ITC

BUY

INDUSTRY	FMCG
CMP *(as on 27 Jul 2017)*	Rs 289
Target Price	Rs 353
Nifty	10,021
Sensex	32,383
KEY STOCK DATA	
Bloomberg	ITC IN
No. of Shares (mn)	12,162
MCap (Rs bn)/(US$ mn)	3,509/54,743
6m avg traded value (Rs mn)	4,144

STOCK PERFORMANCE (%)

52 Week high / low			Rs 368 / 222
	3M	6M	12M
Absolute (%)	1.0	12.1	16.6
Relative (%)	(6.9)	(4.0)	1.1

SHAREHOLDING PATTERN (%)

Promoters	67.20
FIs & Local MFs	5.19
FPIs	13.79
Public & Others	13.82

Source : BSE

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Healty cigarette-driven growth

ITC's gross revenue was up 4.3% YoY at Rs 137bn (our expectation 3.4%). EBITDA/PAT grew 6.2%/7.4% YoY respectively, in-line with our expectations.

Revenue growth was healthy, considering destocking pressure. Cigarette business registered healthy revenue/EBIT growth of 6.6%/9.0% respectively (5%/6.4% expectation). We believe cigarette volumes grew by ~1%. Non-cigarette business remained slow, with revenue/EBIT growth of 3.5%/4.5% respectively

FMCG business witnessed encouraging 9% growth, despite channel destocking pressure. Hotels, Agri and Paper reported revenue growth of 6.1%, -1.2% and 2.8% YoY respectively.

Cigarette business, despite punitive taxes, registered ~10% and ~9% revenue CAGR in the last 10 and 5 years resp. We expect ITC to deliver ~8% CAGR in the cigarette business over FY17-20. Non-cigarette business can improve gradually, as most of their demand drivers are in the recovery stage. We expect ~13% sales CAGR over FY17-20.

ITC has used the cigarette business' cash flows to develop non-cigarette business over the years. The non-cigarette business (45% of sales and 15% of EBIT) has many levers, which would unlock in the coming years.

ITC commands high operating margin of 36%, along with core RoCE of ~40%. We have BUY rating with a TP of Rs 353, based on 32x Jun-19EPS.

Highlights for the quarter

- **Revenue growth of 4%:** Gross revenue, which grew by 4.3%, was in-line with expectations. Growth in Cigarette and FMCG segments was ahead of others.
- **Healthy 6%/7% EBITDA/PAT growth:** EBITDA grew by 6.2% in 1Q, despite many challenges. EBIT margin for Cigarette/FMCG/Hotel expanded by 81/40/132bps respectively. PAT grew by 7.4% (in-line).
- **Near-term outlook:** Near term volatility can continue on stabilizing GST. However, we advise investors to consider the company's long term potential (especially long term benefits of GST).

Financial Summary

(Rs mn)	1QFY18	1QFY17	*YoY (%)*	4QFY17	*QoQ (%)*	FY16	FY17	FY18E	FY19E	FY20E
Net Revenue	99,547	1,00,541	*(1.0)*	1,11,255	*(10.5)*	3,91,921	4,28,036	4,66,448	5,13,672	5,63,503
EBITDA	37,464	35,263	*6.2*	38,754	*(3.3)*	1,44,509	1,54,359	1,71,129	1,91,539	2,12,199
APAT	25,605	23,847	*7.4*	26,695	*(4.1)*	95,009	1,04,772	1,16,987	1,30,627	1,44,027
EPS (Rs)	2.2	2.1	*5.6*	2.1	*5.8*	7.9	8.6	9.6	10.8	11.9
P/E (x)						36.7	33.5	30.0	26.9	24.4
EV/EBITDA (x)						22.9	21.5	19.4	17.2	15.4
ROE (%)						40.3	36.1	36.8	37.4	38.8

Source: Company, HDFC sec Inst Research

Revenue growth stood at 4.3%, despite channel destocking pressure. Cigarette & FMCG growth was inspiring

