

June 9, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	936		844	
Sales (Rs. m)	1,66,955	2,26,206	1,65,190	2,20,167
% Chng.	1.1	2.7		
EBITDA (Rs. m)	18,630	27,933	17,872	26,345
% Chng.	4.2	6.0		
EPS (Rs.)	12.6	20.8	12.5	19.6
% Chng.	1.0	6.0		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. bn)	191	200	167	226
EBITDA (Rs. bn)	20	24	19	28
Margin (%)	10.6	12.1	11.2	12.3
PAT (Rs. bn)	14	16	11	18
EPS (Rs.)	16.3	17.5	12.6	20.8
Gr. (%)	15.1	7.7	(27.9)	64.9
DPS (Rs.)	3.8	4.0	3.5	4.5
Yield (%)	0.4	0.4	0.4	0.5
RoE (%)	25.4	23.9	15.0	20.9
RoCE (%)	33.3	31.1	19.7	27.5
EV/Sales (x)	4.6	4.4	5.2	3.8
EV/EBITDA (x)	43.0	36.7	46.8	30.7
PE (x)	61.3	56.9	79.0	47.9
P/BV (x)	14.3	13.0	10.9	9.3

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.1,390 / Rs.720
Sensex / Nifty	33,957 / 10,047
Market Cap	Rs.885bn/ \$ 11,707m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.7939.02m

Shareholding Pattern (%)

Promoter's	52.91
Foreign	17.74
Domestic Institution	10.87
Public & Others	18.49
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	19.7	(15.4)	(21.4)
Relative	11.6	0.9	(8.3)

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Recharged for a bounce back

Quick Pointers:

- Operational Tanishq stores achieve upto 80% recovery, 35% new customers
- TTAN executing strong Omni channel and cost rationalization initiative across segments and categories
- TTAN expects normalcy by 4Q, 1Q will show impact of imperfect hedge

We are increasing FY21 and FY22 EPS estimates by 1.0% and 6.0% following 1) 80% sales recovery in jewellery sales in operational Tanishq stores 2) Likely benefits of Omni channel strategy across Jewellery, watches and eyewear 3) significant cost cutting in rent and overheads 4) aggressive plans to gain market share (35% new customers) given stress amongst other organized jewellers. We believe TTAN has distinct advantage over competitors given strong balance sheet (Raised Rs10bn 3 month CP at 4.22%), franchisee based model, strong brand, economies of scale and strong head start in executing strategies like customer safety and Omni Channel across product segments. Although 1H will show significant pressure on sales and profitability, TTAN is expected to emerge stronger post this COVID led shakeout across categories like Jewellery, Watches, Eyewear and emerging segments like Fragrances and Sarees. We value the stock at 45x FY22 EPS and arrive at a target price of Rs936 (Rs844, based on 43x FY22 EPS earlier). We recommend HOLD and addition on declines for long term gains.

- 4Q Beat on EBITDA and PAT estimates:** Net sales decline 5.2% to Rs 44.29bn EBITDA surged 32.5% to Rs 6.04bn as margin up 390bps to 13.6% mainly on account of higher GRMS and lower ad spend (70bps) and other expenses (50bps). PBT up 10.9% to Rs 5.16bn. Adj. PAT down 2.1% to Rs 3.57bn due to higher tax rate (30.1% vs 21.6% in 4QFY19).
- Watches sales/EBIT up 4.9% / 2.5x to Rs 5.6bn / Rs 722m.** Margins expanded by 7.5% to 13% on low base. Volumes down 5%. The division added 7 World of Titan, 4 Helios stores and 4 Fastrack stores in Q4'20, on net basis. **WOT** reported LTL de-growth of 9%, **Helios** 3% and **LFS** 15%.
- Jewellery sales down 5.8% to Rs 37.5bn** as volumes declined 20% on 26% higher gold prices. EBIT up 4.2% to Rs 5.3bn, Margins at all-time high of 14.2% (up 137bps). Retail sales dropped 4% in 4Q, LTL sales declined 9%. Tanishq added 40 stores (150000 sqft of retail space) in FY20. **Eyewear** sales declined 17.4% to Rs1.1bn with LTL de-growth of 16%. 6 stores were added in Q4'20, adding 5,000 sq. ft. of retail space (net basis).
- Key Concall Highlights:** 1) 1QFY21 will be a wash out, ~25% of normal sales (no sales in April, 10-15% sales in May). Expects normalcy by 4QFY21. 2) 1400 out of 1800 stores across all formats are operating 3) Tanishq and Caratlane recovery rate at 80% and 122%, watch and eyewear recovery slower 5) TTAN will leverage on brands and safe customer experience to gain market share and achieve cost efficiency (Rent renegotiation, advertising etc.) 5) Raised commercial paper worth Rs10bn for 3 months at interest rates ranging from 4.1% to 4.42% to improve liquidity during the Covid period.

