

November 23, 2020

Analyst Meet Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	165		147	
Sales (Rs. m)	7,36,133	8,20,560	7,36,133	8,20,560
% Chng.	-	-	-	-
EBITDA (Rs. m)	64,499	78,989	64,499	78,989
% Chng.	-	-	-	-
EPS (Rs.)	6.4	8.2	6.4	8.2
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	635	625	736	821
EBITDA (Rs. bn)	52	42	64	79
Margin (%)	8.2	6.8	8.8	9.6
PAT (Rs. bn)	12	8	20	26
EPS (Rs.)	3.7	2.7	6.4	8.2
Gr. (%)	(27.5)	(28.2)	141.5	28.1
DPS (Rs.)	1.5	0.9	1.7	2.2
Yield (%)	1.1	0.7	1.2	1.6
RoE (%)	10.4	7.1	15.9	18.1
RoCE (%)	10.8	7.0	15.7	20.4
EV/Sales (x)	0.8	0.8	0.7	0.6
EV/EBITDA (x)	9.7	11.8	7.6	6.0
PE (x)	37.7	52.4	21.7	17.0
P/BV (x)	3.8	3.7	3.3	2.9

Key Data

MOSS.BO | MSS IN

52-W High / Low	Rs.151 / Rs.49
Sensex / Nifty	43,882 / 12,859
Market Cap	Rs.441bn/ \$ 5,943m
Shares Outstanding	3,158m
3M Avg. Daily Value	Rs.3362.64m

Shareholding Pattern (%)

Promoter's	61.73
Foreign	15.99
Domestic Institution	13.62
Public & Others	8.67
Promoter Pledge (Rs bn)	26.55

Stock Performance (%)

	1M	6M	12M
Absolute	27.9	70.2	5.5
Relative	18.1	19.5	(2.3)

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Vision 2025 – Aim non-auto contribution at ~25%

MSS hosted a virtual investor meet ([Link for PPT](#)) outlining key strategies to achieve for their vision 2025 targets. These include 1) Consol revenues at USD36bn 2) 3CX10 (no country/component/customer contribute >10% in topline) 3) 25% revenue from non-auto and 4) 40% of consol profit as dividend. In its sixth five-year plan (2020-2025), MSS is aggressive in targeting ~25% revenue from non-auto verticals such as Aerospace, Health care, IT and Logistics which are likely key enablers of USD9bn revenues (both organic and inorganic).

In our view, their target of USD36bn revenue by 2025 (v/s ~USD9bn in FY20) is aggressive and it will be pre-loaded by acquisitions both in auto and non-auto segment. It has hinted on several mid/large scale opportunities available in auto/non-auto space globally. While we remain constructive on MSS ability in automotive segment, growth in unchartered non-auto verticals (backed by wiring harness) is already seen. We maintain BUY with revised TP of Rs165 (vs Rs147) at 20x Mar-23 consol EPS (v/s Sep-22), with unchanged earnings. Inorganic opportunities and growth in non-auto space remain key rating catalyst going forward.

Key highlights

Content increase, adjacent growth and diversification- Key growth drivers

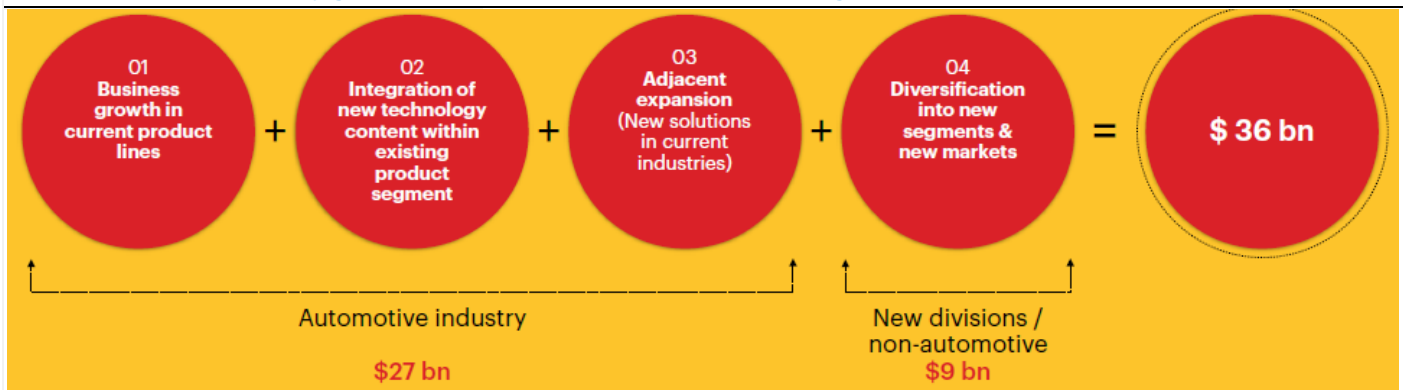
- Business growth in current product lines-** MSS focus will be to grow current products within existing customers and platforms. For mirror business (SMR) it is targeting deeper penetration with Japanese OEMs which currently account for <10% of SMR business (v/s 25% share in global volumes). SMP is targeting expansion in Europe, China and India. Increase vertical integration and insourcing of parts (SMR ~23% of RM is insourced). Wiring harness (WH) – content increase with change in regulations in PVs.
- New technologies in current product-** Bringing new technologies in WH for EV/hybrid vehicles which have higher content (~20-30% more v/s ICE), to expand lightings solutions beyond PVs, sensor integration and camera monitoring system in PVs.
- Adjacent expansion (new solution in current industries)-** MSS is on a target to provide new solutions in auto segment such as 1) 2W led lightings especially in premium segment, 2) deeper penetration in CV segment globally beyond China and North America and 3) expansion in rolling stock market.
- Diversification in new segments** such as Aerospace (through WH and aero structures), logistics solutions for auto OEMs and specialized B2B segments, entry in health care segment with tech enabled medical devices (working on portable CBC machines which is under development stage) and augment IT solution for data analytics.

Exhibit 1: MSS Vision 2025 key aspects



Source: Company Presentation

Exhibit 2: Vision 2025 – Key growth pillars – Automotive to lead the charge



Source: Company Presentation

Exhibit 3: Rationales for diversification in to Medical, Aerospace, Logistics and IT space

Medical	Aerospace	Logistics	IT
Positively impacts lives	Global presence	Consolidate fragmented B2B ancillary market	Legacy expertise in high-tech enablement of manufacturing organizations
Growing global needs	Manufacturing DNA	Delight customers with better technology driven solutions	Deep expertise in the automotive sector
Group capabilities well aligned for medical and health technology	Ability to pilot	Betterment of the lives of drivers	Enlarging global footprints through integrated competencies and strategic product innovation
Growing market size of over USD1tn	Turn around specialists	In-house agile, technology-enabling and efficiency-focused capabilities.	
Initial entry in place			

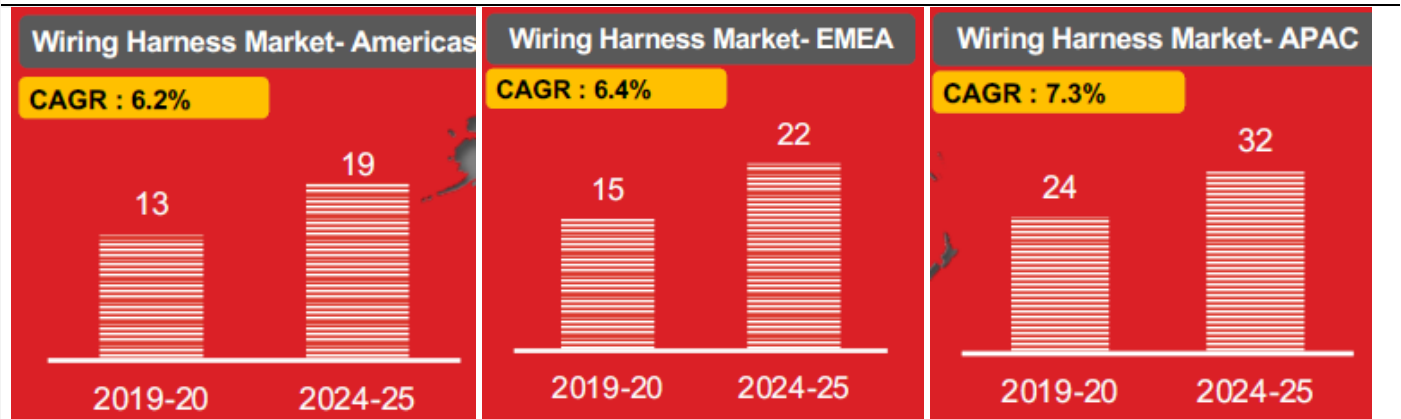
Source: Company Presentation

Wiring harness (WH) division – huge opportunity globally

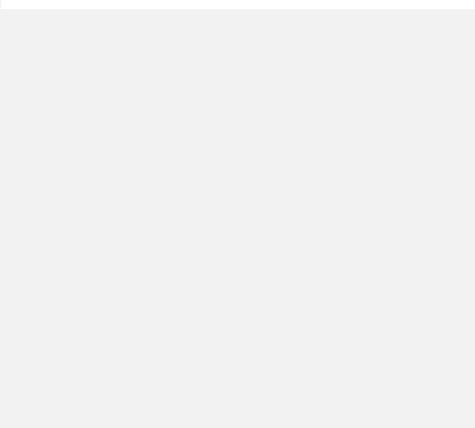
Regulation change to drive PV content while huge scope in non-autos

