15 May 2020

4QFY20 Results Update | Sector: Midcaps

Tata Consumer Products

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	TATACONS IN
Equity Shares (m)	631
M.Cap.(INRb)/(USDb)	332.4 / 4.3
52-Week Range (INR)	408 / 197
1, 6, 12 Rel. Per (%)	17/46/98
12M Avg Val (INR M)	1326
Free float (%)	65.3

Financials & valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	96.4	104.0	114.5
EBITDA	12.9	14.5	16.9
PAT	7.3	8.5	10.3
EBITDA (%)	13.4	14.0	14.8
EPS (INR)	8.0	9.2	11.2
EPS Gr. (%)	66.4	15.7	21.3
BV/Sh. (INR)	150	156	163
Ratios			
Net D/E	(0.1)	(0.1)	(0.1)
RoE (%)	6.9	6.0	7.0
RoCE (%)	8.5	7.8	9.0
Payout (%)	46.5	31.2	28.8
Valuations			
P/E (x)	45.5	39.3	32.4
EV/EBITDA (x)	24.7	21.9	18.9
Div Yield (%)	0.9	1.4	1.6
FCF Yield (%)	4.8	3.1	4.5

Shareholding pattern (%)

	Mar-20	Dec-19	Mar-19
Promoter	34.7	34.5	34.5
DII	21.8	14.9	13.7
FII	17.1	26.0	25.4
Others	26.4	24.6	26.5

Note: FII includes depository receipts

CMP: INR363 TP: INR431 (+19%) Buy

Strong performance amid tough environment

In-line revenue/EBITDA; adj. PAT above est.

- Tata Consumer Products (TCP)'s consolidated revenue/EBITDA was in line with our estimates; like-for-like (adj. for Tata Chemicals' Consumer biz and IndAS-116) revenue/EBITDA grew 6%/29% for the quarter. The strong performance was attributed to improvement across businesses, barring Tata Coffee Standalone.
- Mr Sunil D'Souza was appointed as MD & CEO w. e. f. from April; hence, the strategy formulation and its execution is expected to be monitored going forward. We maintain our estimates for FY21/FY22 and arrive at an SOTP-based TP of INR431.

Robust performance across businesses, barring Tata Coffee Standalone

- TCP reported revenue of INR24.1b (est.: INR24.5b), up 35% YoY, with EBITDA growth at 77% YoY to INR3.1b (est.: INR3b). Adj. PAT stood at INR1.9b, up 6x YoY on a very low base (est.: INR1.7b). However, like-to-like (L2L) consolidated revenue/EBITDA grew 6%/29%.
- For FY20, L2L consolidated revenue/EBITDA grew 4%/12%. TCP's standalone L2L revenue/EBITDA increased 3%/38% to INR8.1b/INR900m, aided by 5% volume growth. In FY20, the India Branded Tea business recorded 7% volume growth. The onset of COVID-19 impacted primary sales in March; however, revenues are now gradually returning to normal.
- Revenue for Tata Chemical's Consumer business (India Food business) grew 7% YoY (to INR5.2b), with the EBITDA margin at 13.4%. For FY20, revenue improved 12% YoY (to INR20.6b), with the EBITDA margin at 15.3%.
- Tata Coffee (TCL)'s consolidated revenue/EBITDA grew 12%/22% YoY to INR5.2b/INR771m, driven by the Overseas Coffee business' performance. TCL's standalone revenue declined 17% YoY (to INR1.7b), whereas EBITDA plummeted by 95% to INR7m on a 210bp decline in gross margins (to 55.2%). Revenue/EBITDA for TCL's Overseas Coffee biz. grew 35%/54% on improvement in gross margins.
- TCP's Overseas Tea business' revenue/EBITDA grew 4%/36% YoY to INR5.5b/INR708m for the quarter.

Highlights from management commentary

- Tata Starbucks clocked revenue growth of 21% for FY20. It added 39 new stores during the year, taking the current store count to 185 stores across India. Q4 operations were adversely impacted due to the closure of all stores during the lockdown period. The company has now opened ~40 of its existing stores across seven cities for deliveries and takeaways.
- The new plant in Vietnam is running at 85–90% utilization levels within its first year of operation. It achieved the highest quarterly sale of ~1,050MT.

Research Analyst: Sumant Kumar (Sumant.Kumar@MotilalOswal.com); +91 22 6129 1569

Darshit Shah (Darshit.Shah@motilaloswal.com); +9122 6129 1546 / **Yusuf Inamdar** (yusuf.inamdar@motilaloswal.com); +91 22 7193 4239

Valuation and view

- We maintain our estimates for FY21/FY22 as TCP deals in salt/tea/coffee, for which demand has not been materially impacted due to COVID-19; however, the company faced certain issues pertaining to the supply chain, which is returning to normal day by day (for India).
- Tata Group has a clear focus on leveraging its brand and participating in India's consumption story of INR30tn, which resulted in the merger of Tata Chemicals' Consumer business with itself.
- The merger of Tata Chemicals' Consumer business with TCP is in line with Tata Group's focus on creating a single FMCG-focused company. The merger offers multiple synergies, including higher outlet coverage, focused new product development, stronger cash flow generation, and scale efficiencies.
- Moreover, in the short to medium term, we believe the new CEO, Mr Sunil D'Souza would focus more on marketing under-penetrated food products such as pulses, *besan* (gram flour), spices, and *chilla* mix, aggressively leveraging the existing strong distribution network and Tata brand.
- We value the stock on an SOTP basis and arrive at a target price of INR431. Maintain **Buy**.

Consolidated -– Quarterly earnings model (INR m)

