

## Beneficiary of changing dynamics

2QFY20 PAT at Rs 13.6bn was above estimates as improved realizations (+8% YoY), lower tax rates and higher other income partially offset the impact of the weak volumes. We are raising estimates by ~5% over FY21/22E to factor in the above. Maintain NEUTRAL with a revised TP of Rs 6,770 (22x Sep-21 EPS).

### HIGHLIGHTS OF THE QUARTER

- Financials:** While vols declined 30/16% YoY/QoQ, realizations grew by 8/2% due to the introduction of BSVI variants. EBITDA margin at 9.5% (-580/-90bps) was impacted by negative operating leverage. This was partially offset by higher other income (Rs 9.2bn, +10% QoQ) and lower tax rates (13.6%). PAT declined 39/5% YoY/QoQ to Rs 13.6bn.
- Demand recovery on the margin:** Retail sales have grown in the festive season as compared to a 22% decline in 2QFY20. Model launches and discounts have led to an increase in footfalls (new S-Presso has received 16.5k bookings). Network inventory is under check at ~1 month of sales. We have highlighted in our 2QFY20 Preview that demand trends are bottoming

due to the healthy monsoons (110% of LPA), a benign base effect and increased discounts.

- Maruti to benefit from BSVI rollover:** The share of petrol vehicles is increasing ahead of the emission rollover – it now stands at ~67% for the industry and ~78% for Maruti (vs. 74% YoY). The co has already transitioned 8 of its high volume models to BSVI and the older BSIV model inventory is now reduced to 50% of existing stock. We believe that Maruti will benefit from the BSVI rollover due to its petrol portfolio.
- MSIL is undertaking trials of EVs and is expected to introduce petrol hybrid vehicles in the medium term. As there is a viability gap, govt support will lead to faster adoption of the above.

### STANCE

We remain NEUTRAL as valuations are demanding at current stock levels (33.2/26x FY20/21E). We recommend buying the stock on corrections as Maruti enjoys a strong franchise with a dominant market share of ~50%. Also, Maruti will benefit from the transition to BSVI due to its gasoline led portfolio.

### Financial Summary

| YE March (Rs mn) | 2QFY20  | 2QFY19  | YoY (%) | 1QFY20  | QoQ (%) | FY18    | FY19    | FY20E   | FY21E   | FY22E     |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Net Sales        | 169,853 | 224,332 | (24.3)  | 197,198 | (13.9)  | 797,627 | 860,203 | 816,948 | 909,539 | 1,024,770 |
| EBITDA           | 16,063  | 34,313  | (53.2)  | 20,478  | (21.6)  | 120,615 | 109,993 | 91,825  | 116,421 | 134,245   |
| APAT             | 13,586  | 22,404  | (39.4)  | 14,355  | (5.4)   | 77,218  | 75,006  | 67,140  | 85,753  | 99,993    |
| Diluted EPS (Rs) | 45.0    | 74.2    | (39.4)  | 47.5    | (5.4)   | 255.7   | 248.4   | 222.3   | 284.0   | 331.1     |
| APAT Growth (%)  |         |         |         |         |         | 5.1     | (2.9)   | (10.5)  | 27.7    | 16.6      |
| P/E (x)          |         |         |         |         |         | 28.9    | 29.8    | 33.2    | 26.0    | 22.3      |
| RoE (%)          |         |         |         |         |         | 19.8    | 17.1    | 13.8    | 15.9    | 16.6      |

Source: Company, HDFC sec Inst Research

| INDUSTRY                       | AUTOS           |
|--------------------------------|-----------------|
| <b>CMP (as on 24 Oct 2019)</b> | <b>Rs 7,391</b> |
| <b>Target Price</b>            | <b>Rs 6,770</b> |
| Nifty                          | 11,583          |
| Sensex                         | 39,020          |

### KEY STOCK DATA

|                             |              |
|-----------------------------|--------------|
| Bloomberg                   | MSIL IN      |
| No. of Shares (mn)          | 302          |
| MCap (Rs bn) / (\$ mn)      | 2,233/31,428 |
| 6m avg traded value (Rs mn) | 8,014        |

### STOCK PERFORMANCE (%)

| 52 Week high / low | Rs 7,950/5,446 |     |       |
|--------------------|----------------|-----|-------|
|                    | 3M             | 6M  | 12M   |
| Absolute (%)       | 28.1           | 5.3 | 9.2   |
| Relative (%)       | 25.0           | 5.4 | (5.4) |

### SHAREHOLDING PATTERN (%)

|                 | Jun-19 | Sep-19 |
|-----------------|--------|--------|
| Promoters       | 56.2   | 56.2   |
| FIs & Local MFs | 13.4   | 15.0   |
| FPIs            | 23.2   | 23.4   |
| Public & Others | 7.2    | 5.3    |
| Pledged Shares  | 0.0    | 0.0    |

Source : BSE

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**Higher ASP (+8.5% YoY, 2.5% QoQ) was due to the introduction of BSVI variants**