- WH business revenues grew 19.5% CAGR in last five years** to ~USD3bn (~23% in INR) led by 1) expansion in new markets globally i.e. 22 countries (v/s 14 in 2015) and 2) expansion of product portfolio beyond PVs to 2Ws, CVs, EVs and off highway vehicles. WH is ~26% of MSS consol revenues.
- As per MSS, global WH market is expected to expand at 6.5% CAGR over FY20-25 to USD73bn (v/s USD52bn in FY20). MSS accounted ~6.5% of global WH share in FY20 to ~USD3bn.**
- Growth to sustain both in India and abroad-** Multiple factors can drive WH growth (both value and volume) led by change in auto regulations, OEM thrust on comfort & safety and entry in new OEMs in India and overseas. Further MSS has designed and developed WH solutions for EV and hybrid technologies for PV and 2W segment which will possibly drive content growth (+20-30% v/s ICE).
- MSS indicated that key automotive markets will grow at ~6.2%- 7.4% CAGR over FY20-25. This would be mostly led by increased content and entry of new customers.**
- Currently, PKC accounts for ~3.3% of rolling stock market. However, expansion of rolling stock business beyond bombardier should help MSS grow the segment.

Exhibit 4: Wiring harness – opportunities in key markets



Source: Company Presentation



SMR – Entry in new geographies to drive growth

Vertical integration helped maintain profitability despite weak revenues

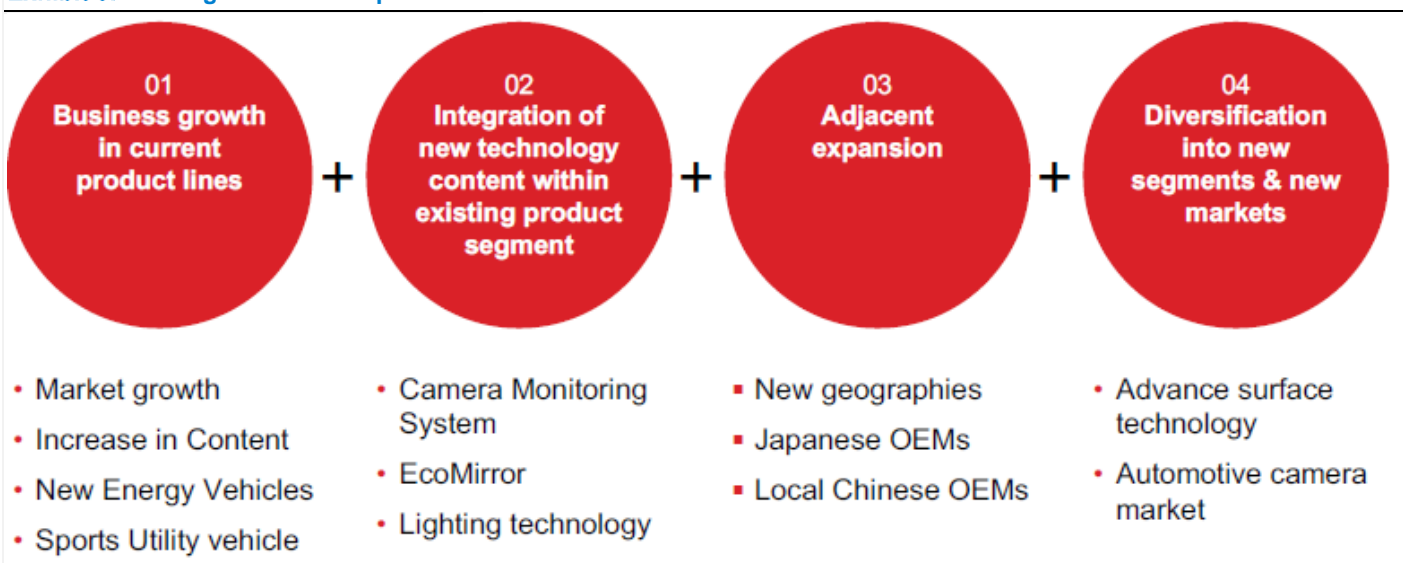
- SMR’s revenues grew at CAGR of 5.3% over FY15-20 to USD1.5bn (~19% of MSS revenues) despite ~1% CAGR decline in light vehicle production during the same period. This was due to market share gains in the existing product lines and increased market presence.
- Despite muted revenue growth, SMR was able to increase its EBITDA margins from 9.8% in FY15 to 11.7% in FY20. This was primarily led by ~6x increase in vertical integration (~27% of RM spend).
- **SMR has developed new products (having higher content) such as Eco Mirrors and CMS/ADAS which will be growth enablers. For the next growth phase, SMR identifies expansion opportunity in key overseas markets and segments as below:**

Exhibit 5: SMR- List of country/segment/product offerings and their market size

Country/ segment/ Products	Market size	Remarks
South Africa	600k units and Eur50m	No global auto exterior supplier in SA
Russia	1.7m units and Eur85m	Customer push for localization
Turkey	1.2m units and Eur60m	Currently present through license agreement
Japan	8.3m units and Eur600m	Looking to establish local presence
China	Chinese OEMs account for ~40% of global production	Targeting premium brands both in China and India
SUVs and Pick-ups	SUV CAGR is ~50% higher than pass car	SUV mirror has higher content
Electric vehicles	EV is growing at >30% CAGR	SMR has ~1/3 rd market share in global EVs
Eco Mirror	Next gen mirrors launched in 2 EV products	Size and weight reduction by 30%/ 20% respectively
CMS/ ADAS	Market size to be USD1b by 2030	CMS launched on PVs. CVs to be launched in 2021