Y/E March	FY19				FY20				FY19	FY20	FY20	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	**18,026**	**17,609**	**19,126**	**17,755**	**18,971**	**18,341**	**24,930**	**24,050**	**72,515**	**96,374**	**24,454**	**-2**
YoY Change (%)	5.8	4.1	10.5	5.2	5.2	4.2	30.3	35.5	6.4	32.9	37.7	
Total Expenditure	15,538	15,942	17,164	16,012	16,323	15,994	21,748	20,967	64,656	83,453	21,479	
EBITDA	**2,488**	**1,667**	**1,962**	**1,743**	**2,648**	**2,347**	**3,181**	**3,084**	**7,859**	**12,922**	**2,975**	**4**
Margins (%)	13.8	9.5	10.3	9.8	14.0	12.8	12.8	12.8	10.8	13.4	12.2	
Depreciation	295	305	296	329	460	468	614	640	1,225	2,417	472	
Interest	126	115	130	155	182	201	201	187	525	779	170	
Other Income	285	708	226	352	305	253	285	219	1,571	1,116	400	
PBT before EO expense	**2,352**	**1,955**	**1,762**	**1,611**	**2,311**	**1,931**	**2,651**	**2,476**	**7,681**	**10,842**	**2,733**	
Extra-Ord expense	-182	-67	0	-84	-81	-15	-8	-2,644	-333	-2,748	0	
PBT	**2,171**	**1,888**	**1,762**	**1,527**	**2,230**	**1,916**	**2,643**	**-168**	**7,348**	**8,094**	**2,733**	
Tax	835	637	549	588	739	483	750	334	2,609	2,742	676	
Rate (%)	38.4	33.7	31.2	38.5	33.1	25.2	28.4	-198.2	35.5	33.9	24.7	
Minority Interest	119	142	96	131	164	147	153	-460	488	4	109.2	
Profit/Loss of Asso. Cos.	-55	589	-124	-578	-74	92	-46	-723	-169	-751	-217	
Reported PAT	**1,162**	**1,697**	**993**	**230**	**1,253**	**1,377**	**1,694**	**-765**	**4,083**	**4,598**	**1,732**	
Adj PAT	**1,344**	**1,765**	**993**	**314**	**1,334**	**1,392**	**1,702**	**1,879**	**4,416**	**7,346**	**1,732**	**9**
YoY Change (%)	NA	NA	-22.0	-48.7	-0.8	-21.1	71.4	499.0	-19.2	66.4	1,086.9	
Margins (%)	7.5	10.0	5.2	1.8	7.0	7.6	6.8	7.8	6.1	7.6	7.1	

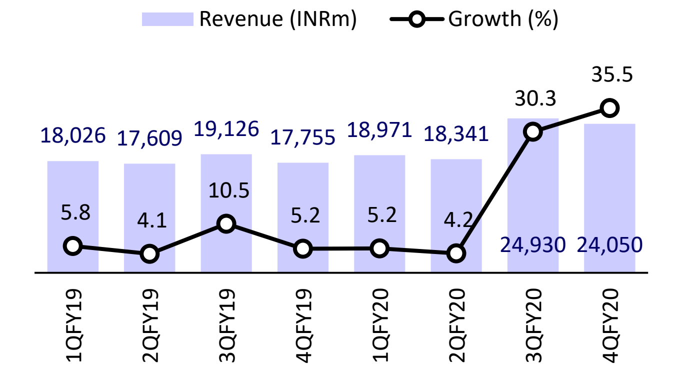
3QFY20 and 4QFY20 nos. include Tata Chemicals' Consumer biz nos. Sum of four quarters for FY20 would not add up to the full year's numbers as past numbers have been restated.

Key performance indicators

Y/E March	FY19				FY20				FY19	FY20
Consolidated	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue Growth (%)										
Standalone	5.7	6.6	4.9	9.7	6.6	7.9	64.5	70.3	**6.6**	**65.9**
Overseas Tea Biz	-1.2	-11.2	10.4	-0.5	-2.2	-4.1	-5.3	4.2	**-1.8**	**0.1**
Tata Coffee Ltd (TCL) Consol	14.8	19.3	23.4	4.6	10.5	5.5	7.7	12.2	**15.1**	**9.0**
TCL Standalone	-12.3	3.3	-0.5	8.0	25.9	4.7	0.6	-16.9	**-0.4**	**2.4**
Coffee Overseas	41.2	32.4	42.2	2.0	1.3	6.1	11.7	34.8	**27.8**	**13.2**
EBITDA Margin (%)										
Standalone	18.4	11.6	12.8	7.5	15.2	13.5	14.1	12.0	**12.8**	**14.1**
Overseas Tea Biz	3.3	2.1	4.9	9.8	8.5	7.2	4.9	12.8	**5.2**	**8.5**
TCL Consol	15.7	12.9	11.9	13.7	16.9	16.5	17.0	14.9	**13.5**	**16.3**
TCL Standalone	13.0	8.5	5.9	6.7	11.4	9.4	8.9	0.4	**8.4**	**7.8**
Coffee Overseas	17.3	15.7	15.1	19.1	21.0	20.9	21.0	21.9	**16.7**	**21.2**
Cost Break-up										
RM Cost (% of sales)	54.4	56.7	55.3	54.8	55.7	55.1	56.5	54.5	**55.3**	**56.1**
Staff Cost (% of sales)	11.3	11.1	10.7	11.4	10.7	10.9	8.8	9.6	**11.1**	**9.2**
Adv. and Sales (% of sales)	6.5	8.2	8.1	7.3	5.7	7.5	8.1	7.5	**7.6**	**7.0**
Other Cost (% of sales)	14.0	14.6	15.6	16.7	13.9	13.8	13.9	15.5	**15.2**	**14.2**
Gross Margins (%)	45.6	43.3	44.7	45.2	44.3	44.9	43.5	45.5	**44.7**	**43.9**
EBITDA Margins (%)	13.8	9.5	10.3	9.8	14.0	12.8	12.8	12.8	**10.8**	**13.4**
EBIT Margins (%)	12.2	7.7	8.7	8.0	11.5	10.2	10.3	10.2	**9.1**	**10.9**

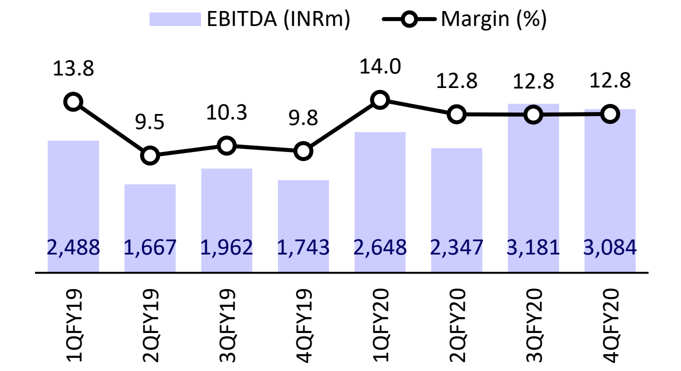
Key Exhibits

Exhibit 1: Consolidated revenue trend



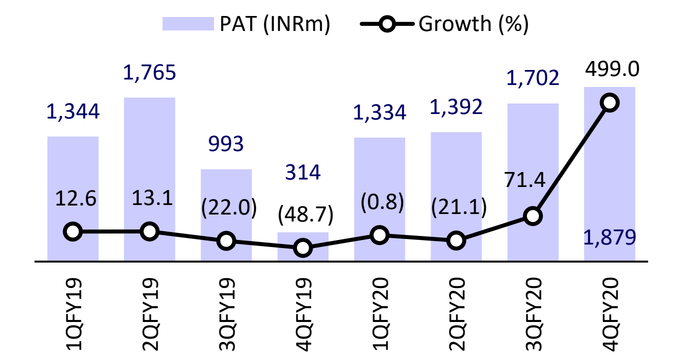
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