**EBITDA margins at 9.5% (- 580bps YoY, -90bps QoQ) were impacted by negative operating leverage**

**Higher other income at Rs 9.2bn in 2QFY20 vs Rs 5.3bn in 2QFY19 was due to fair value gains on invested surplus**

**As the co adjusts to the revised tax structure, management has guided a 23% tax rate in FY20**

### Quarterly Financials Snapshot: Standalone

| Particulars                 | 2QFY20         | 2QFY19         | YoY (%)       | 1QFY20         | QoQ (%)       | 1HFY20         | 1HFY19         | YoY (%)       |
|-----------------------------|----------------|----------------|---------------|----------------|---------------|----------------|----------------|---------------|
| Volumes (in units)          | 338,317        | 484,888        | (30.2)        | 402,594        | (16.0)        | 740,911        | 975,367        | (24.0)        |
| Net ASP (Rs/veh)            | 502,053        | 462,647        | 8.5           | 489,819        | 2.5           | 495,405        | 460,264        | 7.6           |
| <b>Net sales (incl OOI)</b> | <b>169,853</b> | <b>224,332</b> | <b>(24.3)</b> | <b>197,198</b> | <b>(13.9)</b> | <b>367,051</b> | <b>448,926</b> | <b>(18.2)</b> |
| Material Expenses           | 120,994        | 152,849        | (20.8)        | 140,913        | (14.1)        | 261,907        | 307,869        | (14.9)        |
| Employee Expenses           | 8,384          | 7,917          | 5.9           | 8,591          | (2.4)         | 16,975         | 15,569         | 9.0           |
| Other Operating Expenses    | 24,412         | 29,253         | (16.5)        | 27,216         | (10.3)        | 51,628         | 57,664         | (10.5)        |
| <b>Total Expenditure</b>    | <b>153,790</b> | <b>190,019</b> | <b>(19.1)</b> | <b>176,720</b> | <b>(13.0)</b> | <b>330,510</b> | <b>381,102</b> | <b>(13.3)</b> |
| <b>EBITDA</b>               | <b>16,063</b>  | <b>34,313</b>  | <b>(53.2)</b> | <b>20,478</b>  | <b>(21.6)</b> | <b>36,541</b>  | <b>67,824</b>  | <b>(46.1)</b> |
| Depreciation                | 9,261          | 7,212          | 28.4          | 9,186          | 0.8           | 18,447         | 14,410         | 28.0          |
| EBIT                        | 6,802          | 27,101         | (74.9)        | 11,292         | (39.8)        | 18,094         | 53,414         | (66.1)        |
| Other Income                | 9,200          | 5,266          | 74.7          | 8,364          | 10.0          | 17,564         | 7,984          | 120.0         |
| Interest Cost               | 282            | 257            | 9.7           | 547            | (48.4)        | 829            | 464            | 78.7          |
| PBT                         | 15,720         | 32,110         | (51.0)        | 19,109         | (17.7)        | 34,829         | 60,934         | (42.8)        |
| Tax                         | 2,134          | 9,706          | (78.0)        | 4,754          | (55.1)        | 6,888          | 18,777         | (63.3)        |
| <b>PAT</b>                  | <b>13,586</b>  | <b>22,404</b>  | <b>(39.4)</b> | <b>14,355</b>  | <b>(5.4)</b>  | <b>27,941</b>  | <b>42,157</b>  | <b>(33.7)</b> |
| <b>Adj EPS</b>              | <b>45.0</b>    | <b>74.2</b>    | <b>(39.4)</b> | <b>47.5</b>    | <b>(5.4)</b>  | <b>92.5</b>    | <b>139.6</b>   | <b>(33.7)</b> |

Source: Company, HDFC sec Inst Research

### Margin Analysis: Standalone

| As % of sales            | 2QFY20      | 2QFY19      | YoY (bps)    | 1QFY20      | QoQ (bps)   | 1HFY20      | 1HFY19      | YoY (bps)    |
|--------------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|
| Material Expenses        | 71.2        | 68.1        | 310          | 71.5        | (22)        | 71.4        | 68.6        | (278)        |
| Employee Expenses        | 4.9         | 3.5         | 141          | 4.4         | 58          | 4.6         | 3.5         | (116)        |
| Other Operating Expenses | 14.4        | 13.0        | 133          | 13.8        | 57          | 14.1        | 12.8        | (122)        |
| <b>Total Expenditure</b> | <b>90.5</b> | <b>84.7</b> | <b>584</b>   | <b>89.6</b> | <b>93</b>   | <b>90.0</b> | <b>84.9</b> | <b>(515)</b> |
| <b>EBITDA</b>            | <b>9.5</b>  | <b>15.3</b> | <b>(584)</b> | <b>10.4</b> | <b>(93)</b> | <b>10.0</b> | <b>15.1</b> | <b>515</b>   |
| <b>PAT</b>               | <b>8.0</b>  | <b>10.0</b> | <b>(199)</b> | <b>7.3</b>  | <b>72</b>   | <b>7.6</b>  | <b>9.4</b>  | <b>178</b>   |
| Tax as % of PBT          | 13.6        | 30.2        | (1,665)      | 24.9        | (1,130)     | 19.8        | 30.8        | 1,104        |