Employee and other expenses increased by -4%% & 7.3%

EBITDA margin expanded by 256ps to 37.6%

Quarterly Financials

Year to March (Rs mn)	1QFY18	1QFY17	YoY Chg (%)	4QFY17	QoQ Chg (%)
Gross Revenue	**1,37,222**	**1,31,567**	***4.3***	**1,50,088**	***(8.6)***
Excise Duty	38,458	31,990	*20.2*	38,833	*(1.0)*
Net Revenue	**99,547**	**1,00,541**	***(1.0)***	**1,11,255**	***(10.5)***
Material Expenses	38,360	42,456	*(9.6)*	46,828	*(18.1)*
Employee Expenses	6,746	7,003	*(3.7)*	5,714	*18.1*
Other Operating Expenses	16,976	15,819	*7.3*	19,960	*(14.9)*
EBITDA	**37,464**	**35,263**	***6.2***	**38,754**	***(3.3)***
Depreciation	2,682	2,613	*2.7*	2,418	*10.9*
EBIT	**34,782**	**32,650**	***6.5***	**36,336**	***(4.3)***
Other Income	4,768	4,205	*13.4*	4,021	*18.6*
Interest Cost	104	101	*2.8*	(115)	*(190.6)*
PBT	**39,446**	**36,754**	***7.3***	**40,471**	***(2.5)***
Tax	13,841	12,907	*7.2*	13,777	*0.5*
RPAT	**25,605**	**23,847**	***7.4***	**26,695**	***(4.1)***
EPS	**2.1**	**2.0**	***7.0***	**2.2**	***(4.1)***
As % Of Net Revenue					
Material Cost	38.5	42.2	*(369)*	42.1	*(356)*
Employee Expenses	6.8	7.0	*(19)*	5.1	*164*
Other Expenses	17.1	15.7	*132*	17.9	*(89)*
EBITDA	37.6	35.1	*256*	34.8	*280*
Tax Rate	35.1	35.1	*(3)*	34.0	*105*
PAT	25.7	23.7	*200*	24.0	*173*

Source: Company, HDFC sec Inst Research

Cigarette maintained healthy growth, we expect volume growth at ~1%

FMCG biz growth of 9% was inspiring, particularly owing to channel destocking on pre-GST

Hotel growth was muted owing to industry issues

Agri business impacted by lower crop output and limited trading opportunities in the agri-commodities

Paper business impacted by subdued demand environment especially from FMCG & Cigarette business

Quarterly Segmental

Year to March (Rs mn)	1QFY18	1QFY17	YoY Chg (%)	4QFY17	QoQ Chg (%)
Segmental Revenues					
Cigarettes	87,742	82,306	6.6	89,549	(2.0)
FMCG	26,009	23,852	9.0	28,858	(9.9)
Hotels	3,049	2,874	6.1	3,856	(20.9)
Agribusiness	27,605	27,941	(1.2)	19,185	43.9
Paperboards, Paper & Packaging	13,598	13,229	2.8	13,727	(0.9)
Total	**1,58,003**	**1,50,201**	**5.2**	**1,55,175**	**1.8**
Less: Inter-segment revenue	20,781	18,634	11.5	6,357	226.9
Total	**1,37,222**	**1,31,567**	**4.3**	**1,48,819**	**(7.8)**
Segmental EBIT					
Cigarettes	32,741	30,046	9.0	32,588	0.5
FMCG	54	(45)	(220.1)	556	(90.2)
Hotels	53	12	335.2	669	(92.1)
Agribusiness	2,351	2,373	(0.9)	1,349	74.3
Paperboards, Paper & Packaging	2,573	2,477	3.9	2,402	7.1
Total	**37,773**	**34,863**	**8.3**	**37,563**	**0.6**
Less:					
(a) Interest Cost & Bank Charges	104	101	2.8	(115)	(190.6)
(b) Other Un-allocable Expenses	(1,777)	(1,992)	(10.8)	(2,793)	(36.4)
PBT	**39,446**	**36,754**	**7.3**	**40,471**	**(2.5)**
Capital Employed					
Cigarettes	44,294	51,465	(13.9)	55,467	(20.1)
FMCG	65,082	54,672	19.0	57,067	14.0
Hotels	48,008	45,066	6.5	46,622	3.0
Agribusiness	27,248	23,575	15.6	21,957	24.1
Paperboards, Paper & Packaging	57,841	55,985	3.3	56,989	1.5
Total	**2,42,473**	**2,30,763**	**5.1**	**2,38,102**	**1.8**
Unallocated corporate assets	2,39,740	2,12,517	12.8	2,15,308	11.3
Total capital employed	**4,82,213**	**4,43,280**	**8.8**	**4,53,410**	**6.4**