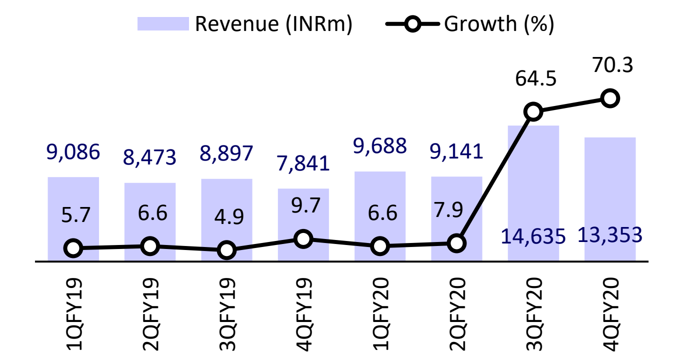
Source: Company, MOFSL

Exhibit 3: Consolidated adj. PAT trend



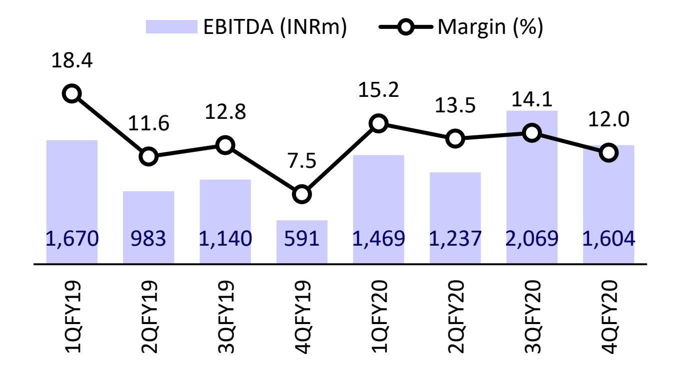
Source: Company, MOFSL

Exhibit 4: Standalone revenue trend



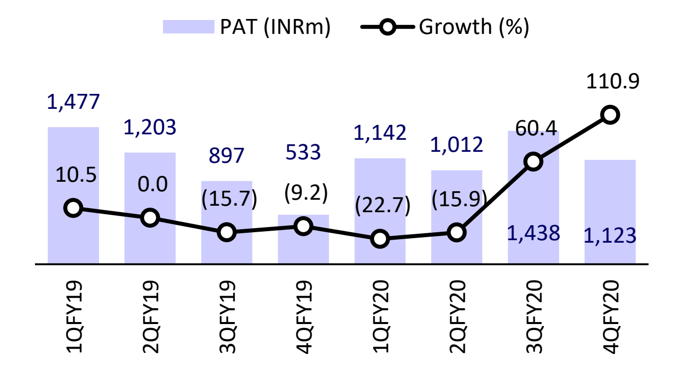
Source: Company, MOFSL

Exhibit 5: Standalone EBITDA trend



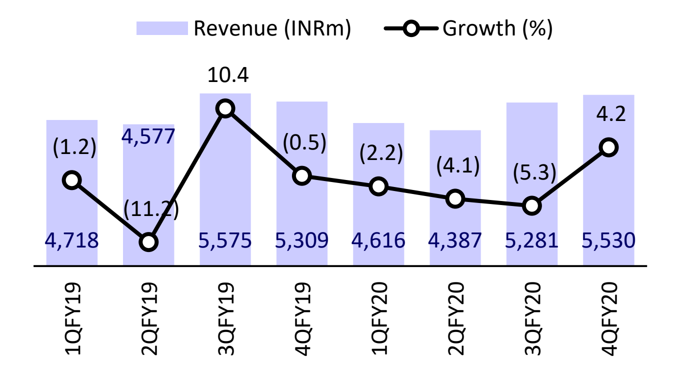
Source: Company, MOFSL

Exhibit 6: Standalone adj. PAT trend



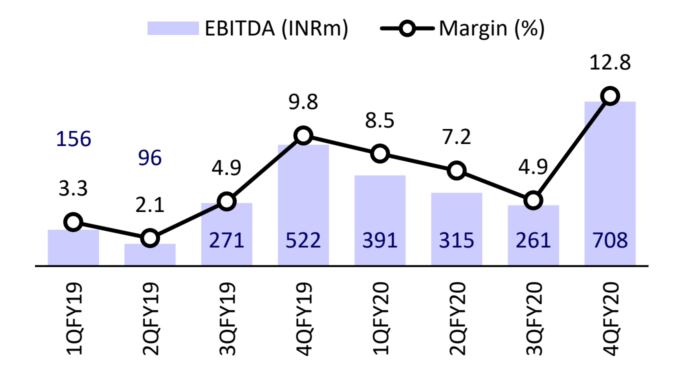
Source: Company, MOFSL

Exhibit 7: TCP's Overseas Tea revenue trend



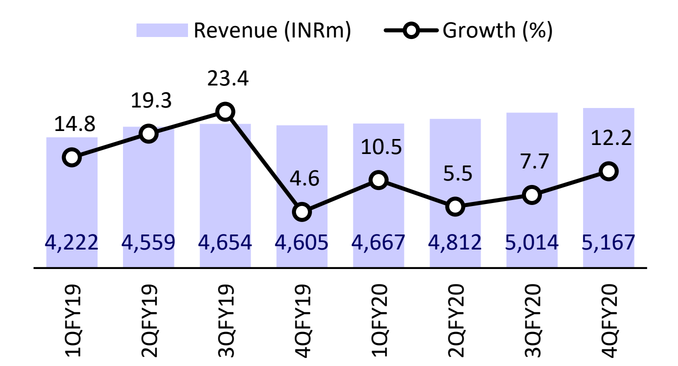
Source: Company, MOFSL

Exhibit 8: TCP's Overseas Tea EBITDA trend



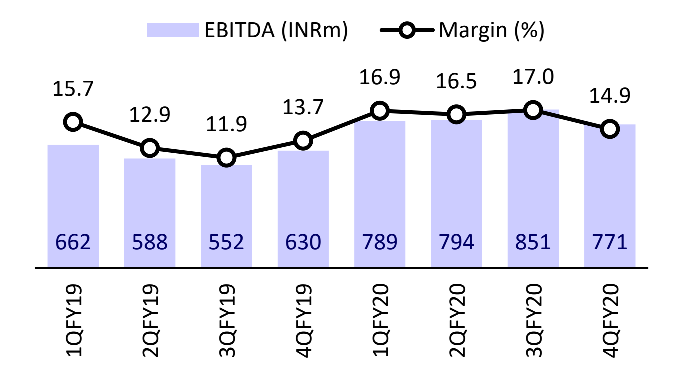
Source: Company, MOFSL

Exhibit 9: Tata Coffee's consol revenue trend



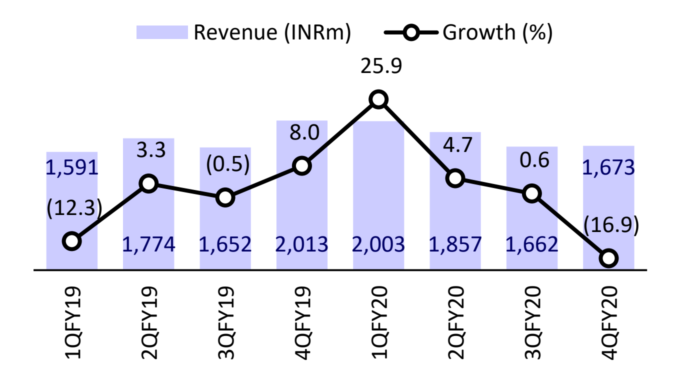
Source: Company, MOFSL

Exhibit 10: Tata Coffee's consol EBITDA trend



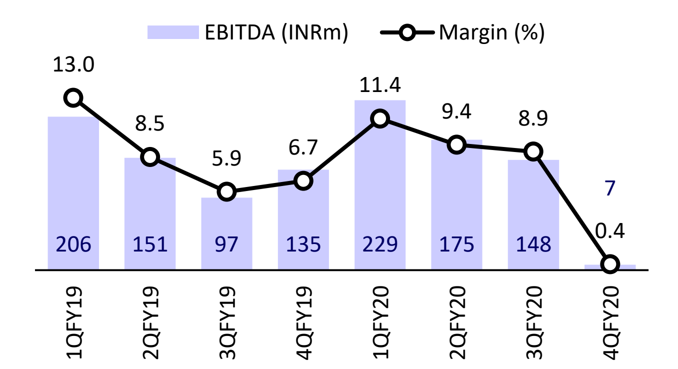
Source: Company, MOFSL

Exhibit 11: Tata Coffee's standalone revenue trend



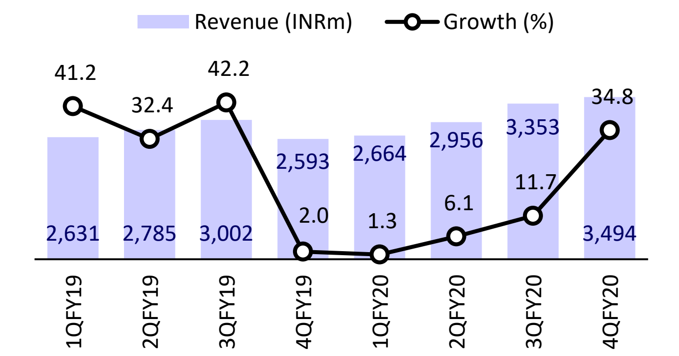
Source: Company, MOFSL

Exhibit 12: Tata Coffee's standalone EBITDA trend



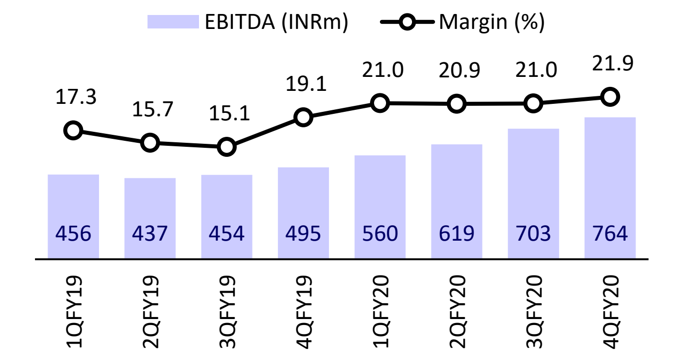
Source: Company, MOFSL

Exhibit 13: Tata Coffee's overseas revenue trend