Source: Company, HDFC sec Inst Research

*Festive sales and new launches have resulted in higher retail sales in Oct-19*

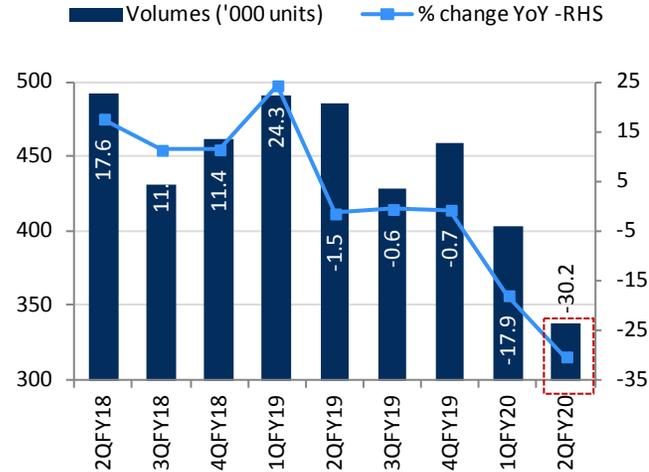
*First time buyers remain steady at ~47% of sales and rural now accounts for 39% of volumes.*

*Inventory is at a normal level of 30 days of sales*

*Share of financing was at 80% of volumes*

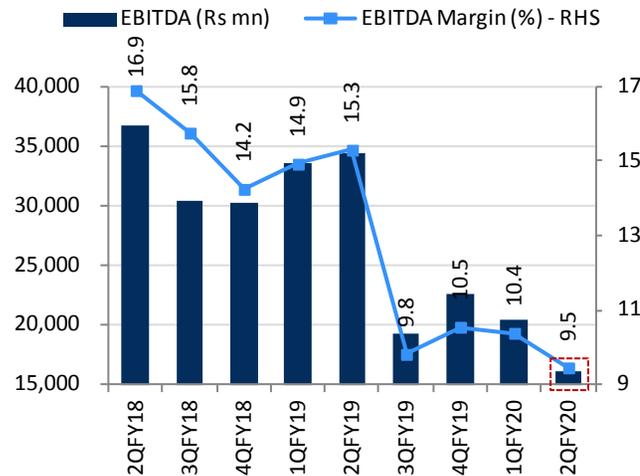
*Discounts have risen in 2Q as the OEM phases out its BSIV inventory as well as to pass on the benefits from corporate tax cuts*

