
3M ADV	US$ 56.9mn
52wk high/low	Rs 8,329/Rs 6,119
Promoter/FPI/DII	56%/21%/17%

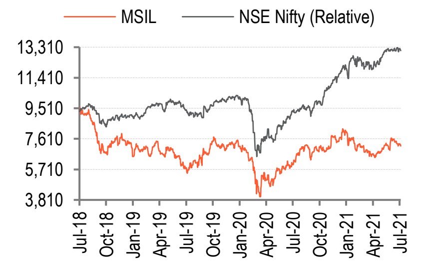
Source: NSE | Price as of 28 Jul 2021

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	703,325	937,711	1,043,110
EBITDA (Rs mn)	53,453	81,071	98,841
Adj. net profit (Rs mn)	42,297	66,184	81,184
Adj. EPS (Rs)	140.0	219.1	268.7
Consensus EPS (Rs)	140.0	218.2	290.5
Adj. ROAE (%)	8.4	12.1	13.6
Adj. P/E (x)	51.2	32.7	26.7
EV/EBITDA (x)	40.3	26.4	21.6
Adj. EPS growth (%)	(25.1)	56.5	22.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 711 | ⮝ 16%

MAHINDRA LOGISTICS | Logistics | 28 July 2021

Recovery in net income; focus on warehousing

- **Strong Q1 operating income of Rs 164mn in a challenging quarter vs. a loss of Rs 206mn in Q1FY21**
- **Focus on warehousing to continue; people transport business will take more time to recover**
- **Retain BUY; we make minor changes to estimates and roll over to a Jun'22 TP of Rs 711 (vs. Rs 701)**

Tarun Bhatnagar | Someel Shah
researchreport@bobcaps.in

Core in line; net misses estimate: MAHLOG reported Rs 94mn in net income for Q1FY22 versus a loss of Rs 158m in Q1FY21, driven by a 113% YoY increase in revenue and 570bps rise in EBITDA margin to 5.2%. Revenue growth was led by both supply chain (+114%) and people transport services (+87%). Segment margins for both businesses also increased YoY.

Sequentially, core net income fell 39% as revenue dropped by 10% and other income fell 59%. EBITDA margin increased 50bps QoQ. Supply chain/people transport revenues fell 10.5%/6.7%. Margins for the supply chain business grew 70bps QoQ to 8.1%. While revenue and EBITDA were in line with our estimates, higher depreciation and taxation led to a miss on net income.

Focus on warehousing; recovery in personal mobility will take time: MAHLOG intends to continue building up warehousing and to raise revenue contribution from the current 20%. The company has contracted 4msf and expects its new 1.2msf facility to be fully utilised. The Bajaj Electricals deal will start contributing later this fiscal year. The people transportation services segment remains a challenge amid the pandemic and recovery may take a few years, but green shoots are appearing as more employees start returning to work.

Retain BUY: We make minor changes to our FY22-FY24 EPS projections and have a new Jun'22 DCF-based TP of Rs 711 (Rs 701 earlier). Our target implies an FY23E P/E of ~35x and P/B of 6.6x, a premium of 3% and 20% to the three-year mean respectively. Maintain BUY. Key stock price drivers include strong recovery in M&M sale volumes, new customer adds in 3PL business and earnings recovery. Key downsides are a weaker-than-expected recovery and lower margins from new businesses.

Key changes

Target	Rating
▲	◀▶

Ticker/Price	MAHLOG IN/Rs 612
Market cap	US$ 590.1mn
Free float	42%
3M ADV	US$ 1.3mn
52wk high/low	Rs 631/Rs 273
Promoter/FPI/DII	58%/21%/12%

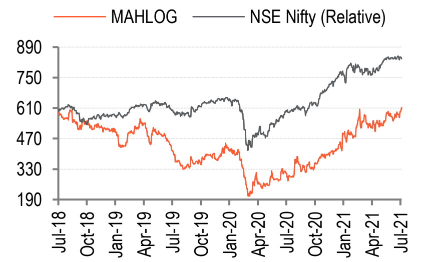
Source: NSE | Price as of 28 Jul 2021

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	32,637	41,609	47,710
EBITDA (Rs mn)	1,342	2,506	3,136
Adj. net profit (Rs mn)	328	979	1,461
Adj. EPS (Rs)	4.6	13.7	20.4
Consensus EPS (Rs)	4.6	10.8	16.8
Adj. ROAE (%)	5.9	16.1	20.5
Adj. P/E (x)	134.0	44.8	30.0
EV/EBITDA (x)	32.6	17.7	13.8
Adj. EPS growth (%)	(40.4)	199.0	49.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 315 | ⮝ 28%