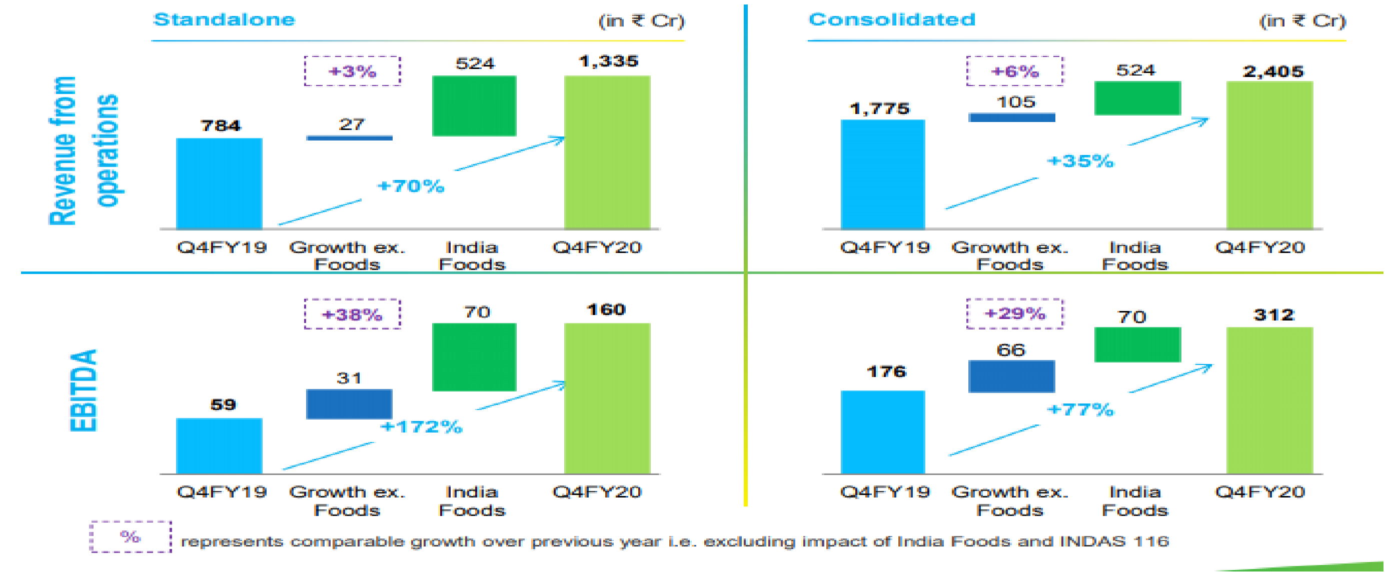
Source: Company, MOFSL

Exhibit 14: Tata Coffee's overseas EBITDA trend



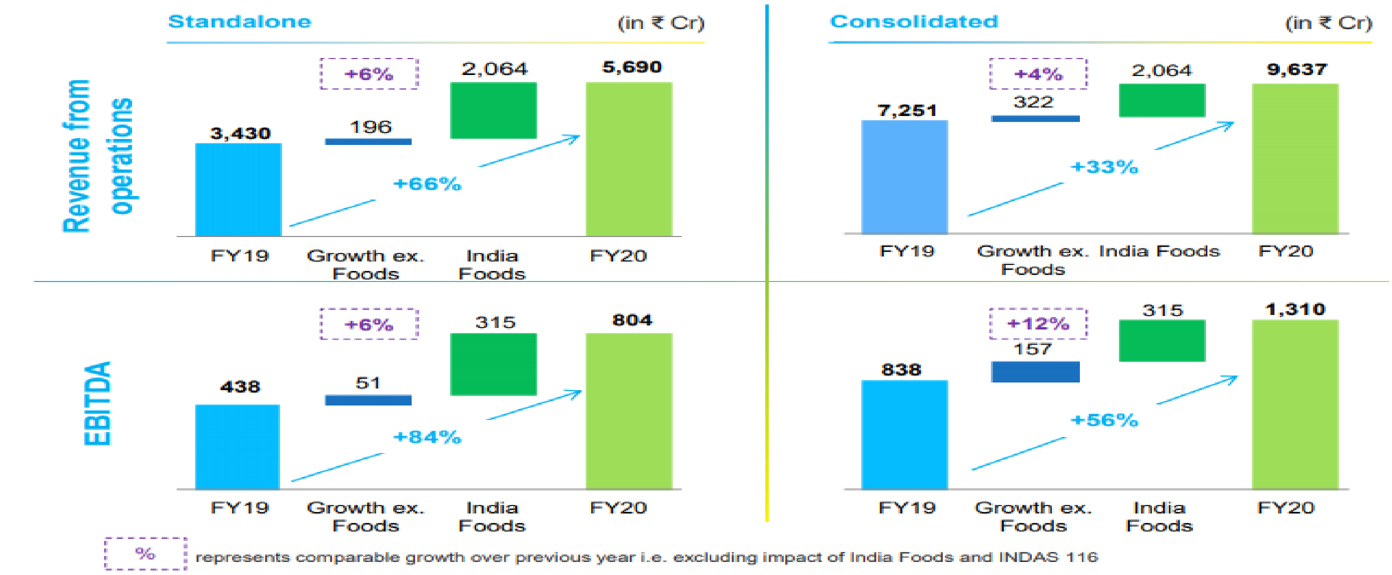
Source: Company, MOFSL

Exhibit 15: Performance highlights for TCP – 4QFY20



Source: Company, MOFSL

Exhibit 16: Performance highlights for TCP – FY20



Source: Company, MOFSL

Exhibit 17: Revenue at a glance

In ₹ Cr (unless specified)	India Beverages	India Foods	US Coffee	Other International (UK, Canada and Others)	Tata Coffee (inc Vietnam)	Consolidated
			International Beverages			
Revenue (FY20)	**3,377**	**2,064**	**1,121**	**2,105**	**836**	**9,637**
Revenue Growth	7%	12%	2%	0%^	19%	33%/4%#
Volume Growth	7%*	3%*	5%*	1%*	14%	6%#
Revenue (Q4)	**755**	**524**	**299**	**577**	**214**	**2405**
Revenue Growth	6%	9%	15%	8%^	6%	35%/6%#
Volume Growth	5%*	-1%*	15%*	3%^	-12%	3%#
Key Brands	TATA TEA	TATA Salt, TATA sampann	EIGHT O'CLOCK	Tetley, teapigs, GOOD EARTH		

Note:
a) Tata Coffee incl. Vietnam and excl. US Coffee (EOC)
b) Does not include inter-segmental eliminations

* Branded business growth
# comparable revenue growth excluding India Foods
^ growth excluding Czech (exited during the year)