**Weak market demand impacted volumes**



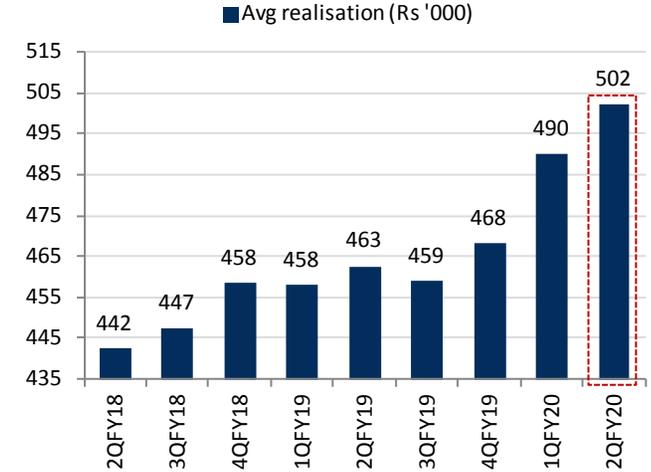
Source: Company, HDFC sec Inst Research

**EBITDA margins (%) remain muted**



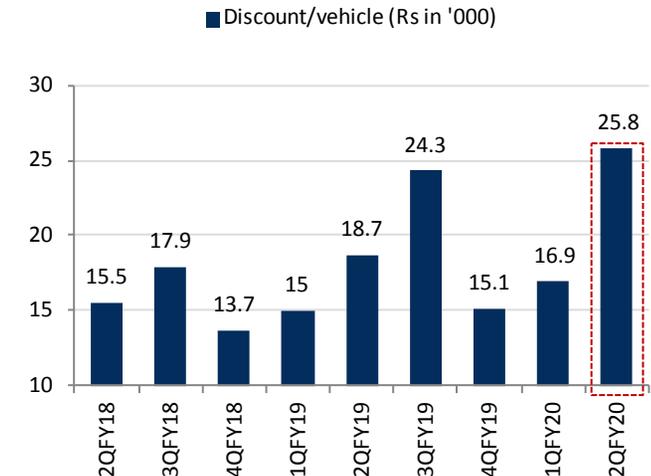
Source: Company, HDFC sec Inst Research

**Realizations grew 8/2% YoY/QoQ**



Source: Company, HDFC sec Inst Research

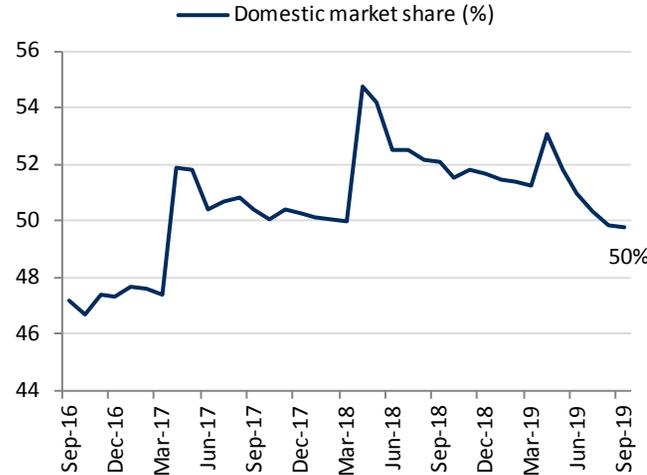
**Avg discount/vehicle**



Source: Company, HDFC sec Inst Research

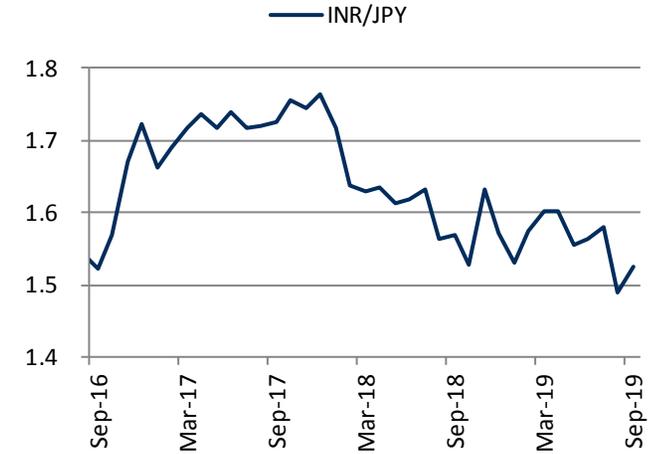
*In 2QFY20, Maruti's market share has declined by 120bps to 49.8% vs. 51% in 1QFY20. This was largely due to decline in share in the UV segment (25.7% vs. 26.3%) which is impacted by the diesel portfolio phase out*

**MSIL's PV market share**



Source: SIAM, HDFC sec Inst Research

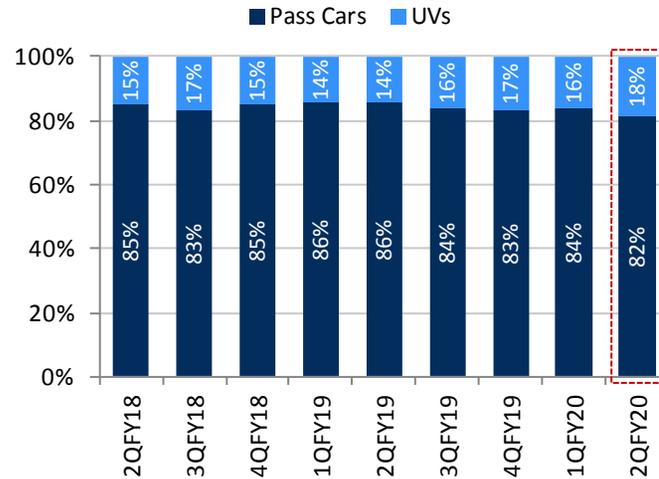
**INR/JPY has been rangebound in the year**



Source: Bloomberg, HDFC sec Inst Research

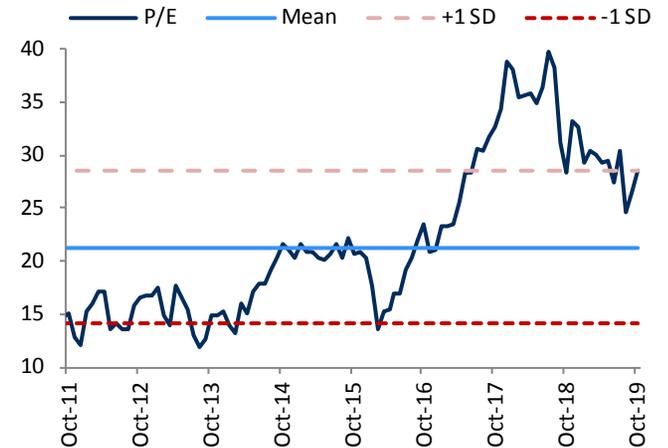
*Petrol portfolio has risen to ~77.5% for Maruti (vs. 74% in 2QFY19)*

**Product mix (%)**



Source: SIAM, HDFC sec Inst Research

**1 year forward P/E band**



Source: Bloomberg, HDFC sec Inst Research

*While demand trends are bottoming, wholesales in 2H FY20 will be driven by the transition to BSVI models*