Source: Company

Exhibit 6: SMR – growth roadmap for 2025



Source: Company Presentation

SMP – High focus on profits and ROCE

With large part of capex behind focus is now on sweating the assets

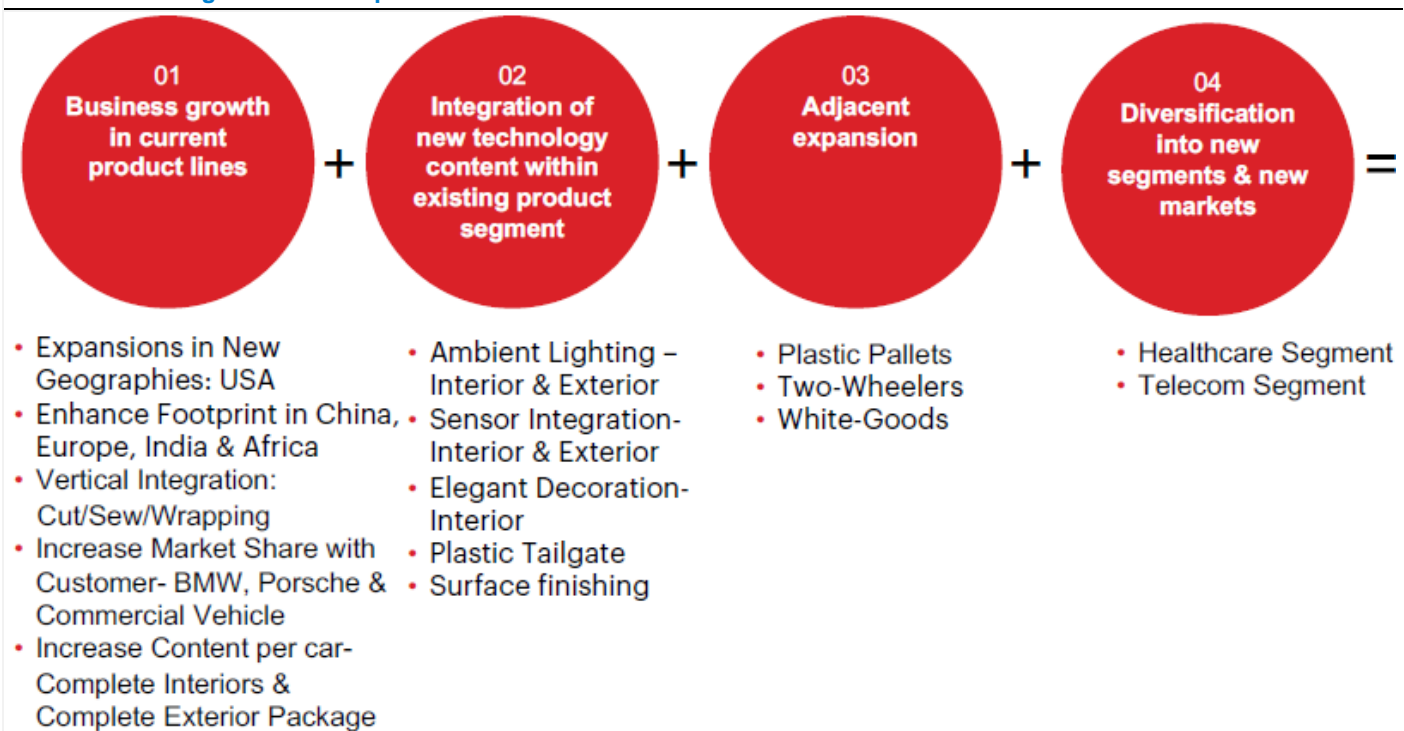
- SMP’s revenues grew at CAGR of 10.9% over FY15-20 to USD5.7bn (~51% of MSS revenues). This is led by higher growth in premium segment which is supported by footprint expansion (in Tuscaloosa and Kecskemet), continuous product innovations (both for interior and exterior for premium vehicles) and acquisitions (combined revenues of USD1.3b in 3 acquisitions).
- SMP aims to enhance its global presence in key automotive markets like US, China, Eastern Europe, Africa and India. Growth in these markets are led by diversification of customer base and product portfolio, geographic expansion through M&A and strategic investments.
- To capitalize its strong hold in CV wiring harness segment, MSS will focus on supplying interior and exterior parts such as instrument panels, front grills, door panel, wheel arch liner and elastomer parts. SMP also has developed future products for interior & exterior supply of various vehicle applications as under.

Exhibit 7: SMP- List of vehicle segments and their product offering

Vehicle segment	Type	Products
High end premium (Audi A8)	Interior	Sewing and wrapping
High end premium (BMW i8)	Interior	Lightweight instrument panels
High end premium (Merc E class)	Interior	Illuminated door panels
Autonomous vehicle	Exterior	Camera and Radar hidden bumpers
Passenger cars	Exterior	Plastic tailgate (under development)
PV and CV	Elastomer products Exterior (under development)	Back drain and front drain tubes