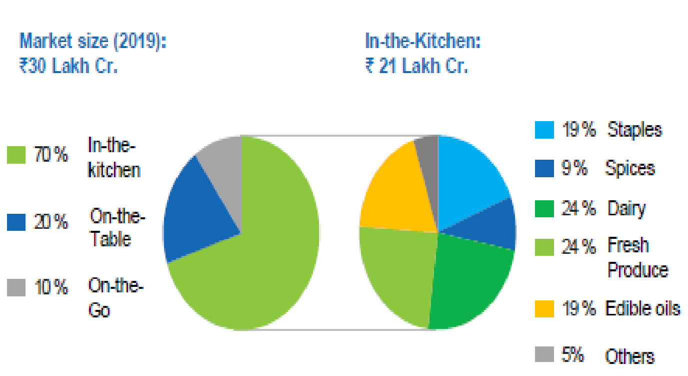
Source: Company, MOFSL

Exhibit 18: Consolidated segmental results

INR m	4QFY20	3QFY20	4QFY19	FY19	FY20
Segmental revenue					
Branded Business					
India - Beverages	7,548	8,731	7,125	31,677	33,769
India - Foods	5,244	5,311	-	-	20,637
International - Beverages	8,744	8,516	8,210	32,384	32,260
Total Branded Business	**21,537**	**22,558**	**15,335**	**64,060**	**86,667**
Non-Branded Business	2,513	2,385	2,412	8,425	9,749
Total Segment Revenue	**24,050**	**24,943**	**17,747**	**72,485**	**96,416**
Others	64	82	62	302	266
Less: Inter segment sales	(64)	(96)	(55)	(272)	(308)
Revenue from Operations	**24,050**	**24,930**	**17,755**	72,515	96,374
Segment Results					
Branded Business					
India - Beverages	872	1,276	570	4,574	4,651
India - Foods	573	662	-	-	2,665
International - Beverages	1,285	790	1,013	2,767	3,608
Total Branded Business	**2,729**	**2,728**	**1,583**	**7,342**	**10,924**
Non-Branded Business	**12**	**162**	**96**	**666**	**557**
Total Segment Results	**2,741**	**2,889**	**1,679**	**8,008**	**11,480**
EBIT margins					
India - Beverages	11.5%	14.6%	8.0%	14.4%	13.8%
India - Foods	10.9%	12.5%	NA	NA	12.9%
International - Beverages	14.7%	9.3%	12.3%	8.5%	11.2%