Source: Company, HDFC sec Inst Research

EBIT Margin

Year to March (Rs mn)	1QFY18	1QFY17	*YoY Chg (bps)*	4QFY17	*QoQ Chg (bps)*
Cigarettes	37.3	36.5	*81*	36.4	93
FMCG	0.2	(0.2)	*40*	1.9	(172)
Hotels	1.7	0.4	*132*	17.4	(1,561)
Agribusiness	8.5	8.5	*2*	7.0	148
Paperboards, Paper & Packaging	18.9	18.7	*20*	17.5	143
Total	**23.9**	**23.2**	***70***	**24.2**	**(30)**

Source: Company, HDFC sec Inst Research

Cigarette Performance

Particulars (Rs mn)	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Gross Revenue	77,334	79,631	81,063	85,455	82,306	85,285	82,880	89,549	87,742
YoY Gr. (%)	*0.8%*	*1.6%*	*5.7%*	*10.2%*	*6.4%*	*7.1%*	*2.2%*	*4.8%*	*6.6%*
Revenue Mix (%)	55.8%	57.8%	58.9%	58.0%	54.8%	58.0%	58.2%	57.7%	55.5%
EBIT	27,811	29,689	29,838	30,186	30,046	32,169	30,337	32,588	32,741
YoY Gr. (%)	*2.2%*	*3.0%*	*3.4%*	*11.5%*	*8.0%*	*8.4%*	*1.7%*	*8.0%*	*9.0%*
EBIT Mix (%)	85.5%	85.9%	85.2%	86.1%	86.2%	85.9%	85.7%	86.8%	86.7%
EBIT Margin (%)	36.0%	37.3%	36.8%	35.3%	36.5%	37.7%	36.6%	36.4%	37.3%
EBIT Margin Chg (bps)	48bps	161bps	171bps	286bps	54bps	44bps	-21bps	107bps	81bps
Capital Employed	50,147	52,444	50,282	52,491	51,465	49,581	47,937	55,467	44,294
RoCE (%)	222%	226%	237%	230%	234%	260%	253%	235%	296%

Source: Company, HDFC sec Inst Research Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

FMCG Performance

Particulars (Rs mn)	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Gross Revenue	21,775	23,580	24,849	27,108	23,852	26,717	25,693	28,858	26,009
YoY Gr. (%)	*12.6%*	*7.1%*	*7.1%*	*5.4%*	*9.5%*	*13.3%*	*3.4%*	*6.5%*	*9.0%*
Revenue Mix (%)	15.7%	17.1%	18.1%	18.4%	15.9%	18.2%	18.0%	18.6%	16.5%
EBIT	(80)	(111)	188	708	(45)	(33)	(197)	556	54
YoY Gr. (%)	*-48.9%*	*7.7%*	*63.6%*	*45.9%*	*-43.3%*	*-70.6%*	*-204.9%*	*-21.5%*	*-220.1%*
EBIT Mix (%)	-0.2%	-0.3%	0.5%	2.0%	-0.1%	-0.1%	-0.6%	1.5%	0.1%
EBIT Margin (%)	-0.4%	-0.5%	0.8%	2.6%	-0.2%	-0.1%	-0.8%	1.9%	0.2%
EBIT Margin Chg (bps)	44bps	0bps	26bps	72bps	18bps	35bps	-152bps	-69bps	40bps
Capital Employed	48,700	47,744	44,629	48,520	54,672	54,924	51,817	57,067	65,082
RoCE (%)	-0.7%	-0.9%	1.7%	5.8%	-0.3%	-0.2%	-1.5%	3.9%	0.3%