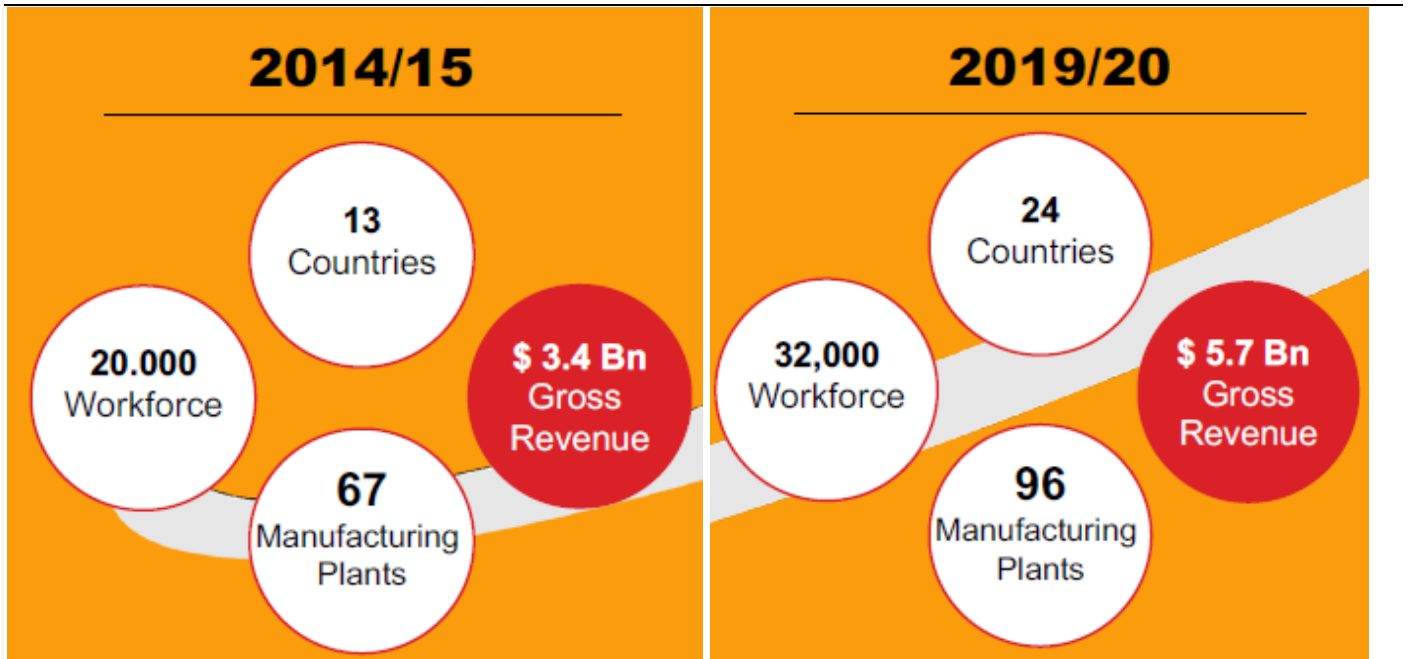
Source: Company

Exhibit 8: SMP – growth roadmap for 2025

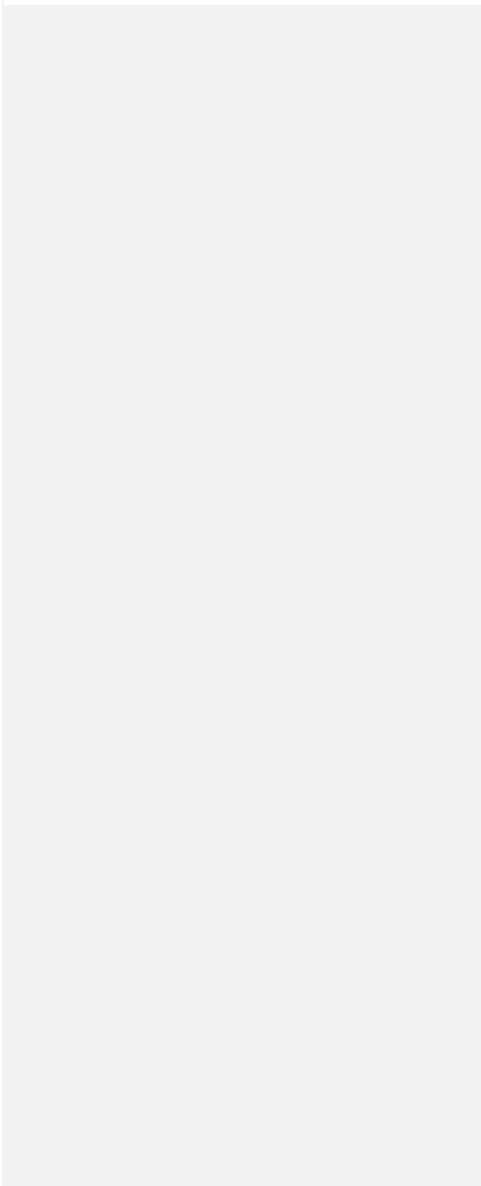


Source: Company Presentation

Exhibit 9: SMP – vertical and horizontal expansion drive growth over FY15-20



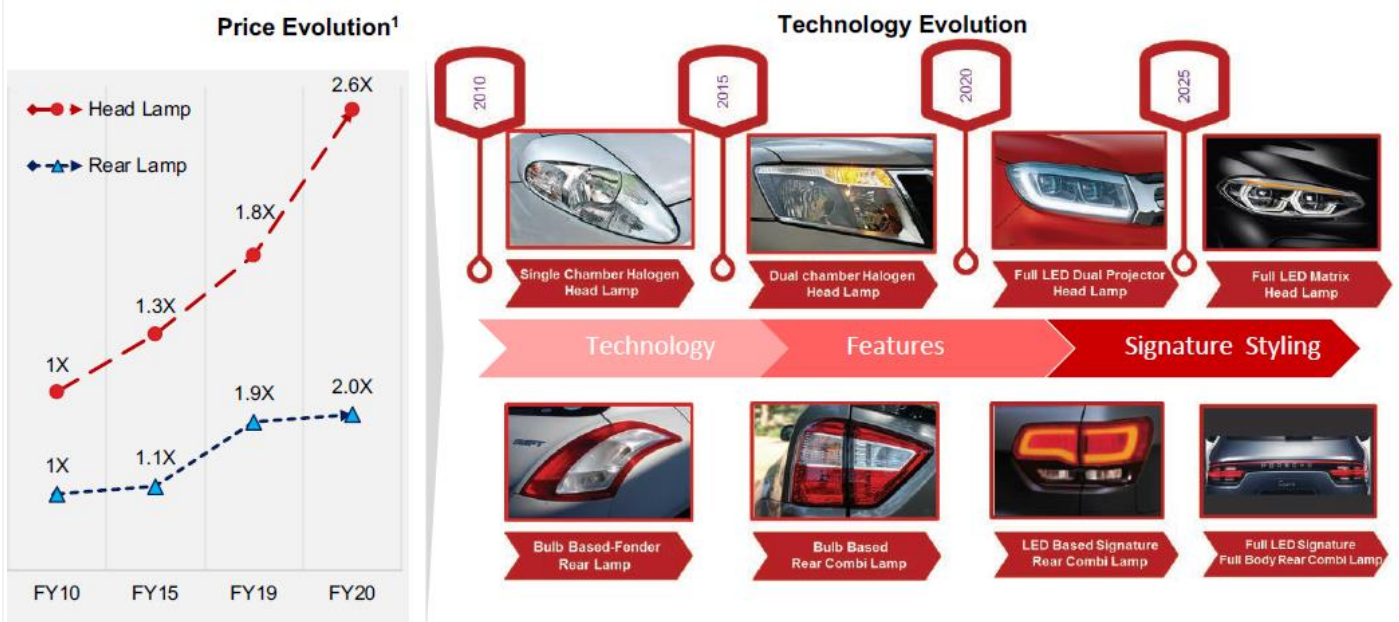
Source: Company Presentation



Lightings (MMLI) – among top 3 players in exterior lighting in India

- MMLI's revenue/EBITDA have increased at 33%/51% CAGR over FY15-20 to Rs8.7bn and Rs1.7bn. MMLI is currently the largest supplier to MSIL by value.
- As per co's estimates PV LED lighting penetration in India is ~30% as on FY20 (v/s 0.1% in FY10); which compares to ~85% in Europe (v/s 1% in FY10). Owing to evolution of automotive lighting from being a commodity to technology, the pricing for head lamp has increased 2.6x over FY10-20 while that for rear lamp increased ~2x.
- The company has localized almost 100% components for this business in India. Most of the infra capex in this business is done through internal accruals and the company hasn't borrowed in last three years.
- MMLI intends to focus on B+ PV segment to scale its business.

Exhibit 10: MMLI – Evolution trend from commodity to technology drive value growth for the business



Source: Company presentation

Exhibit 11: MMLI – Key emerging trend, MMLI’s preparedness and product road map

Emerging Trend	MMLI Preparedness	Comments
Halogen to LED	✓	2.5 – 3.0x price increase in last 5 years from Halogen to LED Lamps
Signature Lighting	✓	OEM adopting Signature pattern for brand recognition and due to this content in lamps are increasing.
Multiple lamps concepts	✓	With New Styling, OEMs are adding multiple lamps eg. In Front lighting (Head Lamp, DRL, FOG, Turn Indicator), In Rear Lighting (Body Lamp, full body Trunk Lamp, Bumper lamp etc.)
Entry of new customers with LED	✓	Localized Bi LED / Mono LED modules
Signalling Function upgrading to LED	✓	Localised Electronics Solution for Signalling Function

Product roadmap

Multiple project with Full LED Front & Rear Lighting System

Localised LED Solution Multi LED Projector

Multi LED Front and Rear Lighting for Electrical Vehicle

AIM Multiple BSVI AIM

Source: Company presentation

Mareli Motherson Auto Suspension Parts (MMAS)- Aiming at huge aftermarket opportunity.

- MMAS revenue increased at 10% CAGR over FY15-20 with EBITDA turn around at Rs121mn in FY20 and margins of 8.1% (v/s negative EBITDA of Rs56mn in FY15).
- MMAS is focusing on financial turnaround by way of improving focus on exports, expanding aftermarket business, increasing PV and CV product portfolio and price rationalization.

Exhibit 12: MMAS – Anticipating ramp up in exports and after market opportunities for growth

Mareli Motherson Auto Suspension Parts (MMAS) is 50- 50 JV company b/w Marelli & SAMIL

- JV with Marelli Ride Dynamics division, a US \$ 1 Billion leading player in shock absorbers and suspensions with 15 production sites globally



Manufacturing Footprint

- India/Pune

Sales Footprint

- India
- Poland
- Italy
- USA
- Australia
- Indonesia
- Morocco
- Brazil (Future Supply)