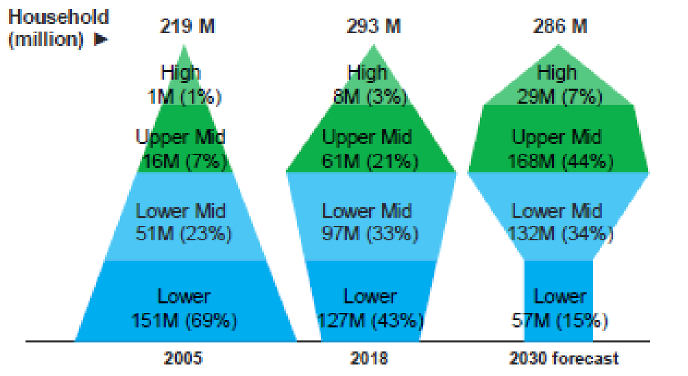
Source: Company, MOFSL

Exhibit 19: Market skewed toward In-the-Kitchen Segment



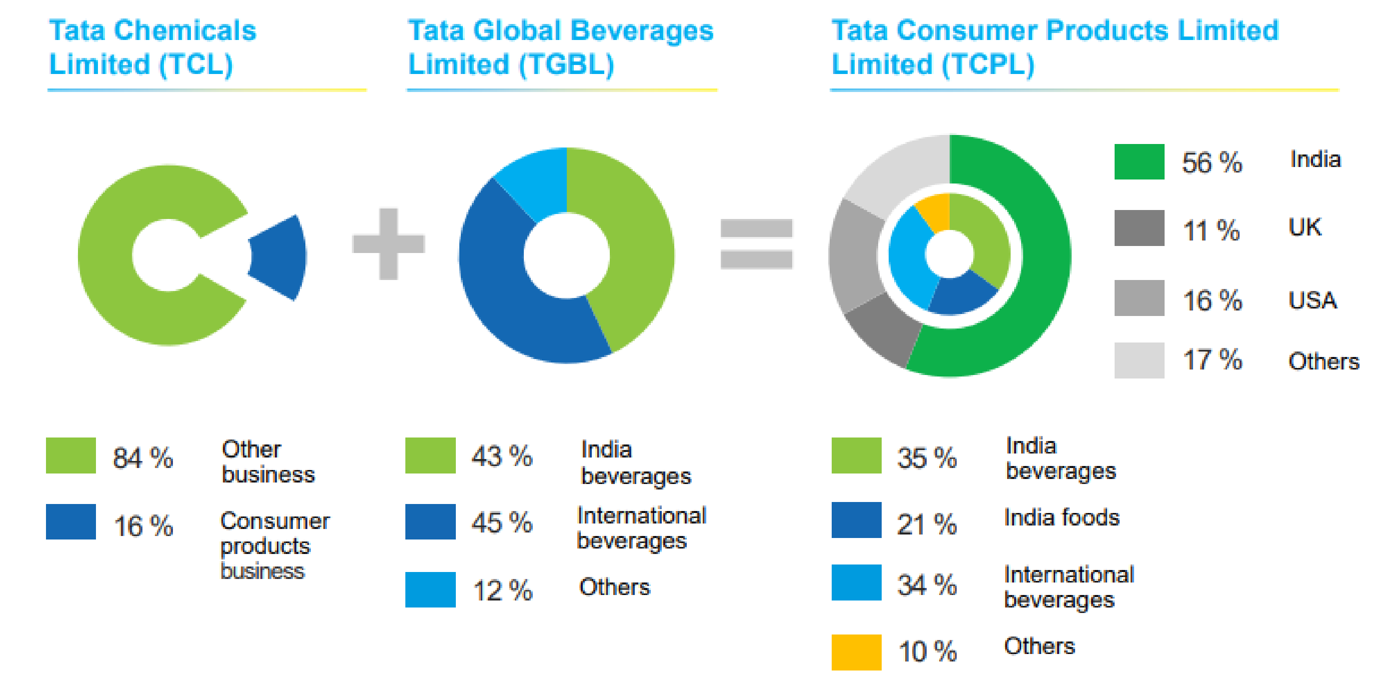
Source: Company, MOFSL

Exhibit 20: Rising affluence of households



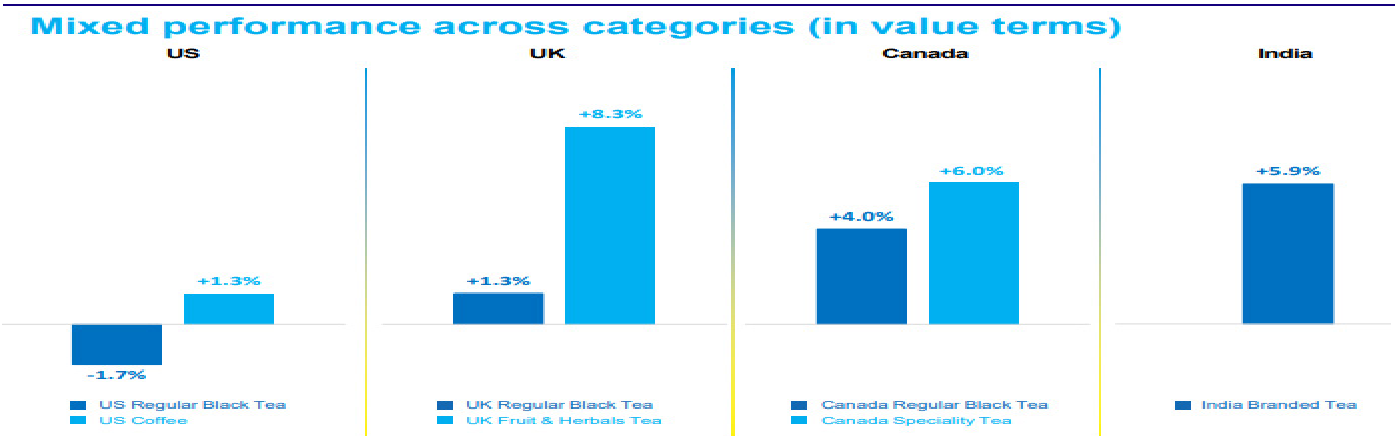
Source: Company, MOFSL

Exhibit 21: Creation of Tata Consumer Products



Source: Company, MOFSL

Exhibit 22: Market context for FY20



Source: Company, Nielsen, MOFSL

CONFERENCE CALL

4QFY20 conference call highlights

India business

- The India Beverage business grew 7% in FY20 and 6% in 4QFY20, and India Foods 12% in FY20 and 9% in 4QFY20.
- The International Beverage business revenue was flat in FY20 and grew 7% YoY (in constant currency) in 4QFY20.
- Branded businesses globally were moderately impacted due to COVID-19, while food services and out-of-home businesses continue to face headwind.

US Coffee business

- Revenue/Volumes grew 2%/5% in FY20 and 15%/15% in 4QFY20 (Brand).
- EOC Bag's volume share increased to 7.4%. Growth was witnessed across branded bags, K-cups, and private labels.
- Eight O'Clock Coffee and Tetley Tea saw strong growth in March, driven by the COVID-19 crisis, due to consumers stocking up. Significant growth was observed in online sales as well.

Other international businesses (UK, Canada, and others)

- Revenue was flat in FY20 and 1% volume growth was seen in FY20, whereas 4QFY20 saw revenue and volume growth of 8% and 3%, respectively.
- **UK** – The business gained 21.3% market share and 1% annual revenue growth, driven by Everyday black.
- **Canada** – Market share grew to 28.9% in value terms and saw 6% annual revenue growth. The newly launched product Super Teas has already achieved market share of 3.9% in value terms.

Tata Coffee (incl. Vietnam)

- Revenue and volumes grew 19% and 14%, respectively, in FY20; moreover, 4QFY20 saw revenue growth of 6% and volumes de-grew by 12%.
- The new plant in Vietnam is running at 85–90% utilization levels within its first year of operation. It achieved the highest quarterly sale of ~1,050MT.