Source: Company, HDFC sec Inst Research Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

Hotel Performance

Particulars (Rs mn)	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Gross Revenue	2,878	2,901	3,453	3,630	2,874	2,973	3,705	3,856	3,049
YoY Gr. (%)	*15.7%*	*10.9%*	*4.5%*	*4.8%*	*-0.2%*	*2.5%*	*7.3%*	*6.2%*	*6.1%*
Revenue Mix (%)	2.1%	2.1%	2.5%	2.5%	1.9%	2.0%	2.6%	2.5%	1.9%
EBIT	(73)	(55)	258	427	12	7	422	669	53
YoY Gr. (%)	*-40.0%*	*-42.2%*	*-10.1%*	*1.5%*	*-116.8%*	*-111.7%*	*63.4%*	*56.9%*	*335.2%*
EBIT Mix (%)	-0.2%	-0.2%	0.7%	1.2%	0.0%	0.0%	1.2%	1.8%	0.1%
EBIT Margin (%)	-2.5%	-1.9%	7.5%	11.8%	0.4%	0.2%	11.4%	17.4%	1.7%
EBIT Margin Chg (bps)	234bps	175bps	-122bps	-39bps	294bps	213bps	390bps	561bps	132bps
Capital Employed	43,316	44,208	44,193	44,749	45,066	45,473	45,867	46,622	48,008
RoCE (%)	-0.7%	-0.5%	2.3%	3.8%	0.1%	0.1%	3.7%	5.7%	0.4%

Source: Company, HDFC sec Inst Research Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

Agribusiness Performance

Particulars (Rs mn)	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Gross Revenue	23,254	18,437	14,810	18,068	27,941	18,800	16,719	19,185	27,605
YoY Gr. (%)	*-29.5%*	*-10.4%*	*-7.3%*	*26.5%*	*20.2%*	*2.0%*	*12.9%*	*6.2%*	*-1.2%*
Revenue Mix (%)	16.8%	13.4%	10.8%	12.3%	18.6%	12.8%	11.7%	12.4%	17.5%
EBIT	2,339	2,939	2,314	1,703	2,373	2,970	2,366	1,349	2,351
YoY Gr. (%)	*15.5%*	*-1.4%*	*-3.1%*	*3.6%*	*1.5%*	*1.0%*	*2.2%*	*-20.8%*	*-0.9%*
EBIT Mix (%)	7.2%	8.5%	6.6%	4.9%	6.8%	7.9%	6.7%	3.6%	6.2%
EBIT Margin (%)	10.1%	15.9%	15.6%	9.4%	8.5%	15.8%	14.2%	7.0%	8.5%
EBIT Margin Chg (bps)	391bps	146bps	68bps	-209bps	-156bps	-15bps	-148bps	-239bps	2bps
Capital Employed	18,725	16,970	20,029	23,587	23,575	17,281	17,493	21,957	27,248
RoCE (%)	50%	69%	46%	29%	40%	69%	54%	25%	35%

Source: Company, HDFC sec Inst Research Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

We slightly tweak our cigarette growth for FY18 to adjust increase in taxes. However, we maintain our assumption of high single digit cigarette growth for the long run