Exhibit 1: Q4FY20 Results: Beat on EBITDA due to better mix and cost control in Both Jewellery and Watches

Y/e March (Rs mn)	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Sales	44,288	46,721	(5.2)	62,062	2,00,096	1,90,700	4.9
Gross Profit	13,310	12,716	4.7	15,435	54,978	50,828	8.2
<i>% of NS</i>	30.1	27.2		24.9	27.5	26.7	
Advt & Sales Pro	759	1,125	(32.5)	1,412	4,767	5,226	(8.8)
<i>% of NS</i>	1.7	2.4		2.3	2.4	2.7	
Total Expenses	38,251	42,165	(9.3)	54,706	1,75,919	1,69,688	3.7
<i>% of NS</i>	86.4	90.2		88.1	87.9	89.0	
EBITDA	6,037	4,556	32.5	7,356	24,177	21,012	15.1
<i>Margins %</i>	13.6	9.8		11.9	12.1	11.0	
Depreciation	902	335	169.4	777	3,097	1,389	123.0
Interest	379	122	210.5	405	1,495	445	236.3
Other Income	401	551	(27.3)	197	1,464	1,785	(18.0)
PBT	5,156	4,650	10.9	6,371	21,050	20,964	0.4
Tax	1,588	1,004	58.2	1,671	5,873	5,530	6.2
<i>Tax rate %</i>	30.8	21.6		26.2	27.9	26.4	
Adjusted PAT	3,568	3,646	(2.1)	4,699	15,176	15,434	(1.7)

Source: Company, PL

Exhibit 2: Jewellery margins at all-time high of 14.2%, Watches margin expand on a low base

(Rs m)	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Total Sales	39,215	43,231	44,108	56,977	46,838	49,471	44,447	62,167	44,604
Watches	4,940	5,935	6,757	6,407	5,311	7,146	7,187	6,253	5,568
<i>YoY Growth</i>	-1.7%	14.9%	17.3%	20.3%	7.5%	20.4%	6.4%	-2.4%	4.9%
Jewellery	32,921	35,717	35,821	48,903	39,855	40,474	35,278	54,087	37,544
<i>YoY Growth</i>	13.0%	5.7%	28.5%	39.9%	21.1%	13.3%	-1.5%	10.6%	-5.8%
Eyewear	1,089	1,316	1,200	1,295	1,304	1,488	1,542	1,333	1,077
<i>YoY Growth</i>	-2.4%	16.4%	19.3%	43.3%	19.7%	13.1%	28.5%	2.9%	-17.4%
Others	265	263	330	372	369	363	440	494	415
<i>YoY Growth</i>	60.4%	31.5%	25.4%	69.7%	39.0%	37.9%	33.2%	32.6%	12.5%
Total EBIT	4,766	4,933	4,962	6,920	5,223	5,397	4,897	7,375	5,870
Watches	351	1,113	1,218	544	290	1,277	1,134	521	722
<i>YoY Growth</i>	190.4%	128.3%	33.2%	-34.2%	-17.6%	14.7%	-6.9%	-4.1%	149.3%
<i>EBIT Margin</i>	7.1%	18.8%	18.0%	8.5%	5.5%	17.9%	16.7%	8.3%	13.0%
Jewellery	4,519	3,934	3,920	6,505	5,121	4,420	3,841	7,013	5,339
<i>YoY Growth</i>	60.0%	16.1%	6.6%	69.1%	13.3%	12.4%	-2.0%	7.8%	4.2%
<i>EBIT Margin</i>	13.7%	11.0%	10.9%	13.3%	12.8%	10.9%	11.0%	13.0%	14.2%
Eyewear	23	17	-10	-15	-17	-114	20	-67	18
<i>YoY Growth</i>	-78.6%	-45.1%	-174.1%	-67.0%	-172.2%	-756.9%	-299.0%	358.9%	-209.0%
<i>EBIT Margin</i>	2.1%	1.3%	-0.8%	-1.1%	-1.3%	-7.7%	1.0%	-5.0%	4.4%
Others	(127)	(131)	(165)	(114)	(171)	(185)	(98)	(92)	(209)