JV: Starbucks

- This JV brand is now present in 11 cities with 185 stores in India. Annual revenue growth of 21% YoY was recorded despite the shutdown in mid-March.
- The brand opened 39 new outlets in FY20, and plans to open more stores have been put on hold for now. 34 stores are currently operational.

Tea

- Tea prices in India have declined, primarily due to oversupply from small tea growers. However, a surge in prices has been observed due to the temporary closure of tea estates in India due to the COVID-19-led lockdown.
- Kenyan tea prices also fell, but have stabilized now and are expected to see an uptrend in the short term.

Coffee

- Coffee prices continue to decline, especially for Robusta coffee. The Brazilian Riyal has also had a major role to play in the decline in coffee prices.

COVID-19 impact

- All factories are operational and continue to see high demand in in-home consumption.

- Tea and Coffee sales to retail customers have increased 20–25%, while the B2B businesses in the US and Australia have seen sharp decline. All packaging units and warehouses in India are operational.
- **Tata Starbucks** – All stores in India were closed from 22nd March until mid-April. It has been able to open ~30 outlets for deliveries and takeaways only.
- **NurishCo** was severely impacted as most of the liquid products are consumed out of home. Demand is expected to bounce back following the lifting of the lockdown.
- **Plantations:** All tea and coffee plantations in India were shut until mid-April. However, these have now commenced operations with a 50% labor force. Assam and Bengal are operating with 100% and 50% labor force, respectively.
- **Collaboration with e-com:** There have been tie-ups with several e-commerce and delivery platforms, such as, Swiggy, Zomato, Jubilant FoodWorks, and Flipkart.

Others

- **Currency:** 40% of the business is international; movement in the USD and EUR impacts the business. The INR depreciated 1.6% and 1.5% against the USD and EUR YoY, respectively.
- **Exceptional items** of INR2,750m largely consist of INR520m in merger cost, including stamp duty. INR2200m represents non cash impairment loss on goodwill relating to business in Australia and the US' tea business.
- **The tax rate** during the year was lower due to the one-off item, which consisted of the reversal of MAT credit and some adjustments to deferred tax.
- Net CFO increased from INR2.1b in FY19 to INR10.8b, of which INR3b relates to the India Food business (Tata Chemicals' Consumer business), and within the base, the Beverages business has managed to release significant cash during the financial year.

Valuation

- We maintain our estimates for FY21/FY22 as TCP deals in salt/tea/coffee, for which demand has not been materially impacted due to COVID-19; however, the company faced certain issues in terms of supply chain, which is returning to normal day by day (for India).
- Tata Group has a clear focus on leveraging its brand and participating in India's consumption story of INR30tn, which resulted in the merger of Tata Chemicals' Consumer business with itself.
- The merger of Tata Chemicals' Consumer business with TCP is in line with Tata Group's focus on creating a single FMCG-focused company. The merger offers multiple synergies, including higher outlet coverage, focused new product development, stronger cash flow generation, and scale efficiencies.
- The merger of Tata Chemicals' Consumer business with TCP marks the company's entry into an additional segment of staples, with an addressable market size of INR770b (apart from the current addressable market of INR270b in tea and coffee).
- We value the stock on an SOTP basis and arrive at a target price of INR431. Maintain **Buy**.

Exhibit 23: Valuation methodology

SOTP			
EV/EBITDA	**EBITDA**	**Multiple (x)**	**EV**
India Tea (TCPL Standalone)	5,404	26	1,40,502
Coffee India (ex-Starbucks) @57%	726	10	7,256
Coffee Overseas	2,171	10	22,580
Consumer (Salt & others)	5,413	28	1,51,563
Overseas tea (Tetley UK)	2,053	10	20,534
DCF			
Starbucks JV			25,532
Price/Sales			
NourishCo (JV with Pepsi) & others	2,000	4	8,000
Enterprise value			**3,75,966**
Less: Net debt			**-21,099**
Market value (INR m)			**3,97,065**
No. of shares (m)			**922**
Target price (INR)			**431**
CMP (INR)			**363**
Upside (%)			**19%**

Source: MOFSL

Exhibit 24: Change in estimates

Earnings Change	Old		New		Change	
(INR m)	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	1,03,418	1,13,287	1,04,040	1,14,512	1%	1%
EBITDA	14,385	16,626	14,527	16,891	1%	2%
Adj. PAT	8,392	10,015	8,502	10,314	1%	3%

Source: MOFSL

Financials and valuations

Consolidated income statement								(INR m)
Y/E March	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**
Net Sales	**79,934**	**66,365**	**67,796**	**68,154**	**72,515**	**96,374**	**1,04,040**	**1,14,512**
Change (%)	3.3	-17.0	2.2	0.5	6.4	32.9	8.0	10.1
Gross Profit	**41,561**	**30,149**	**32,180**	**31,160**	**32,439**	**42,267**	**46,687**	**51,539**
Margin (%)	52.0	45.4	47.5	45.7	44.7	43.9	44.9	45.0
Other operating exp.	33,812	23,606	24,269	22,771	24,580	29,346	32,160	34,648
EBITDA	**7,749**	**6,543**	**7,911**	**8,389**	**7,859**	**12,922**	**14,527**	**16,891**
Margin (%)	9.7	9.9	11.7	12.3	10.8	13.4	14.0	14.8
Depreciation	1,331	1,168	1,260	1,160	1,226	2,417	2,503	2,577
Net Interest	819	1,169	915	428	525	779	769	769
Other income	700	820	831	942	1,571	1,116	1,060	1,113
PBT before EO	**6,299**	**5,026**	**6,566**	**7,743**	**7,680**	**10,842**	**12,316**	**14,659**
EO income/(exp.)	-1,300	-3,329	53	-211	-333	-2,748	0	0
PBT after EO	4,999	1,698	6,619	7,531	7,347	8,094	12,316	14,659
Tax	2,155	2,000	1,983	1,859	2,609	2,742	3,448	4,105
Rate (%)	43.1	117.8	30.0	24.7	35.5	33.9	28.0	28.0
Reported PAT	**2,844**	**-302**	**4,636**	**5,673**	**4,738**	**5,352**	**8,867**	**10,554**
Minority and Associates	365	-247	742	717	656	754	365	240
Adjusted PAT	**3,778**	**3,274**	**3,841**	**5,167**	**4,415**	**7,346**	**8,502**	**10,314**
Change (%)	-3.6	-13.4	17.3	34.5	-14.6	66.4	15.7	21.3