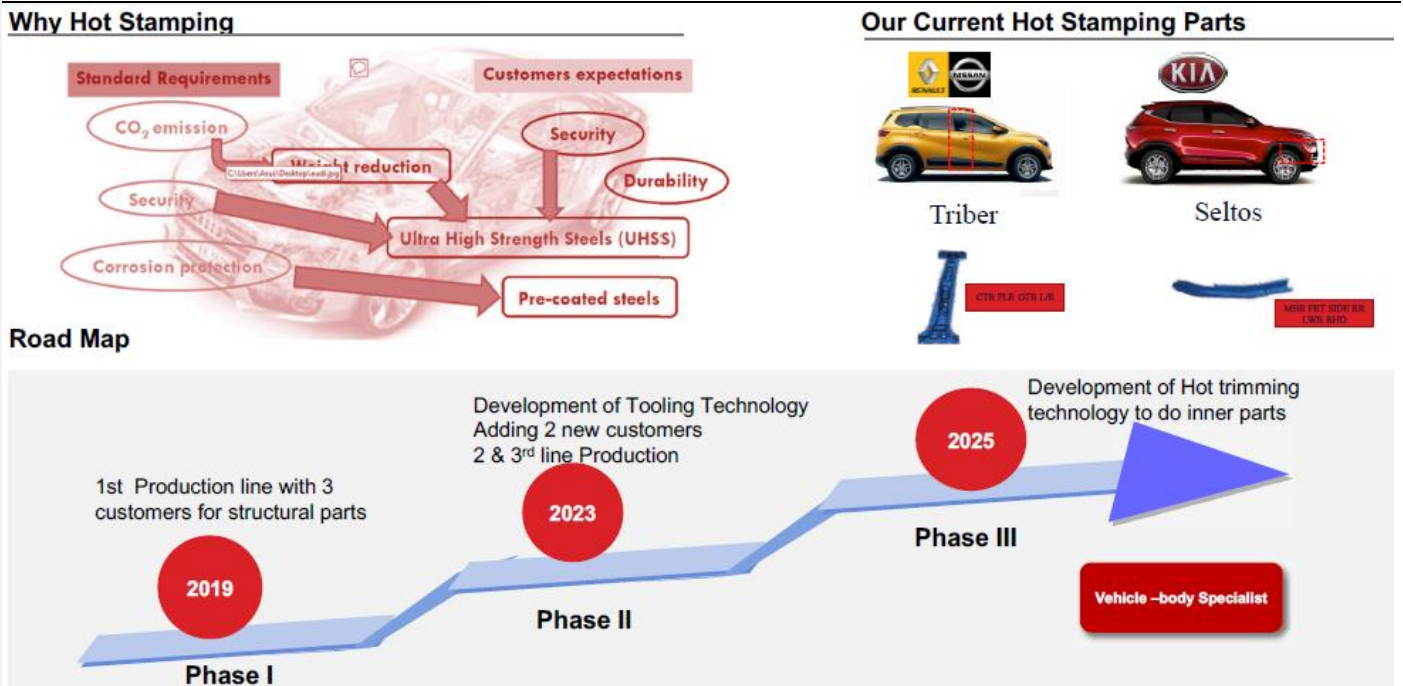


Source: Company presentation

MS Global India (MSGI) – Focus on light weighting through hot stamping

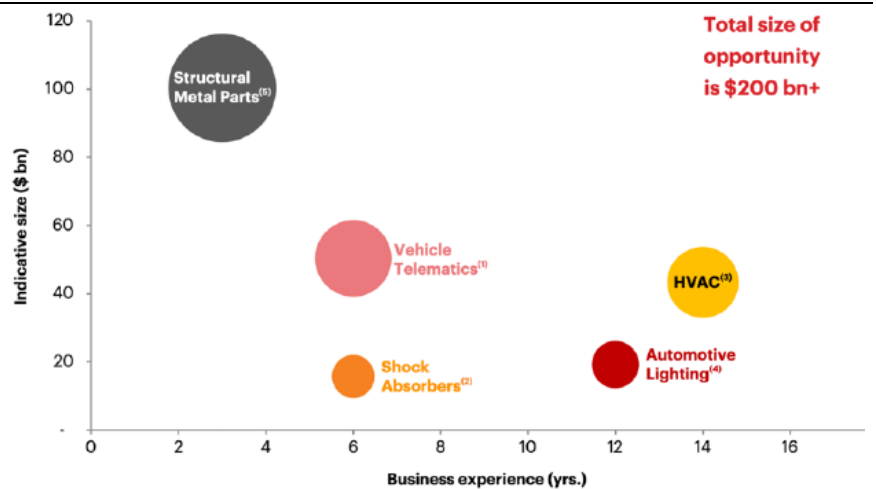
- MSGI’s revenue/EBITDA have increased at 18%/61% CAGR over FY18-20 to Rs3.4bn and Rs0.15bn. MMLI is currently largest supplier to Maruti Suzuki by value.
- Weight advantage of hot stamp (v/s cold) – global 15% of body parts (USD100b total size) are done through hot stamp (25-30% weight reduction). India is still in growth stage while US and Europe OEMs have adopted hot stamping. In India MG, Kia and Renault are adopting hot stamps.

Exhibit 13: MSGI – Already supply hot stamped products to Renault Triber and Kia Seltos



Source: Company presentation

Exhibit 14: SAMIL – Indicative inorganic opportunity for selected business



Source: Company presentation

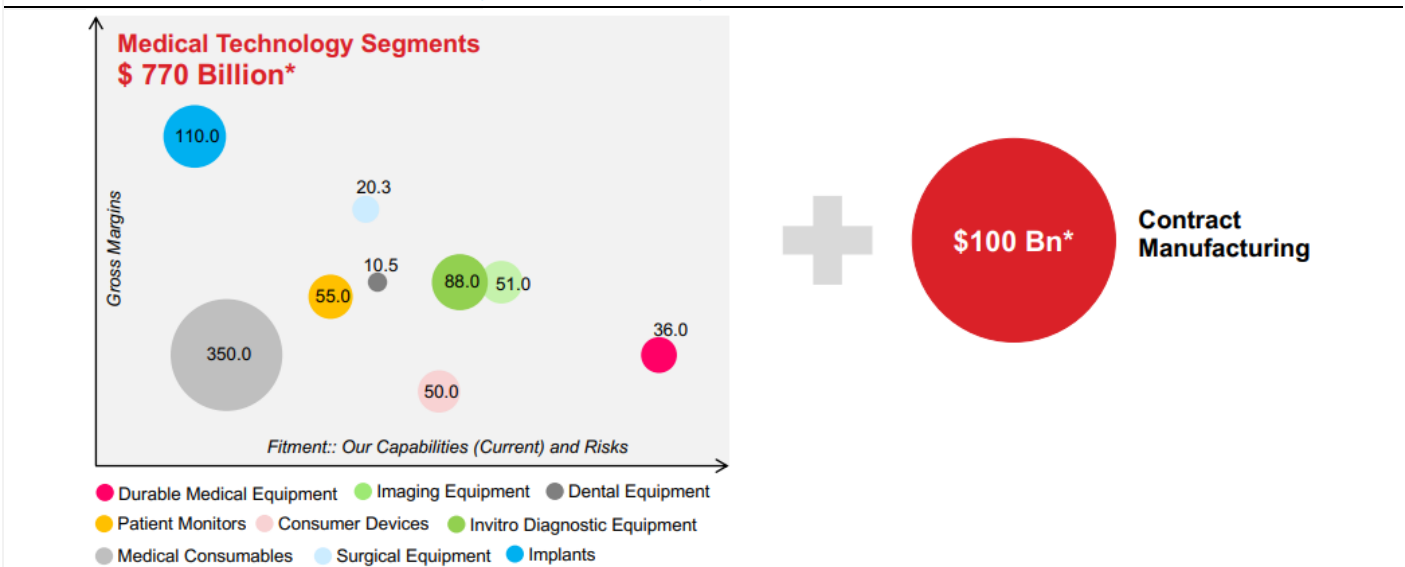
Non-Auto division- Revenue target of USD9bn by 2025

- MSS aims to grow in the non-automotive sectors where it has recently forayed into new divisions such as
 - Health & Medical (entry into health care segment with tech enabled medical devices),
 - Aerospace (through WH and aero structure)
 - Logistics (solutions for Auto OEMs and specialized B2B) and
 - IT solutions (for data analytics).
- The company has set consol revenue target of USD36bn by 2025, out of which 25% will be contributed by non-auto division.
- While automotive remains the focus, MSS will target substantial revenues from non-auto divisions by initially leveraging its existing strengths along with looking for organic growth and potential acquisitions.

Health & Medical Division

- Within the non-automotive segments, healthcare segment is expected to drive growth with projected **market size of USD770bn for medical technology and USD100bn for contract manufacturing by 2025.**
- **Global healthcare spend is expected to grow by 5% CAGR over 2019-2023** (v/s 2.7% in 2014-2018)- This will be largely driven by higher spend in geographies such as North America, Asia, Australia and western Europe.
- **Company is foraying into regions such as India, North America, Europe and Asia** by inorganically building global medical technology platform and launching point of care health and medical technologies.
- Currently the company has 21 employees based in 7 offices.

Exhibit 15: Health & Medical division- Projected 2025 Industry size



Source: Company Presentation

Exhibit 16: Strengthening partnerships with universities, hospitals, local governments to build presence in the division

	<p>Re-Timer Sleep Therapy Glasses</p> <ul style="list-style-type: none"> • In market with revenues of ~ \$ 0.5 mn • Available in USA, Europe, Australia, Korea, Japan 		<p>Clinical Face Shield Class1 Medical Device</p> <ul style="list-style-type: none"> • Launched in July 2020: ~ \$ 0.5 mn of revenues
	<p>Thim Sleep Training Ring</p> <ul style="list-style-type: none"> • Launching in market in Q1 2021 		<p>Contract Manufacturing Services To Medical Device OEM's</p> <ul style="list-style-type: none"> • Supplying to GE Healthcare, Philips, others • Current size business ~USD 5 mn • Operate ISO 13485 certified facility

Source: Company presentation

Exhibit 17: Will continue to build new products

	<p>3dBioPen For cartilage regrowth in knee reconstruction</p> <ul style="list-style-type: none"> • Used to print live stem cells that promote regrowth of cartilage 		<p>MaXm Skate Fully integrated rehabilitation device</p> <ul style="list-style-type: none"> • Captures and reports exercise data, results are immediately accessible by physiotherapist
	<p>Bladder Cancer Sensor "Lab-on-Chip" for detection of urothelial cancers</p> <ul style="list-style-type: none"> • Disrupts current test: < 2 hours, using urine sample vs invasive biopsy, results in 2+ days 		<p>And more products under development</p>

Source: Company presentation

Aerospace Division

- **Global average market value for aerospace industry** was expected to be USD3.5tn with 10 years' order book value Airbus and Boeing at ~USD11tn (Pre-COVID perspective). Also, 40k new aircrafts were expected to be delivered by 2040.
- However, COVID-19 severely impacted the division which is expected to result in shrinkage of new aircraft deliveries in short run and industry has been forced to work at an optimum cost.
- The pandemic created a tremendous opportunity for MSS led by i) localization of supply chain ii) expected widespread consolidation and iii) aerospace manufacturers moving to India/China for lower cost.
- For foraying into aerospace division, company is focusing on