### Volume Assumptions

| (in units)             | FY18           | FY19           | FY20E          | FY21E          | FY22E          |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Domestic sales         | 1,653,500      | 1,753,700      | 1,534,488      | 1,664,919      | 1,839,735      |
| % YoY                  | 14.5           | 6.1            | (12.5)         | 8.5            | 10.5           |
| Export sales           | 126,074        | 108,749        | 107,662        | 116,274        | 125,576        |
| % YoY                  | 1.6            | (13.7)         | (1.0)          | 8.0            | 8.0            |
| Total sales            | 1,779,574      | 1,862,449      | 1,642,149      | 1,781,193      | 1,965,312      |
| % YoY                  | 13.4           | 4.7            | (11.8)         | 8.5            | 10.3           |
| <b>Average Net ASP</b> | <b>448,212</b> | <b>461,867</b> | <b>497,487</b> | <b>510,634</b> | <b>521,429</b> |
| % YoY                  | 3.3            | 3.0            | 7.7            | 2.6            | 2.1            |

Source: Company, HDFC sec Inst Research

### Peer set comparison

|                      | Mcap<br>(Rs bn) | CMP<br>(Rs/sh) | Reco       | TP           | Adj EPS (Rs/sh) |              |              | P/E (x)     |             |             | RoE (%)     |             |             |
|----------------------|-----------------|----------------|------------|--------------|-----------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                      |                 |                |            |              | FY20E           | FY21E        | FY22E        | FY20E       | FY21E       | FY22E       | FY20E       | FY21E       | FY22E       |
| Ashok Leyland        | 223             | 76             | NEU        | 76           | 4.9             | 5.4          | 6.3          | 15.6        | 14.1        | 12.0        | 16.4        | 16.7        | 18.0        |
| Bajaj Auto           | 917             | 3,169          | BUY        | 3,530        | 171.0           | 183.4        | 208.2        | 18.5        | 17.3        | 15.2        | 21.3        | 20.3        | 20.4        |
| Eicher               | 575             | 21,081         | NEU        | 16,280       | 749.0           | 815.5        | 922.3        | 28.1        | 25.9        | 22.9        | 20.9        | 19.4        | 18.7        |
| Hero Motocorp        | 538             | 2,697          | BUY        | 3,460        | 168.0           | 180.5        | 204.5        | 16.1        | 14.9        | 13.2        | 24.1        | 22.7        | 22.8        |
| <b>Maruti Suzuki</b> | <b>2,232</b>    | <b>7,390</b>   | <b>NEU</b> | <b>6,770</b> | <b>222.3</b>    | <b>284.0</b> | <b>331.1</b> | <b>33.2</b> | <b>26.0</b> | <b>22.3</b> | <b>13.8</b> | <b>15.9</b> | <b>16.6</b> |

Source: HDFC sec Inst Research

### Change in estimates

| In mn             | New     |         |           | Old     |         |           | Change (%) |       |       |
|-------------------|---------|---------|-----------|---------|---------|-----------|------------|-------|-------|
|                   | FY20E   | FY21E   | FY22E     | FY20E   | FY21E   | FY22E     | FY20E      | FY21E | FY22E |
| Net Sales         | 816,948 | 909,539 | 1,024,770 | 814,940 | 907,278 | 1,016,082 | 0          | 0     | 1     |
| EBITDA            | 91,825  | 116,421 | 134,245   | 97,793  | 116,132 | 133,107   | (6)        | 0     | 1     |
| EBITDA margin (%) | 11.2    | 12.8    | 13.1      | 12.0    | 12.8    | 13.1      | -76 bps    | 0 bps | 0 bps |
| Adj PAT           | 67,140  | 85,753  | 99,993    | 67,758  | 82,309  | 94,252    | (1)        | 4     | 6     |
| Adj EPS (in Rs)   | 222.3   | 284.0   | 331.1     | 224.4   | 272.5   | 312.1     | (1)        | 4     | 6     |