Balance sheet								(INR m)
Y/E March	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**
Share Capital	618	631	631	631	631	922	922	922
Reserves	54,297	61,841	62,024	69,685	72,686	1,37,227	1,42,412	1,49,077
Net Worth	**54,915**	**62,472**	**62,655**	**70,316**	**73,317**	**1,38,149**	**1,43,333**	**1,49,998**
Minority Interest	8,762	8,618	9,195	10,090	10,277	10,925	10,929	10,933
Loans	13,240	13,541	7,866	10,676	11,283	11,825	11,825	9,325
Capital Employed	**76,918**	**84,630**	**79,716**	**91,082**	**94,877**	**1,60,898**	**1,66,087**	**1,70,256**
Gross Block	23,904	24,033	23,711	25,424	27,689	59,111	60,611	62,611
Less: Accum. Deprn.	13,608	14,511	13,650	15,181	16,407	18,824	21,326	23,903
Net Fixed Assets	**10,296**	**9,523**	**10,060**	**10,244**	**11,282**	**40,288**	**39,285**	**38,708**
Capital WIP	459	394	632	1,352	4,244	954	954	954
Goodwill & Intangibles	38,921	37,096	34,979	37,235	37,851	73,338	73,338	73,338
Investments	6,178	11,926	13,534	6,431	6,045	4,893	4,532	4,297
Curr. Assets	**38,710**	**40,009**	**36,309**	**49,343**	**49,385**	**65,258**	**73,144**	**79,210**
Inventories	16,253	16,290	14,530	14,483	16,099	17,120	21,378	23,530
Account Receivables	6,161	5,924	5,925	6,483	6,806	9,224	9,896	10,892
Cash and Bank Balance	5,485	6,744	7,412	18,067	16,168	24,550	27,506	30,424
Others	10,811	11,051	8,444	10,310	10,313	14,364	14,364	14,364
Curr. Liability & Prov.	**16,624**	**13,532**	**14,345**	**13,525**	**12,887**	**20,799**	**22,132**	**23,217**
Account Payables	7,594	6,773	7,378	7,057	6,649	9,440	10,773	11,858
Other liabilities	4,089	2,776	3,389	3,562	4,221	8,603	8,603	8,603
Provisions	4,942	3,983	3,578	2,906	2,017	2,756	2,756	2,756
Net Curr. Assets	**22,086**	**26,477**	**21,965**	**35,818**	**36,498**	**44,459**	**51,011**	**55,993**
Def. tax liability	1,022	786	1,454	-3	1,043	3,033	3,033	3,033
Appl. of Funds	**76,918**	**84,630**	**79,716**	**91,082**	**94,877**	**1,60,898**	**1,66,087**	**1,70,256**

Financials and valuations

Cash flow statement

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
EBITDA	**7,749**	**6,543**	**7,911**	**8,389**	**7,859**	**12,922**	**14,527**	**16,891**
Prov. & FX	-492	-132	22	-14	0	0	0	0
WC	-1,320	-2,719	1,485	-1,389	-2,347	-649	-3,597	-2,063
Others	-71	-190	100	-438	-333	1,292	0	0
Direct taxes (net)	-1,687	-2,342	-2,106	-2,992	-2,609	-2,742	-3,448	-4,105
CF from Op. Activity	**4,178**	**1,160**	**7,412**	**3,556**	**2,571**	**10,822**	**7,482**	**10,723**
Capex	-1,792	-1,545	-1,382	-3,588	-3,000	-1,500	-1,500	-2,000
FCFF	**2,386**	**-385**	**6,030**	**-32**	**-429**	**9,322**	**5,982**	**8,723**
Interest/dividend	611	697	574	485	1,571	1,116	1,060	1,113
Investments in subs/assoc.	-932	-509	-280	373	0	0	0	0
Others	60	4,273	2,503	10,133	0	0	0	0
CF from Inv. Activity	**-2,053**	**2,917**	**1,415**	**7,403**	**-1,429**	**-384**	**-440**	**-887**
Borrowings	-1,311	-796	-4,848	2,160	0	0	0	-2,500
Finance cost	-820	-663	-615	-282	-525	-779	-769	-769
Dividend	-1,615	-1,871	-1,890	-2,118	-1,893	-2,986	-3,318	-3,650
Others	-178	512	-805	-65	-623	1,709	0	0
CF from Fin. Activity	**-3,924**	**-2,818**	**-8,158**	**-304**	**-3,041**	**-2,056**	**-4,086**	**-6,918**
(Inc)/Dec in Cash	**-1,798**	**1,259**	**668**	**10,655**	**-1,899**	**8,382**	**2,956**	**2,918**
Opening balance	7,283	5,485	6,744	7,412	18,067	16,168	24,550	27,506
Closing balance (as per B/S)	**5,485**	**6,744**	**7,412**	**18,067**	**16,168**	**24,550**	**27,506**	**30,424**

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	**4.1**	**3.6**	**4.2**	**5.6**	**4.8**	**8.0**	**9.2**	**11.2**
Cash EPS	5.5	4.8	5.5	6.9	6.1	10.6	11.9	14.0
BV/Share	59.6	67.8	68.0	76.3	79.6	149.9	155.5	162.8
DPS	2.3	2.3	2.3	2.4	2.5	2.7	3.0	3.3
Payout (%)	48.9	NA	30.6	26.1	33.3	46.5	31.2	28.8
Dividend yield (%)	1.5	1.9	1.5	0.9	1.2	0.9	1.4	1.6
Valuation (x)								
P/E	88.5	102.2	87.1	64.7	75.8	45.5	39.3	32.4
Cash P/E	65.5	75.3	65.6	52.9	59.3	34.3	30.4	26.0
P/BV	6.1	5.4	5.3	4.8	4.6	2.4	2.3	2.2
EV/Sales	4.0	4.8	4.7	4.7	4.4	3.3	3.1	2.8
EV/EBITDA	41.2	48.7	40.3	38.0	40.6	24.7	21.9	18.9
Dividend Yield (%)	1.5	1.9	1.5	0.9	1.2	0.9	1.4	1.6
FCF per share	3.9	-0.6	9.6	-0.1	-0.7	10.1	6.5	9.5
Return Ratios (%)								
RoE	6.7	5.6	6.1	7.8	6.1	6.9	6.0	7.0
RoCE	8.8	7.6	9.0	9.4	8.6	8.5	7.8	9.0
RoIC	9.7	8.2	10.6	11.7	9.8	11.5	10.1	10.6
Working Capital Ratios								
Fixed Asset Turnover (x)	7.8	7.0	6.7	6.7	6.4	2.4	2.6	3.0
Asset Turnover (x)	1.0	0.8	0.9	0.7	0.8	0.6	0.6	0.7
Debtor (Days)	28	33	32	35	34	35	35	35
Creditor (Days)	35	37	40	38	33	36	38	38
Inventory (Days)	74	90	78	78	81	65	75	75
Leverage Ratio (x)								
Debt/Equity	0.1	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL , including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore.As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
5 Research Analyst has not served as director/officer/employee in the subject company
6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:
- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.CIN no.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.