Source: Company, PL

Exhibit 3: Lockdown Impacts sales in an otherwise slow Quarter

Channels	Q3FY20	1 st Jan – 15 th Mar	16 th mar – 31 st Mar	Q4FY20
WOT	11%	5%	-77%	-7%
Helios	23%	23%	-75%	10%
LFS	6%	5%	-92%	-9%
Tanishq	15%	12%	-74%	-4%
Caratlane	71%	36%	-81%	12.3%
Eye Plus	11%	8%	-74%	-8%

Source: Company, PL

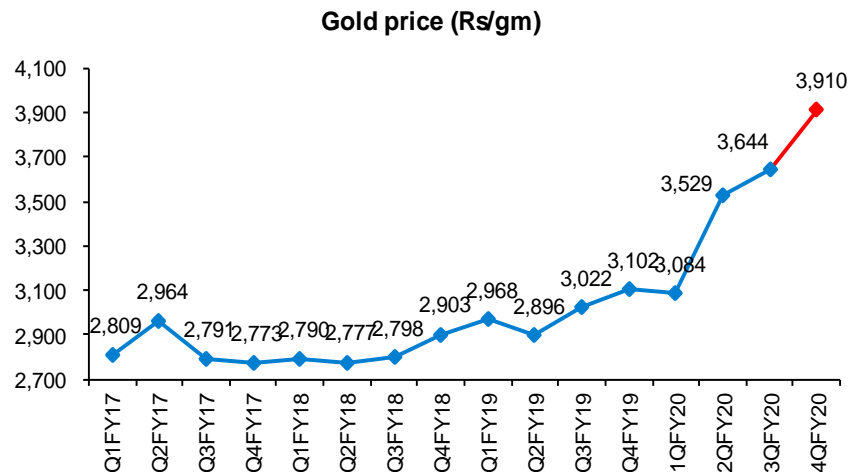
Exhibit 4: Recovery rate after 4 weeks of opening – Strong recovery in Tanishq, Caratlane and Helios

Channels	Total no of stores	No of stores open	Share of Format Sale	% sale of ADS
WOT	499	380	75%	45%
Fastrack	183	132	73%	46%
Helios	92	52	56%	105%
Tanishq	327	271	82%	80%
Caratlane	92	65	73%	122%
Eye Plus	584	469	80%	44%
Taneira	12	5	56%	28%