GREENPANEL INDUSTRIES

| Construction Materials | 28 July 2021

MDF continues to witness strong growth

- **Q1 consolidated revenue growth robust at 242% YoY with 272%/132% rebound in MDF/plywood segments off a soft base**
- **EBITDA margin (ex-forex) rises to 22.7% vs. operating loss YoY with both MDF and plywood seeing good profitability**
- **We broadly maintain estimates and roll forward to a Jun'22 TP of Rs 315 (vs. Rs 295) – retain BUY**

Arun Baid
researchreport@bobcaps.in

Strong growth aided by MDF segment: GREENP's consolidated revenue grew 242% YoY to Rs 3.1bn, with MDF up 272% as the segment's volumes climbed 220%. In plywood, revenue rose 132% YoY as volumes surged 124% due to a weak lockdown-hit base quarter. In the MDF segment, demand was driven by both exports (+232% YoY) and domestic sales (+464% YoY). As per management, export demand remains strong even now, supporting elevated sales in Q2 as well. Domestic MDF demand has started to revive from mid-June post unlocking and has improved further in July.

Operating margin improves: EBITDA margin (ex-forex losses) stood at 22.7% vs. an operating loss YoY aided by higher MDF and plywood profitability and better capacity utilisation. MDF margin stood at 24.3% (vs. -4.3% YoY) backed by better utilisation (91% vs. 21%) and price hikes. Plywood earned 11% margins (vs. -18% YoY) due to cost optimisation and lower wastage. Management believes MDF margins are sustainable given price hikes in the domestic segment and could expand further if utilisation levels hold. Also, with the rise in international MDF prices in Q2FY22 YTD (+20% over Q1 to Rs 18,000-18,500/cbm), margins should hold steady.

Working capital and debt reduces: GREENP reduced its working capital by 56 days YoY to 33 (-2 days QoQ) primarily due to lower debtor days. Management indicated continued working capital discipline going ahead. During Q1, the company lowered consolidated net debt by Rs 180mn to Rs 3.6bn and is on track to reduce it by a further ~Rs 1.5bn, as guided, in FY22.

Maintain BUY: GREENP posted a robust Q1 despite lockdowns during the quarter. We continue to believe the MDF business enjoys significant demand tailwinds due to the growing acceptance of readymade furniture and shift of the low-cost plywood market to MDF where GREENP is the industry leader. Reiterate BUY on strong growth prospects and an improving debt and return ratio profile. We roll over to a new Jun'22 TP of Rs 315 (vs. Rs 295), based on an unchanged 18x one-year forward P/E which is a ~20% discount to target multiples for plywood peers.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	GREENP IN/Rs 247
Market cap	US$ 407.1mn
Free float	46.9%
3M ADV	US$ 1.4mn
52wk high/low	Rs 268/Rs 38
Promoter/FPI/DII	53%/5%/41%

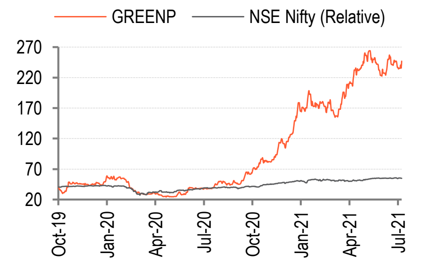
Source: NSE | Price as of 28 Jul 2021

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	10,208	13,526	15,976
EBITDA (Rs mn)	2,077	3,075	3,759
Adj. net profit (Rs mn)	808	1,493	2,014
Adj. EPS (Rs)	6.6	12.2	16.4
Consensus EPS (Rs)	6.6	11.6	16.5
Adj. ROAE (%)	11.6	18.5	20.5
Adj. P/E (x)	37.5	20.3	15.0
EV/EBITDA (x)	17.3	11.3	8.9
Adj. EPS growth (%)	219.4	84.7	34.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Rating distribution

As of 30 June 2021, out of 95 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 44 have BUY ratings, 7 have HOLD ratings, 17 are rated ADD*, 4 are rated REDUCE* and 23 are rated SELL. None of these companies have been investment banking clients in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities —that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.