Source: HDFC sec Inst Research

**Income Statement (Standalone)**

| (Rs mn)                           | FY18           | FY19           | FY20E          | FY21E          | FY22E            |
|-----------------------------------|----------------|----------------|----------------|----------------|------------------|
| <b>Net Revenues</b>               | <b>797,627</b> | <b>860,203</b> | <b>816,948</b> | <b>909,539</b> | <b>1,024,770</b> |
| <b>Growth (%)</b>                 | <b>17.2</b>    | <b>7.8</b>     | <b>(5.0)</b>   | <b>11.3</b>    | <b>12.7</b>      |
| Material Expenses                 | 548,759        | 601,321        | 582,484        | 643,953        | 723,487          |
| Employee Expenses                 | 28,338         | 32,549         | 33,495         | 32,743         | 36,892           |
| Other Operating Expenses          | 99,915         | 116,340        | 109,144        | 116,421        | 130,146          |
| <b>Total Expenses</b>             | <b>677,012</b> | <b>750,210</b> | <b>725,123</b> | <b>793,118</b> | <b>890,525</b>   |
| <b>EBITDA</b>                     | <b>120,615</b> | <b>109,993</b> | <b>91,825</b>  | <b>116,421</b> | <b>134,245</b>   |
| <b>EBITDA Margin (%)</b>          | <b>15.1</b>    | <b>12.8</b>    | <b>11.2</b>    | <b>12.8</b>    | <b>13.1</b>      |
| <b>EBITDA Growth (%)</b>          | <b>16.5</b>    | <b>(8.8)</b>   | <b>(16.5)</b>  | <b>26.8</b>    | <b>15.3</b>      |
| Depreciation                      | 27,579         | 30,189         | 37,065         | 38,843         | 42,797           |
| <b>EBIT</b>                       | <b>93,036</b>  | <b>79,804</b>  | <b>54,760</b>  | <b>77,578</b>  | <b>91,448</b>    |
| Other Income (Including EO Items) | 20,455         | 25,610         | 33,269         | 36,505         | 41,479           |
| Interest                          | 3,457          | 758            | 891            | 503            | 574              |
| <b>PBT</b>                        | <b>110,034</b> | <b>104,656</b> | <b>87,139</b>  | <b>113,581</b> | <b>132,353</b>   |
| Tax (Incl Deferred)               | 32,816         | 29,650         | 19,998         | 27,827         | 32,360           |
| Minority Interest                 | -              | -              | -              | -              | -                |
| <b>RPAT</b>                       | <b>77,218</b>  | <b>75,006</b>  | <b>67,140</b>  | <b>85,753</b>  | <b>99,993</b>    |
| EO (Loss) / Profit (Net Of Tax)   | -              | -              | -              | -              | -                |
| <b>APAT</b>                       | <b>77,218</b>  | <b>75,006</b>  | <b>67,140</b>  | <b>85,753</b>  | <b>99,993</b>    |
| <b>APAT Growth (%)</b>            | <b>5.1</b>     | <b>(2.9)</b>   | <b>(10.5)</b>  | <b>27.7</b>    | <b>16.6</b>      |
| <b>Adjusted EPS (Rs)</b>          | <b>255.7</b>   | <b>248.4</b>   | <b>222.3</b>   | <b>284.0</b>   | <b>331.1</b>     |
| <b>EPS Growth (%)</b>             | <b>5.1</b>     | <b>(2.9)</b>   | <b>(10.5)</b>  | <b>27.7</b>    | <b>16.6</b>      |

Source: Company, HDFC sec Inst Research

**Balance Sheet (Standalone)**

| (Rs mn)                            | FY18           | FY19           | FY20E          | FY21E          | FY22E          |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>SOURCES OF FUNDS</b>            |                |                |                |                |                |
| Share Capital - Equity             | 1,510          | 1,510          | 1,510          | 1,510          | 1,510          |
| Reserves                           | 416,063        | 459,905        | 506,903        | 566,931        | 636,925        |
| <b>Total Shareholders Funds</b>    | <b>417,573</b> | <b>461,415</b> | <b>508,413</b> | <b>568,441</b> | <b>638,435</b> |
| <b>Total Debt</b>                  | <b>1,108</b>   | <b>1,496</b>   | <b>1,994</b>   | <b>2,492</b>   | <b>2,990</b>   |
| <b>Net Deferred Taxes</b>          | <b>5,589</b>   | <b>5,640</b>   | <b>5,922</b>   | <b>6,218</b>   | <b>6,529</b>   |
| <b>TOTAL SOURCES OF FUNDS</b>      | <b>424,270</b> | <b>468,551</b> | <b>516,329</b> | <b>577,151</b> | <b>647,954</b> |
| <b>APPLICATION OF FUNDS</b>        |                |                |                |                |                |
| Net Block                          | 133,590        | 154,078        | 152,013        | 148,171        | 140,374        |
| CWIP                               | 21,259         | 16,001         | 16,801         | 17,641         | 18,523         |
| Investments                        | 12,082         | 10,340         | 10,340         | 10,340         | 10,340         |
| <b>Total Non-current Assets</b>    | <b>166,931</b> | <b>180,419</b> | <b>179,154</b> | <b>176,152</b> | <b>169,237</b> |
| Cash & Equivalents                 | 341,531        | 356,599        | 414,535        | 485,689        | 572,195        |
| Inventories                        | 31,608         | 33,257         | 35,811         | 37,378         | 42,114         |
| Debtors                            | 14,618         | 23,104         | 24,620         | 22,427         | 25,268         |
| Other Current Assets               | 39,013         | 35,939         | 38,575         | 41,475         | 44,664         |
| <b>Total Current Assets</b>        | <b>426,770</b> | <b>448,899</b> | <b>513,542</b> | <b>586,969</b> | <b>684,242</b> |
| Creditors                          | 139,172        | 127,034        | 141,209        | 149,287        | 167,208        |
| Other Current Liabilities & Provns | 30,259         | 33,733         | 35,159         | 36,684         | 38,316         |
| <b>Total Current Liabilities</b>   | <b>169,431</b> | <b>160,767</b> | <b>176,367</b> | <b>185,971</b> | <b>205,524</b> |
| <b>Net Current Assets</b>          | <b>257,339</b> | <b>288,132</b> | <b>337,175</b> | <b>400,999</b> | <b>478,717</b> |
| <b>TOTAL APPLICATION OF FUNDS</b>  | <b>424,270</b> | <b>468,551</b> | <b>516,329</b> | <b>577,151</b> | <b>647,954</b> |