Paper Business Performance

Particulars (Rs mn)	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Gross Revenue	13,440	13,310	13,377	13,150	13,229	13,314	13,358	13,727	13,598
YoY Gr. (%)	*4.3%*	*-2.3%*	*5.1%*	*3.0%*	*-1.6%*	*0.0%*	*-0.1%*	*4.4%*	*2.8%*
Revenue Mix (%)	9.7%	9.7%	9.7%	8.9%	8.8%	9.1%	9.4%	8.8%	8.6%
EBIT	2,544	2,092	2,410	2,030	2,477	2,320	2,460	2,402	2,573
YoY Gr. (%)	*-7.5%*	*-13.6%*	*12.7%*	*6.5%*	*-2.6%*	*10.9%*	*2.1%*	*18.3%*	*3.9%*
EBIT Mix (%)	7.8%	6.1%	6.9%	5.8%	7.1%	6.2%	7.0%	6.4%	6.8%
EBIT Margin (%)	18.9%	15.7%	18.0%	15.4%	18.7%	17.4%	18.4%	17.5%	18.9%
EBIT Margin Chg (bps)	-241bps	-314bps	17bps	-41bps	-21bps	170bps	40bps	206bps	20bps
Capital Employed	54,248	54,225	54,045	55,203	55,985	56,594	57,079	56,989	57,841
RoCE (%)	19%	15%	18%	15%	18%	16%	17%	17%	18%

Source: Company, HDFC sec Inst Research   Note: Sales growth/margin expansion for 1QFY16 to 4QFY16 are calculated based on OLD AS

Assumptions

	FY16	FY17	FY18E	FY19E	FY20E
Gross Revenue Growth (%)					
Cigarettes	6.2	5.1	6.3	8.9	8.1
Others	7.7	8.2	12.8	12.9	12.9
Hotels	11.5	6.1	7.4	9.8	9.3
Agribusiness	0.2	12.6	13.6	14.3	14.7
Paperboards, Paper & Packaging	5.9	12.1	15.2	15.2	15.2
Total	5.9	7.0	9.1	10.8	10.5
Gross Margin (%)	65.4	62.5	63.0	63.5	63.8
ASP (% of sales)	2.5	1.9	2.2	2.3	2.4
Distribution (% of sales)	2.2	2.0	2.0	2.0	2.0
Contract manufacturing (% of sales)	1.5	1.5	1.5	1.5	1.5
EBITDA Margin (%)	36.9	36.1	36.7	37.3	37.7
ETR (%)	36.1	34.6	34.0	34.0	34.0

Source: Company, HDFC sec Inst Research

Income Statement

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Revenues	**3,91,921**	**4,28,036**	**4,66,448**	**5,13,672**	**5,63,503**
Growth (%)	***2.0***	***9.2***	***9.0***	***10.1***	***9.7***
Material Expenses	1,35,685	1,60,492	1,72,599	1,87,549	2,03,874
Employee Expense	34,410	36,317	36,666	39,517	42,623
ASP Expense	9,887	8,107	10,262	11,814	13,524
Distribution Expense	8,528	8,560	9,328	10,272	11,269
Other Expenses	58,903	60,201	66,464	72,981	80,014
EBITDA	**1,44,509**	**1,54,359**	**1,71,129**	**1,91,539**	**2,12,199**
EBITDA Growth (%)	***4.5***	***6.8***	***10.9***	***11.9***	***10.8***
EBITDA Margin	***36.9***	***36.1***	***36.7***	***37.3***	***37.7***
Depreciation	10,774	11,528	12,282	13,330	14,242
EBIT	**1,33,735**	**1,42,831**	**1,58,848**	**1,78,209**	**1,97,957**
Other Income (Including EO)	15,308	17,615	18,474	19,772	20,321
Interest	536	243	173	182	192
PBT	**1,48,507**	**1,60,204**	**1,77,149**	**1,97,799**	**2,18,086**
Total Tax	53,582	55,491	60,231	67,252	74,149
RPAT	95,009	1,04,772	1,16,987	1,30,627	1,44,027
Exceptional Gain/(loss)	-	-	-	-	-
Adjusted PAT	**95,009**	**1,04,772**	**1,16,987**	**1,30,627**	**1,44,027**
APAT Growth (%)	***(1.7)***	***10.3***	***11.7***	***11.7***	***10.3***
Adjusted EPS (Rs)	**7.9**	**8.6**	**9.6**	**10.8**	**11.9**
EPS Growth (%)	***(2.1)***	***9.6***	***11.7***	***11.7***	***10.3***