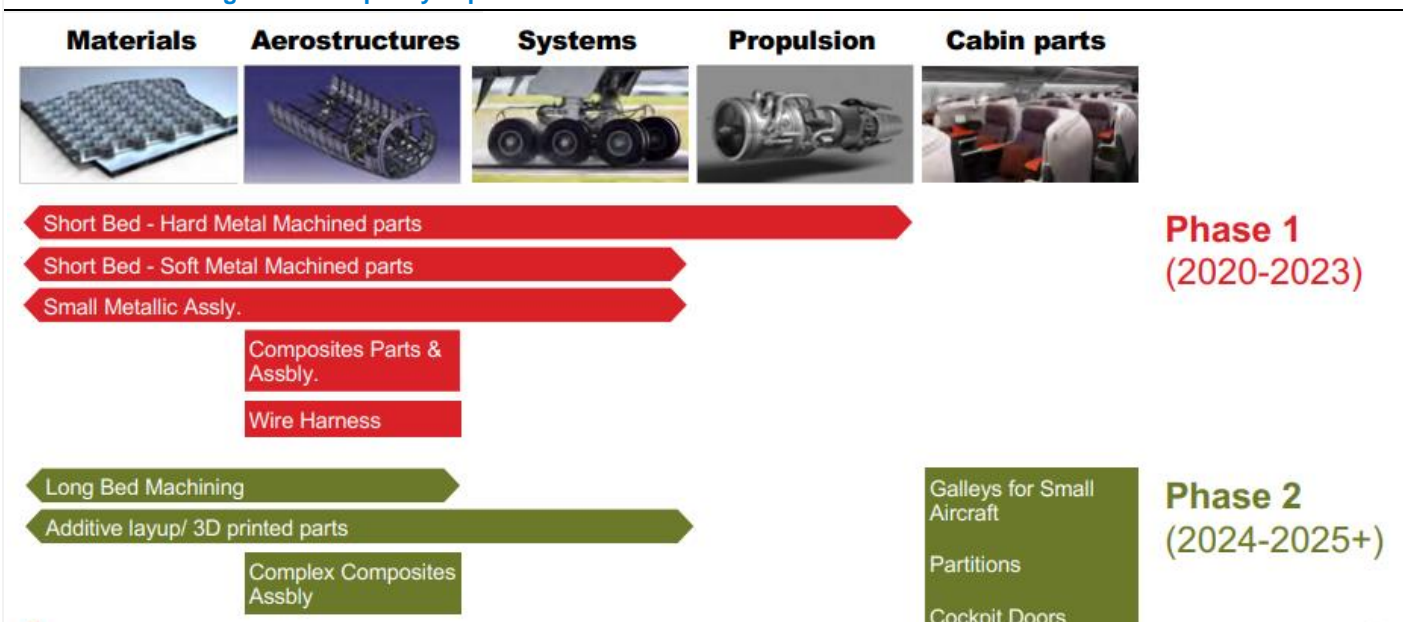
- Brownfield- Leveraging the group’s existing capabilities in SMIIEL (Noida), MINES (Bangalore), MAE (Chennai), MSSL (Bangalore) and MWSI (Portland).
- Greenfield- Setting up facility with focus on wiring harness to be ready by April 2021.
- M&A- Actively looking for acquiring new capabilities, engaging with US, European primes on consolidating opportunities and reviewing strategic assets in France, US, Germany and Canada.

Exhibit 18: Aerospace division- MSS focus area and industry size



Source: Company presentation

Exhibit 19: Planning to build capacity in phased manner

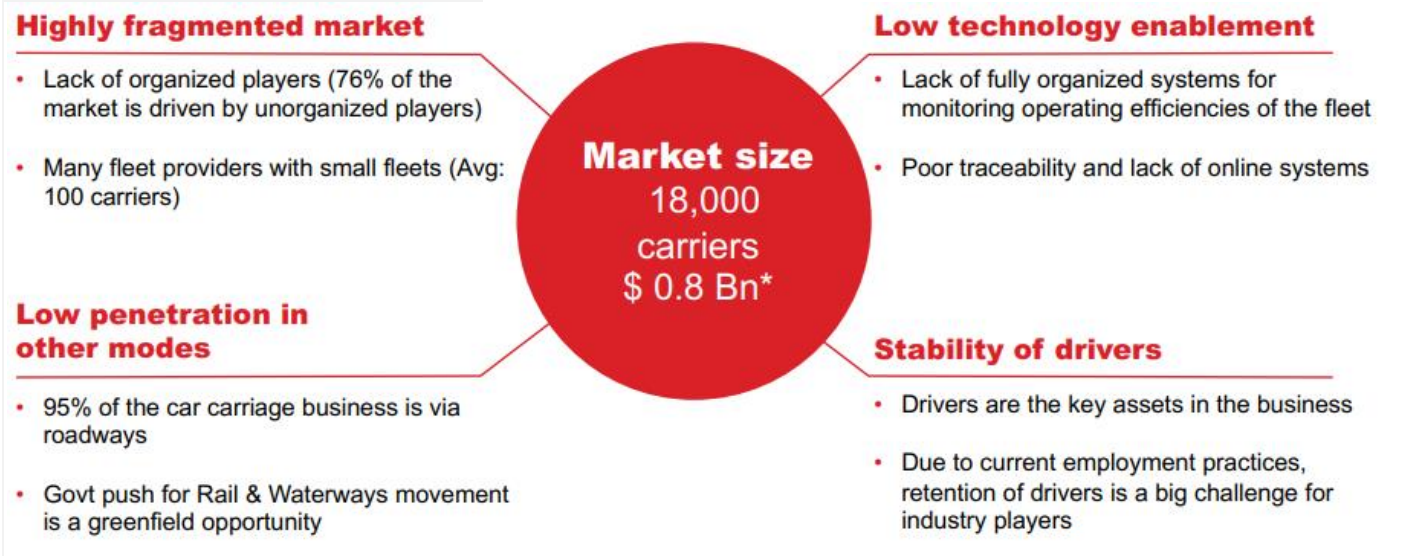


Source: Company presentation

Logistics Solution Division

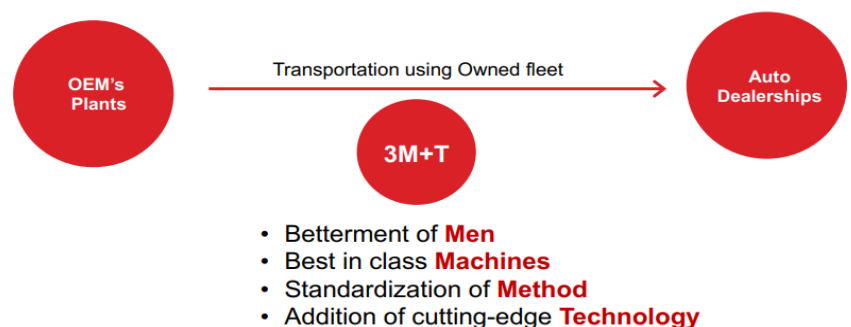
- The company is focusing on 4 areas- external logistics, internal logistics, skilling and new opportunities. Activities will be carried out by 3 specialized companies- SAMRX, SMGCL, Swarna Lata Motherson Center.
- **External logistics-** SAMRX is a JV between Hamakyorex and Motherson which is involved in car carrier business with capacity of ~19k cars/month. **The industry size for car carriage market is about USD0.8bn**
- **Internal logistics-** SMGCL’s vision is to be an in-house single window 4PL solution provider empowering MSS’s supply chain which will help reducing ~10% freight savings.
- **Skill Swarna Lata Motherson Center-** As part of Skill India plans to create a holistic Centre of Excellence complete with India’s first driving track for large vehicles.
- **New opportunities-** Currently company is exploring opportunities having business size of around ~USD50bn. This includes inland container depots (USD9bn), Cold Chain (USD14bn), Trailer manufacturing (USD0.8bn) and Logistics tech monetization (USD26bn).