Source: Company, HDFC sec Inst Research

**Cash Flow (Standalone)**

| (Rs mn)                          | FY18            | FY19            | FY20E           | FY21E           | FY22E           |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Reported PBT                     | 110,034         | 104,656         | 87,139          | 113,581         | 132,353         |
| Non-operating & EO Items         | (20,455)        | (25,610)        | (33,269)        | (36,505)        | (41,479)        |
| Interest Expenses                | 3,457           | 758             | 891             | 503             | 574             |
| Depreciation                     | 27,579          | 30,189          | 37,065          | 38,843          | 42,797          |
| Working Capital Change           | 27,603          | (15,725)        | 8,893           | 7,330           | 8,787           |
| Tax Paid                         | (31,889)        | (29,599)        | (19,716)        | (27,531)        | (32,049)        |
| <b>OPERATING CASH FLOW ( a )</b> | <b>116,329</b>  | <b>64,669</b>   | <b>81,002</b>   | <b>96,220</b>   | <b>110,983</b>  |
| Capex                            | (36,978)        | (45,419)        | (35,800)        | (35,840)        | (35,882)        |
| <i>Free Cash Flow (FCF)</i>      | <i>79,351</i>   | <i>19,250</i>   | <i>45,202</i>   | <i>60,380</i>   | <i>75,101</i>   |
| Investments                      | (3,470)         | 1,742           | -               | -               | -               |
| Non-operating Income             | 20,455          | 25,610          | 33,269          | 36,505          | 41,479          |
| <b>INVESTING CASH FLOW ( b )</b> | <b>(19,993)</b> | <b>(18,067)</b> | <b>(2,531)</b>  | <b>665</b>      | <b>5,597</b>    |
| Debt Issuance/(Repaid)           | (3,728)         | 388             | 498             | 498             | 498             |
| Interest Expenses                | (3,457)         | (758)           | (891)           | (503)           | (574)           |
| <i>FCFE</i>                      | <i>72,166</i>   | <i>18,880</i>   | <i>44,809</i>   | <i>60,375</i>   | <i>75,025</i>   |
| Share Capital Issuance           | 210             | (6,998)         | (0)             | (0)             | -               |
| Dividend                         | (24,166)        | (24,166)        | (20,142)        | (25,726)        | (29,998)        |
| <b>FINANCING CASH FLOW ( c )</b> | <b>(31,141)</b> | <b>(31,534)</b> | <b>(20,535)</b> | <b>(25,731)</b> | <b>(30,074)</b> |
| <b>NET CASH FLOW (a+b+c)</b>     | <b>65,195</b>   | <b>15,068</b>   | <b>57,936</b>   | <b>71,154</b>   | <b>86,506</b>   |
| Closing Cash & Equivalents       | 341,531         | 356,599         | 414,535         | 485,689         | 572,195         |