Source: Company, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital - Equity	8,047	12,147	12,147	12,147	12,147
Reserves	4,18,748	4,51,982	4,86,493	5,25,028	5,67,516
Total Shareholders' Funds	**4,26,795**	**4,64,129**	**4,98,640**	**5,37,175**	**5,79,663**
Minority Interest	2,609	2,947	2,879	2,800	2,709
Long Term Debt	267	184	184	184	184
Short Term Debt	440	191	210	231	254
Total Debt	**706**	**375**	**394**	**415**	**438**
Net Deferred Taxes	18,395	18,333	18,365	18,399	18,436
Other non-current liabilities	2,756	2,174	2,174	2,174	2,174
TOTAL SOURCES OF FUNDS	**4,51,261**	**4,87,959**	**5,22,452**	**5,60,964**	**6,03,421**
APPLICATION OF FUNDS					
Net Block	**1,49,060**	**1,57,778**	**1,75,187**	**1,85,957**	**1,95,815**
CWIP	35,759	37,849	38,849	39,849	40,849
Goodwill	2,314	2,314	2,314	2,314	2,314
Other non-current assets	29,457	32,179	36,039	40,362	45,204
Total Non-current Assets	**2,16,590**	**2,30,120**	**2,52,390**	**2,68,483**	**2,84,183**
Inventories	90,621	86,711	93,912	1,02,539	1,11,860
Debtors	19,178	24,743	26,963	29,693	32,574
Other current assets	11,109	17,471	19,567	21,915	24,545
Cash & Equivalents	1,79,800	1,99,938	1,99,282	2,14,886	2,34,392
Total Current Assets	**3,00,707**	**3,28,863**	**3,39,724**	**3,69,034**	**4,03,370**
Creditors	23,393	26,593	29,253	32,178	35,396
Other Current Liabilities & Provns	42,643	44,430	40,409	44,375	48,736
Total Current Liabilities	**66,036**	**71,023**	**69,662**	**76,553**	**84,132**
Net Current Assets	**2,34,672**	**2,57,839**	**2,70,063**	**2,92,481**	**3,19,238**
TOTAL APPLICATION OF FUNDS	**4,51,261**	**4,87,959**	**5,22,452**	**5,60,964**	**6,03,421**

Source: Company, HDFC sec Inst Research

Cash Flow Statement

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Reported PBT	1,54,332	1,60,204	1,77,149	1,97,799	2,18,086
Non-operating & EO Items	(5,980)	-	-	-	-
Interest Expenses	(8,227)	243	173	182	192
Depreciation	11,134	11,528	12,282	13,330	14,242
Working Capital Change	(1,666)	2,350	(16,740)	(11,137)	(12,094)
Tax Paid	(50,812)	(55,462)	(60,199)	(67,218)	(74,112)
OPERATING CASH FLOW (a)	**98,782**	**1,18,863**	**1,12,665**	**1,32,957**	**1,46,313**
Capex	(23,835)	(31,798)	(30,691)	(25,100)	(25,100)
Free Cash Flow (FCF)	*74,947*	*87,065*	*81,973*	*1,07,857*	*1,21,213*
Investments	(34,379)	(52,788)	(15,000)	(15,000)	(15,000)
Non-operating Income	18,558	-	-	-	-
INVESTING CASH FLOW (b)	**(39,657)**	**(84,586)**	**(45,691)**	**(40,100)**	**(40,100)**
Debt Issuance/(Repaid)	(127)	(331)	19	21	23
Interest Expenses	(324)	(243)	(173)	(182)	(192)
FCFE	*74,496*	*86,491*	*81,820*	*1,07,696*	*1,21,045*
Share Capital Issuance	5,317	6,426	0	0	0
Dividend	(61,258)	(62,863)	(70,192)	(78,376)	(86,416)
Others	(1,300)	(11,001)	(12,284)	(13,716)	(15,123)
FINANCING CASH FLOW (c)	**(57,692)**	**(68,012)**	**(82,630)**	**(92,253)**	**(1,01,708)**
NET CASH FLOW (a+b+c)	**1,434**	**(33,735)**	**(15,656)**	**605**	**4,505**
EO Items, Others	(10,267)	-	-	-	-
Closing Cash & Equivalents	62,324	29,674	14,018	14,622	19,128