Exhibit 20: Car carriage market landscape in India



Source: Company Presentation

Exhibit 21: MSS business model

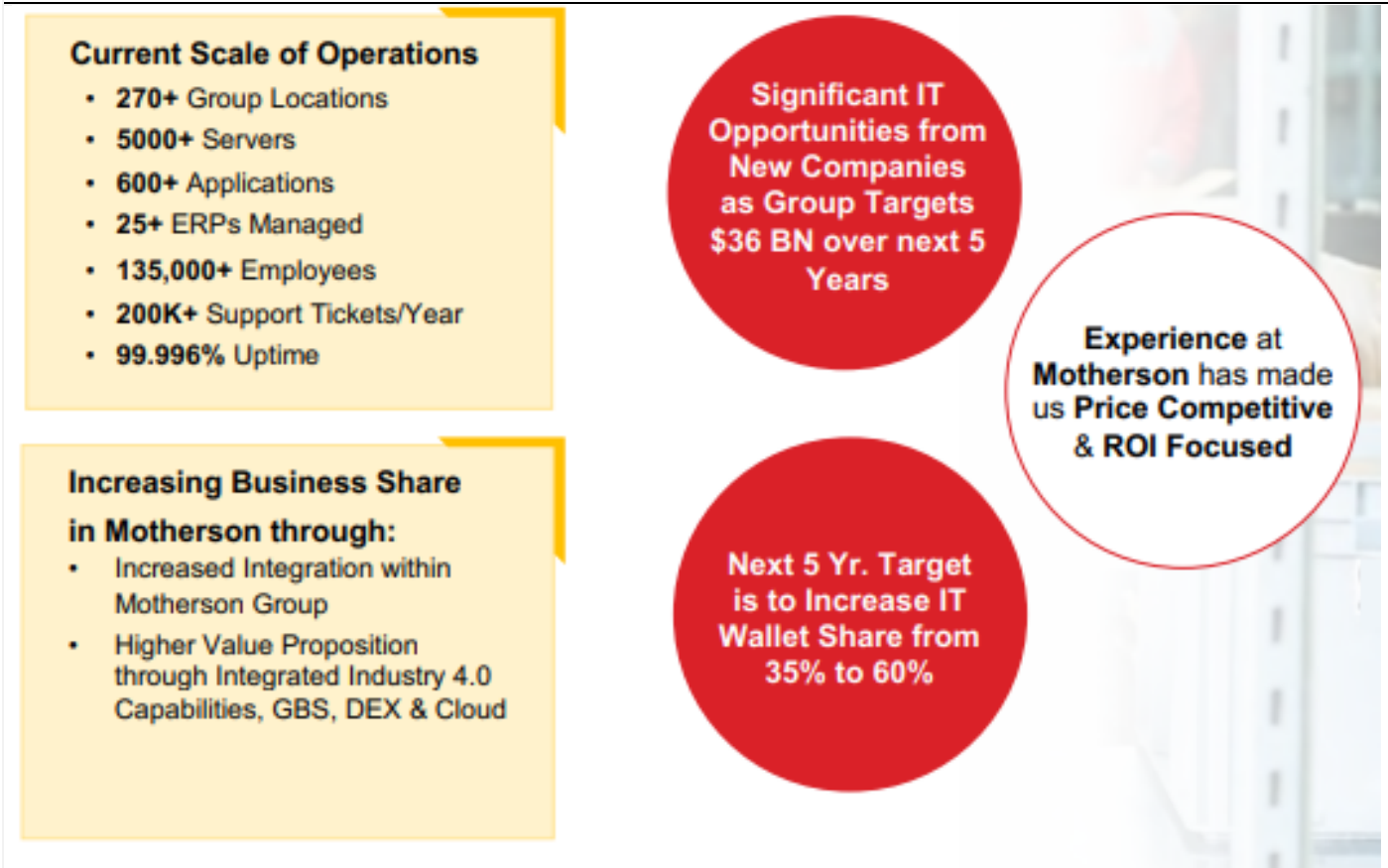


Source: Company Presentation

Technology and Industrial solutions

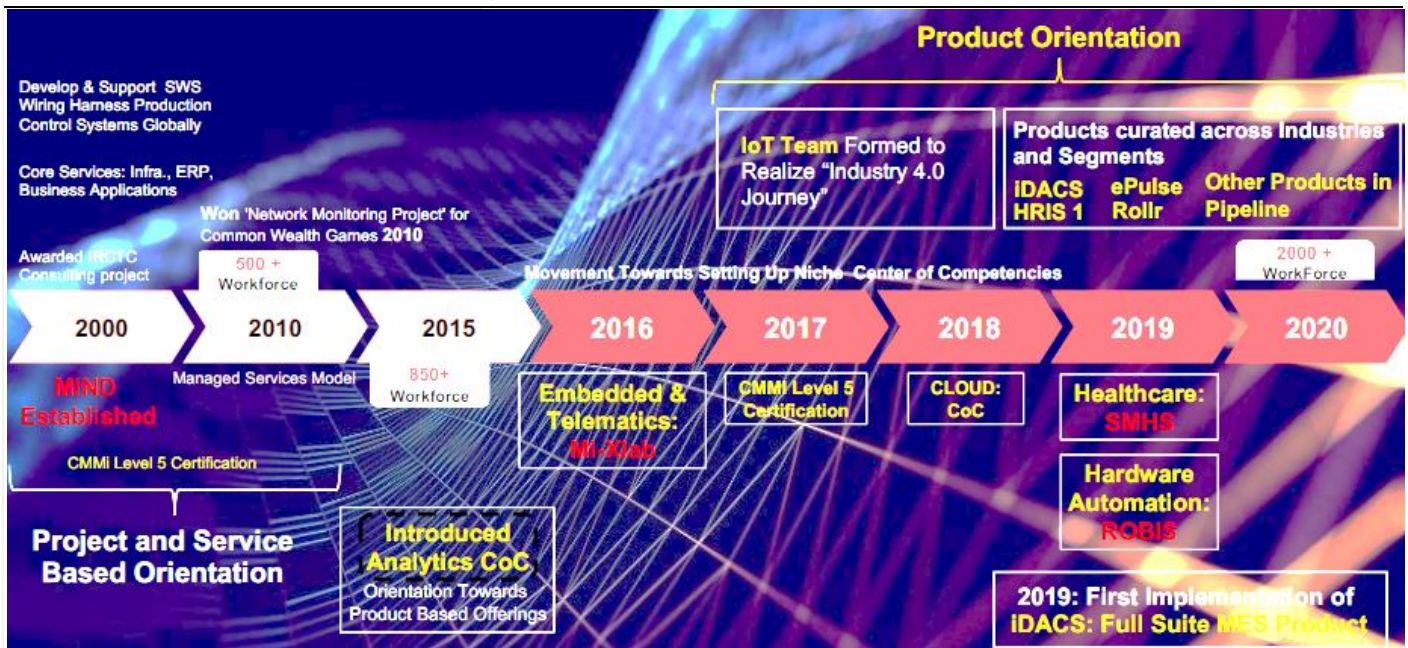
- The division currently contributes less than ~1% of group revenues and is focusing on verticals such as Automotive, Manufacturing, Pharma, Healthcare and logistics.
- It has presence across 7 different geographies which includes India, USA, Germany, Japan, Singapore, UK and Middle East. It has plans to expand in Spain and APAC in phase 1 and France/Italy, Africa and Australia/New Zealand in phase 2.
- Its portfolio includes-
 - ADM services (MIND)- Expertise in developing agile business applications for global scale operations
 - DEX (MIND)- Integrated design and manufacturing group providing Full System Solutions to customers
 - Industry 4.0 (MIND)- End-to-end Smart Manufacturing enablement expertise powered by in house MES 'iDACS
 - Infrastructure services (MIND)- Focuses on digitalization, fine tuning infrastructures and IT operations
 - Global business (MIND)- Global Center of Competencies for client operations with Process Excellence & RPA
 - Cloud (MIND)- Cloud Journey Enablement from Strategy to Migration to Developing Cloud First Solutions
 - Plant Automation (ROBIS)- Robotic Automation and Innovative Solution for end-to-end Plant Automation
 - Embedded & Electronics (MI-Xlab)- Hardware solutions for various verticals. Telematics solutions for Automotive
 - SMHS- Customer centric product & services focusing on compliances, patient & drug safety
- MSS estimates return potential of 1-1.5% for vertical.

Exhibit 22: Digital focus of Mother's- Target to increase IT wallet share from 35% to 60% over next 5 years.