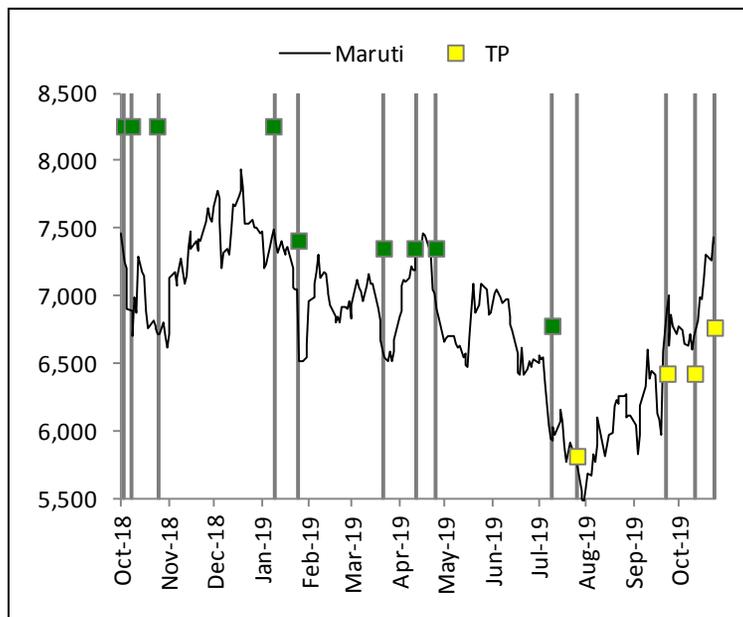
Source: Company, HDFC sec Inst Research

**Key Ratios (Standalone)**

|   | FY18        | FY19        | FY20E       | FY21E       | FY22E       |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>PROFITABILITY (%)</b>                      |             |             |             |             |             |
| GPM   | 31.2        | 30.1        | 28.7        | 29.2        | 29.4        |
| EBITDA Margin                                 | 15.1        | 12.8        | 11.2        | 12.8        | 13.1        |
| EBIT Margin                                   | 11.7        | 9.3         | 6.7         | 8.5         | 8.9         |
| APAT Margin                                   | 9.7         | 8.7         | 8.2         | 9.4         | 9.8         |
| RoE   | 19.8        | 17.1        | 13.8        | 15.9        | 16.6        |
| RoIC (or Core RoCE)                           | 72.5        | 58.8        | 39.5        | 60.6        | 82.6        |
| RoCE  | 16.4        | 12.8        | 8.6         | 10.7        | 11.3        |
| <b>EFFICIENCY</b>                             |             |             |             |             |             |
| Tax Rate (%)                                  | 29.8        | 28.3        | 23.0        | 24.5        | 24.5        |
| Fixed Asset Turnover (x)                      | 6.0         | 5.6         | 5.4         | 6.1         | 7.3         |
| <i>Inventory (days)</i>                       | <i>14.5</i> | <i>14.1</i> | <i>16.0</i> | <i>15.0</i> | <i>15.0</i> |
| <i>Debtors (days)</i>                         | <i>6.7</i>  | <i>9.8</i>  | <i>11.0</i> | <i>9.0</i>  | <i>9.0</i>  |
| <i>Other Current Assets (days)</i>            | <i>17.9</i> | <i>15.2</i> | <i>17.2</i> | <i>16.6</i> | <i>15.9</i> |
| <i>Payables (days)</i>                        | <i>63.7</i> | <i>53.9</i> | <i>63.1</i> | <i>59.9</i> | <i>59.6</i> |
| <i>Other Current Liab &amp; Provns (days)</i> | <i>13.8</i> | <i>14.3</i> | <i>15.7</i> | <i>14.7</i> | <i>13.6</i> |
| Cash Conversion Cycle (days)                  | (38.5)      | (29.1)      | (34.6)      | (34.0)      | (33.3)      |
| Debt/EBITDA (x)                               | (2.8)       | (3.2)       | (4.5)       | (4.2)       | (4.2)       |
| Net D/E (x)                                   | (0.8)       | (0.8)       | (0.8)       | (0.9)       | (0.9)       |
| Interest Coverage (x)                         | 26.9        | 105.3       | 61.5        | 154.2       | 159.3       |
| <b>PER SHARE DATA (Rs)</b>                    |             |             |             |             |             |
| EPS   | 255.7       | 248.4       | 222.3       | 284.0       | 331.1       |
| CEPS  | 347.0       | 348.3       | 345.0       | 412.6       | 472.8       |
| Dividend                                      | 80.0        | 80.0        | 66.7        | 85.2        | 99.3        |
| Book Value                                    | 1,382.7     | 1,527.9     | 1,683.5     | 1,882.3     | 2,114.0     |
| <b>VALUATION</b>                              |             |             |             |             |             |
| P/E (x)                                       | 28.9        | 29.8        | 33.2        | 26.0        | 22.3        |
| P/BV (x)                                      | 5.3         | 4.8         | 4.4         | 3.9         | 3.5         |
| EV/EBITDA (x)                                 | 15.7        | 17.1        | 19.8        | 15.0        | 12.4        |
| EV/Revenues (x)                               | 2.4         | 2.2         | 2.2         | 1.9         | 1.6         |
| OCF/EV (%)                                    | 6.2         | 3.4         | 4.5         | 5.5         | 6.7         |
| FCF/EV (%)                                    | 4.2         | 1.0         | 2.5         | 3.5         | 4.5         |
| FCFE/Mkt Cap (%)                              | 3.2         | 0.8         | 2.0         | 2.7         | 3.4         |
| Dividend Yield (%)                            | 1.1         | 1.1         | 0.9         | 1.2         | 1.3         |

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



| Date      | CMP   | Reco | Target |
|-----------|-------|------|--------|
| 3-Oct-18  | 7,465 | BUY  | 8,252  |
| 8-Oct-18  | 6,893 | BUY  | 8,252  |
| 26-Oct-18 | 6,725 | BUY  | 8,252  |
| 9-Jan-19  | 7,340 | BUY  | 8,252  |
| 25-Jan-19 | 6,516 | BUY  | 7,400  |
| 25-Mar-19 | 6,553 | BUY  | 7,350  |
| 12-Apr-19 | 7,179 | BUY  | 7,350  |
| 25-Apr-19 | 6,903 | BUY  | 7,350  |
| 10-Jul-19 | 5,945 | BUY  | 6,780  |
| 29-Jul-19 | 5,806 | NEU  | 5,820  |
| 22-Sep-19 | 6,592 | NEU  | 6,430  |
| 11-Oct-19 | 6,699 | NEU  | 6,430  |
| 24-Oct-19 | 7,391 | NEU  | 6,770  |

Rating Definitions

- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**INSTITUTIONAL RESEARCH**
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