Source: Company, PL

Jewellery – 80% recovery in stores, normalcy by 4Q

- Jewellery margins were higher in 4QFY20 due to high sales of studded jewellery, lower plain gold sales, lower discounts and higher making charges due to increasing gold prices.
- Wedding jewellery sales increased to 23% in FY20 (21% in FY19/ FY18).
- 75% stores are operating currently and 90% likely to be opened by June end. Tanishq stores are currently at 80% of Average daily sales of normal
- 35% of buyers in Tanishq were new, of which 27% were never TTAN customers while 8% were registered with other Titan brands, indicating market share gains during lockdown period.
- TTAN expects actual recovery from Q3 with beginning of festival and wedding season and hence demand is likely to return to normalcy from 4Q.
- Demand for high value studded jewellery is weak and likely to remain so for FY21 which along with high gold prices will put pressure on margins.
- TTAN Could face shortage of labour for next 1-2 months as karigars have gone to Bengal, but have sufficient FG inventory for 2 months.
- TTAN plans to rationalize costs and drive capital efficiency in order to prevent margin erosion.
- TTAN rolled out video selling in 50 stores and appointment based buying. Customer safety, Omni channel and remote selling will be key initiatives to gain market share going forward.
- TTAN will see severe margin pressure in 1Q as imperfect hedge due to low Jewellery sales will impact reported margins.

Exhibit 5: Average Gold Prices up 26.0% YoY and 26.8% QoQ


Source: Bloomberg, PL

Exhibit 6: Grammage declines 20%, studded share rises to 37%

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Jewellery									
Volume Gr %	6	-3	24	20	15	6	-14	-5	-20
Studded Share %	36	25	35	25	36	25	38	27	37
Sales Gr %	13.0%	5.6%	28.5%	39.9%	21.1%	13.3%	-1.5%	10.6%	-5.8%
Tanishq									
Sales Gr %	19	8	38	34	20	16	7	15	-4
LTL Growth %	17	2	32	27	14	10	2	9	-9
Stores	256	262	267	277	287	299	308	321	327
Area (sq. Ft)	10,10,000	10,20,000	10,40,000	10,70,000	10,90,000	11,20,000	11,16,000	12,00,000	12,40,000

Source: Company, PL

Exhibit 7: Jewellery: Recovery by 3Q, Studded to remain under pressure

No	Growth Engine	FY19	FY20	FY21	> FY22
1	Retail expansion (stores)	36	41	~ 25	40+
2	Wedding			H2 onwards	Headroom
3	High value studded				
4	Golden Harvest				
5	Gold Exchange				
6	Low share Markets			Redefine	
7	Grow the Core		New →		
8	Leap ahead: Omni, Remote		New →		

leading growth
 Avg. growth
 Below par

Source: Company, PL

Watches – Omni channel presence to drive growth

- Topline growth of 7% despite lockdown in March
- Birthdays/ achievements, festivals, gifting and revenge buying key drivers
- Green shoots visible on premium segment recovery, double digit realization growth in May.
- 74% of retail shops are open clocking in 48% of pre-Covid revenue levels.
- Omni channel live in 165 stores; buy online & pickup in store, reverse online & pickup in store, video shopping, ship from store and ship by store.

Exhibit 8: Watches: Sales up 4.9% despite significant loss of sales in March

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Watches									
Sales Growth %	-1.7	14.9	17.3	18.8	7.5	20.4	6.4	-2.4	4.9
Volume Growth %	-1	10	21	16	16	13	-1	-10	-5
World Of Titan									
Sales Growth %	-3	3	8	0	9	6	-1	11	-7
LTL Sales growth %	-4	2	9	-2	7	6	-3	11	-9
Stores	486	496	489	491	486	488	489	492	499
Helios									
Sales Growth %	32	25	45	16	14	8	9	23	10
LTL Sales growth %	5	-2	16	6	6	5	1	12	-3
Stores	70	72	72	73	76	81	86	88	92
Fastrack									
Sales Growth %	1	4	10	4	8	4	-7	1	-10
LTL Sales growth %	-6	0	6	-1	2	1	-12	-4	-12
Stores	166	173	173	175	172	175	180	179	183
LFS									
Sales Growth %	14	17	33	20	20	16	6	8	-9
LTL Sales growth %	11	12	26	15	16	12	1	-2.4	-15

Source: Company, PL

Exhibit 9: Walk-ins ramped up faster in upcountry towns vs metros

Channel	No of stores open	% of stores open	Current vs Pre-Covid sale
Retail	576	74%	48%
Trade	3480	50%	30%
Large Format Stores	32	11%	14%
	-	-	77%
Brand Ecommerce	-	-	86%