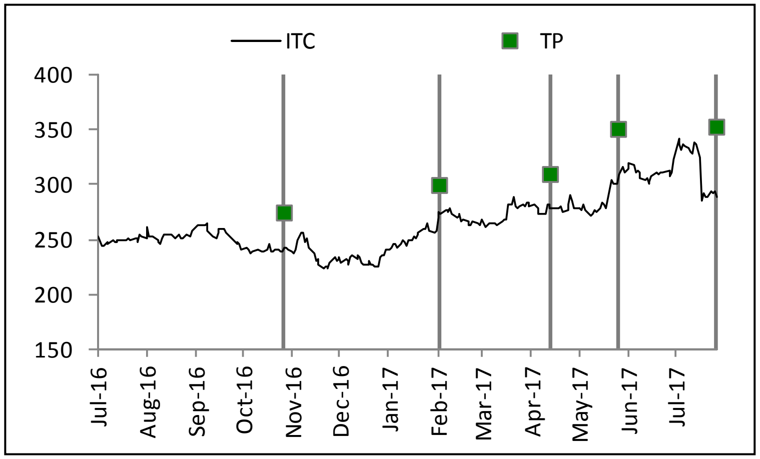
Source: Company, HDFC sec Inst Research

Key Ratios

	FY16	FY17	FY18E	FY19E	FY20E
PROFITABILITY (%)					
GPM	65.4	62.5	63.0	63.5	63.8
EBITDA Margin	36.9	36.1	36.7	37.3	37.7
EBIT Margin	34.1	33.4	34.1	34.7	35.1
APAT Margin	24.2	24.5	25.1	25.4	25.6
RoE	25.5	23.5	24.3	25.2	25.8
RoIC (or Core RoCE)	40.3	36.1	36.8	37.4	38.8
RoCE	25.4	23.4	24.2	25.1	25.7
EFFICIENCY					
Tax Rate (%)	36.1	34.6	34.0	34.0	34.0
Fixed Asset Turnover (x)	0.6	0.6	0.6	0.6	0.6
Inventory (days)	*84.4*	*73.9*	*73.5*	*72.9*	*72.5*
Debtors (days)	*17.9*	*21.1*	*21.1*	*21.1*	*21.1*
Other Current Assets (days)	*10.3*	*14.9*	*15.3*	*15.6*	*15.9*
Payables (days)	*21.8*	*22.7*	*22.9*	*22.9*	*22.9*
Other Current Liab & Provns (days)	*39.7*	*37.9*	*31.6*	*31.5*	*31.6*
Cash Conversion Cycle (days)	51.1	49.4	55.4	55.1	55.0
Net D/E (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	0.0	0.0	0.0	0.0	0.0
PER SHARE DATA (Rs)					
EPS	7.9	8.6	9.6	10.8	11.9
CEPS	8.8	9.6	10.6	11.9	13.0
Dividend	8.5	5.2	5.8	6.5	7.1
Book Value	35.4	38.2	41.0	44.2	47.7
VALUATION					
P/E (x)	36.7	33.5	30.0	26.9	24.4
P/BV (x)	8.2	7.6	7.0	6.5	6.1
EV/EBITDA (x)	22.9	21.5	19.4	17.2	15.4
EV/Revenues (x)	8.4	7.7	7.1	6.4	5.8
OCF/EV (%)	3.0	3.6	3.4	4.0	4.5
FCF/EV (%)	2.3	2.6	2.5	3.3	3.7
FCFE/Mkt Cap (%)	2.1	2.5	2.3	3.1	3.4
Dividend Yield (%)	2.9	1.8	2.0	2.2	2.5

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
28-Oct-16	243	BUY	275
2-Feb-17	270	BUY	300
14-Apr-17	281	BUY	310
28-May-17	309	BUY	351
28-Jul-17	289	BUY	353

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

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