Source: Company Presentation

Exhibit 23: MSS Vertical evolution- Journey from 2000 to 2020



Source: Company Presentation

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	6,35,369	6,24,850	7,36,133	8,20,560
YoY gr. (%)	0.0	(1.7)	17.8	11.5
Cost of Goods Sold	3,62,715	3,30,843	3,80,074	4,05,099
Gross Profit	2,72,654	2,94,007	3,56,059	4,15,461
Margin (%)	42.9	47.1	48.4	50.6
Employee Cost	1,50,769	1,73,384	1,99,392	2,29,300
Other Expenses	69,871	78,142	92,168	1,07,171
EBITDA	52,014	42,481	64,499	78,989
YoY gr. (%)	(2.7)	(18.3)	51.8	22.5
Margin (%)	8.2	6.8	8.8	9.6
Depreciation and Amortization	27,780	26,194	26,869	27,493
EBIT	24,234	16,287	37,630	51,496
Margin (%)	3.8	2.6	5.1	6.3
Net Interest	5,986	6,435	5,121	4,471
Other Income	2,307	2,353	2,588	2,718
Profit Before Tax	20,555	11,609	35,097	49,743
Margin (%)	3.2	1.9	4.8	6.1
Total Tax	8,184	3,483	10,529	14,426
Effective tax rate (%)	39.8	30.0	30.0	29.0
Profit after tax	12,370	8,127	24,568	35,318
Minority interest	1,244	2,439	6,570	11,626
Share Profit from Associate	575	2,298	2,298	2,298
Adjusted PAT	11,701	8,403	20,296	25,990
YoY gr. (%)	(27.5)	(28.2)	141.5	28.1
Margin (%)	1.8	1.3	2.8	3.2
Extra Ord. Income / (Exp)	-	(417)	-	-
Reported PAT	11,701	7,986	20,296	25,990
YoY gr. (%)	(27.5)	(31.7)	154.1	28.1
Margin (%)	1.8	1.3	2.8	3.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,701	7,986	20,296	25,990
Equity Shares O/s (m)	3,158	3,158	3,158	3,158
EPS (Rs)	3.7	2.7	6.4	8.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,81,171	3,02,480	3,24,358	3,46,822
Tangibles	2,81,171	3,02,480	3,24,358	3,46,822
Intangibles	-	-	-	-
Acc: Dep / Amortization	98,927	1,25,121	1,51,990	1,79,483
Tangibles	98,927	1,25,121	1,51,990	1,79,483
Intangibles	-	-	-	-
Net fixed assets	1,82,244	1,77,359	1,72,368	1,67,339
Tangibles	1,82,244	1,77,359	1,72,368	1,67,339
Intangibles	-	-	-	-
Capital Work In Progress	8,154	8,154	8,154	8,154
Goodwill	24,060	24,301	24,544	24,789
Non-Current Investments	1,614	1,662	1,712	1,763
Net Deferred tax assets	5,030	5,030	5,030	5,030
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	51,566	48,287	52,437	78,684
Trade receivables	51,784	56,493	66,554	74,188
Cash & Bank Balance	48,789	53,345	60,749	71,738
Other Current Assets	69,913	69,913	69,913	69,913
Total Assets	4,49,928	4,52,011	4,71,153	5,12,979
Equity				
Equity Share Capital	3,158	3,158	3,158	3,158
Other Equity	1,12,719	1,17,355	1,31,267	1,49,082
Total Networkth	1,15,877	1,20,513	1,34,425	1,52,240
Non-Current Liabilities				
Long Term borrowings	77,995	82,995	79,995	77,995
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	33,795	31,795	30,295	29,295
Trade payables	1,03,091	1,15,462	1,29,317	1,44,836
Other current liabilities	88,159	67,795	57,100	56,967
Total Equity & Liabilities	4,49,928	4,52,011	4,71,153	5,12,979

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	21,129	11,609	35,097	49,743
Add. Depreciation	27,780	26,194	26,869	27,493
Add. Interest	5,626	6,435	5,121	4,471
Less Financial Other Income	2,307	2,353	2,588	2,718
Add. Other	3,561	2,298	2,298	2,298
Op. profit before WC changes	58,095	46,536	69,386	84,005
Net Changes-WC	16,202	(10,116)	(13,277)	(20,184)
Direct tax	(10,776)	(3,483)	(10,529)	(14,426)
Net cash from Op. activities	63,521	32,938	45,580	49,396
Capital expenditures	(23,171)	(21,550)	(22,121)	(22,710)
Interest / Dividend Income	946	-	-	-
Others	(175)	(48)	(50)	(51)
Net Cash from Inv. activities	(22,399)	(21,598)	(22,171)	(22,761)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,726	3,000	(4,500)	(3,000)
Dividend paid	(12,794)	(3,349)	(6,384)	(8,175)
Interest paid	(5,667)	(6,435)	(5,121)	(4,471)
Others	(11,294)	-	-	-
Net cash from Fin. activities	(28,029)	(6,784)	(16,005)	(15,646)
Net change in cash	13,092	4,556	7,404	10,989
Free Cash Flow	41,578	11,388	23,459	26,686

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	3.7	2.7	6.4	8.2
CEPS	10.2	8.3	11.9	14.8
BVPS	36.7	38.2	42.6	48.2
FCF	13.2	3.6	7.4	8.5
DPS	1.5	0.9	1.7	2.2
Return Ratio(%)				
RoCE	10.8	7.0	15.7	20.4
ROIC	8.4	6.4	14.7	20.3
RoE	10.4	7.1	15.9	18.1
Balance Sheet				
Net Debt : Equity (x)	0.5	0.5	0.4	0.2
Net Working Capital (Days)	0	(6)	(5)	4
Valuation(x)				
PER	37.7	52.4	21.7	17.0
P/B	3.8	3.7	3.3	2.9
P/CEPS	13.6	16.8	11.7	9.4
EV/EBITDA	9.7	11.8	7.6	6.0
EV/Sales	0.8	0.8	0.7	0.6
Dividend Yield (%)	1.1	0.7	1.2	1.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	1,56,611	1,51,591	83,484	1,49,572
YoY gr. (%)	(4.9)	(11.7)	(50.3)	(2.0)
Raw Material Expenses	90,417	84,411	49,558	83,829
Gross Profit	66,194	67,179	33,926	65,744
Margin (%)	42.3	44.3	40.6	44.0
EBITDA	12,358	13,916	(5,507)	13,918
YoY gr. (%)	(11.3)	12.0	(143.9)	15.2
Margin (%)	7.9	9.2	(6.6)	9.3
Depreciation / Depletion	6,938	7,927	6,994	7,346
EBIT	5,420	5,989	(12,501)	6,572
Margin (%)	3.5	4.0	(15.0)	4.4
Net Interest	1,791	1,382	1,101	1,269
Other Income	783	151	473	553
Profit before Tax	4,412	4,759	(13,128)	5,260
Margin (%)	2.8	3.1	(15.7)	3.5
Total Tax	1,227	3,315	(1,914)	1,657
Effective tax rate (%)	27.8	69.7	14.6	31.5
Profit after Tax	3,185	1,444	(11,214)	3,603
Minority interest	698	(477)	(3,812)	1,364
Share Profit from Associates	218	(87)	(2)	276
Adjusted PAT	2,705	1,834	(7,404)	2,923
YoY gr. (%)	(30.5)	(55.3)	(323.3)	(4.0)
Margin (%)	1.7	1.2	(8.9)	2.0
Extra Ord. Income / (Exp)	-	-	-	(408)
Reported PAT	2,705	1,834	(7,404)	2,515
YoY gr. (%)	(30.5)	(55.3)	(323.3)	(17.4)
Margin (%)	1.7	1.2	(8.9)	1.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,705	1,834	(7,404)	2,515
Avg. Shares O/s (m)	3,158	3,158	3,158	3,158
EPS (Rs)	0.9	0.6	(2.3)	0.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Nov-20	BUY	147	127
2	12-Oct-20	BUY	139	121
3	09-Oct-20	BUY	139	121
4	11-Aug-20	BUY	125	107
5	11-Jul-20	BUY	116	96
6	03-Jul-20	BUY	116	104
7	02-Jun-20	BUY	116	102
8	09-Apr-20	BUY	87	66
9	18-Mar-20	BUY	115	62
10	10-Feb-20	Accumulate	153	125

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	100	84
2	Bajaj Auto	Hold	3,108	3,006
3	Bharat Forge	Hold	439	500
4	CEAT	Accumulate	1,223	1,148
5	Eicher Motors	Accumulate	2,598	2,346
6	Exide Industries	BUY	194	162
7	Hero Motocorp	Accumulate	3,282	2,894
8	Mahindra & Mahindra	BUY	728	620
9	Maruti Suzuki	BUY	7,642	7,118
10	Motherson Sumi Systems	BUY	147	127
11	Tata Motors	Hold	146	136
12	TVS Motors	Sell	386	422

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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