Source: Company, PL

Exhibit 10: Watches: Omni Channel goes live in 165 stores



Source: Company, PL

Exhibit 11: Watch division strategy aims to capitalize on brand goodwill, Omni channel and cost control



Source: Company, PL

Eyewear – 50% stores almost reached Feb-20 sales

- 1st store opened in Haridwar on 6th May, now 412 open from 584 stores.
- Average daily sales (ADS) in May at 60% of Feb-20 sales of open stores. 50% stores reached almost Feb-20 ADS. Demand in June looking better.
- Online ordering grew by 5x.
- TTAN looking at cost reset in Eyewear business capitalising on current opportunity to achieve turnaround in this segment
- Recent launches led by signature have been a success

Exhibit 12: Eyewear sales growth was flat in Jan and Feb, lockdown led to further disruption in sales growth

Eyewear	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Sales Gr %	10	19	18	23	21	20	35	11	-8
LTL Growth % (Titan Eye+)	1	8	8	13	14	14	28	3	-16
Stores	500	509	513	525	537	556	561	578	584
Area (sq Ft)	3,31,000	3,37,000	3,39,000	3,47,000	3,55,000	3,67,000	3,71,000	3,81,000	3,86,000

Source: Company PL

Exhibit 13: Sales recovery across operational stores in May; 53% opened stores at >75% of pre Covid sales level

No of Stores Opened (412/584)	Sales Recovery	% of May Sales
78	< 50%	19%
119	50 -75%	29%
92	75-100%	22%
123	> 100%	30%

Source: Company PL

Exhibit 14: Focus areas for Eyewear segment

Customer




Product





Channel

✓ TEP Focus



✓ Scale down / exit Trade, LFS, market place



Cost Control



- ✓ Convert/Exit unprofitable stores
- ✓ Efficient Assortment - TOC
- ✓ Centralized lens fixing
- ✓ Consolidate lens lab
- ✓ Localization - IH manufacture & India sourcing

Source: Company, PL

Exhibit 15: FY21 to be a wash out, expect growth to rebound from 2H21, FY22 to catch up significantly

(Rs m)	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Jewellery							
Sales	87,227	1,04,850	1,30,359	1,59,775	1,67,686	1,37,843	1,86,348
Growth %	(7.4)	20.2	24.3	22.6	5.0	(17.8)	35.2
EBIDTA	8,189	11,221	15,879	20,047	21,265	16,226	23,646
Growth %	(15.6)	37.0	41.5	26.2	6.1	(23.7)	45.7
EBIDTA Margin %	9.4	10.7	12.2	12.5	12.7	11.8	12.7
Watches							
Sales	19,633	20,138	20,547	24,409	25,948	22,056	26,467
Growth %	2.3	2.6	2.0	18.8	6.3	(15.0)	20.0
EBIDTA	2,004	2,376	3,083	3,436	3,892	2,867	3,838
Growth %	(15.5)	18.5	29.7	11.5	13.3	(26.3)	33.8
EBIDTA Margin %	10.2	11.8	15.0	14.1	15.0	13.0	14.5

Source: PL Research

Exhibit 16: FY21 Estimates factor in severe pressure in 1H followed by 2H recovery

Y/e March (Rs mn)	FY20				FY21E			
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Net Sales	49,397	44,350	62,062	44,288	14,819	31,045	63,924	57,167
<i>YoY Change (%)</i>	<i>14.4</i>	<i>0.6</i>	<i>9.4</i>	<i>-5.2</i>	<i>-70.0</i>	<i>-30.0</i>	<i>3.0</i>	<i>29.1</i>
EBITDA	5,653	5,132	7,356	6,037	1,260	2,949	7,351	7,069
<i>EBITDA Growth %</i>	<i>14.1</i>	<i>3.4</i>	<i>12.4</i>	<i>32.5</i>	<i>-77.7</i>	<i>-42.5</i>	<i>-0.1</i>	<i>17.1</i>
<i>Margins (%)</i>	<i>11.4</i>	<i>11.6</i>	<i>11.9</i>	<i>13.6</i>	<i>8.5</i>	<i>9.5</i>	<i>11.5</i>	<i>12.4</i>
Depreciation	681	737	777	902	750	800	850	925
Interest	303	408	405	379	420	350	250	168
Other Income	560	307	197	401	200	200	150	317
PBT	5,229	4,294	6,371	5,156	290	1,999	6,401	6,293
Tax	1,521	1,093	1,671	1,588	73	504	1,613	1,586
<i>Rate (%)</i>	<i>29.1</i>	<i>25.4</i>	<i>26.2</i>	<i>30.8</i>	<i>25.2</i>	<i>25.2</i>	<i>25.2</i>	<i>25.2</i>
Adjusted PAT	3,707	3,202	4,700	3,568	217	1,495	4,788	4,707
<i>YoY Change (%)</i>	<i>6.2</i>	<i>-6.8</i>	<i>-3.3</i>	<i>-2.1</i>	<i>-94.2</i>	<i>-53.3</i>	<i>1.9</i>	<i>31.9</i>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	1,91,011	2,00,096	1,66,955	2,26,206
YoY gr. (%)	22.2	4.8	(16.6)	35.5
Cost of Goods Sold	1,39,872	1,45,119	1,14,416	1,58,612
Gross Profit	51,139	54,977	52,539	67,595
Margin (%)	26.8	27.5	31.5	29.9
Employee Cost	8,788	10,401	9,179	10,855
Other Expenses	7,115	7,117	15,339	17,928
EBITDA	20,333	24,176	18,630	27,933
YoY gr. (%)	17.1	18.9	(22.9)	49.9
Margin (%)	10.6	12.1	11.2	12.3
Depreciation and Amortization	1,389	2,945	3,325	3,630
EBIT	18,945	21,231	15,304	24,303
Margin (%)	9.9	10.6	9.2	10.7
Net Interest	445	1,344	1,188	1,276
Other Income	1,474	905	867	1,663
Profit Before Tax	19,974	20,792	14,983	24,690
Margin (%)	10.5	10.4	9.0	10.9
Total Tax	5,530	5,240	3,776	6,215
Effective tax rate (%)	27.7	25.2	25.2	25.2
Profit after tax	14,444	15,552	11,207	18,476
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14,444	15,552	11,207	18,476
YoY gr. (%)	15.1	7.7	(27.9)	64.9
Margin (%)	7.6	7.8	6.7	8.2
Extra Ord. Income / (Exp)	(700)	-	-	-
Reported PAT	13,744	15,552	11,207	18,476
YoY gr. (%)	18.2	13.2	(27.9)	64.9
Margin (%)	7.2	7.8	6.7	8.2
Other Comprehensive Income	147	-	-	-
Total Comprehensive Income	13,891	15,552	11,207	18,476
Equity Shares O/s (m)	888	888	888	888
EPS (Rs)	16.3	17.5	12.6	20.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	19,601	23,203	25,290	27,390
Tangibles	18,349	21,619	23,706	25,806
Intangibles	1,253	1,585	1,585	1,585
Acc: Dep / Amortization	8,908	11,373	14,472	17,875
Tangibles	8,038	10,420	13,444	16,772
Intangibles	870	953	1,028	1,103
Net fixed assets	10,694	11,831	10,819	9,515
Tangibles	10,311	11,199	10,262	9,033
Intangibles	383	632	557	482
Capital Work In Progress	256	138	138	138
Goodwill	-	-	-	-
Non-Current Investments	9,327	12,082	13,290	14,619
Net Deferred tax assets	848	1,721	167	226
Other Non-Current Assets	2,721	10,760	10,792	10,826
Current Assets				
Investments	7,062	3,796	10,727	23,394
Inventories	67,192	77,406	75,816	88,802
Trade receivables	3,582	2,144	2,012	2,726
Cash & Bank Balance	3,641	505	2,839	5,067
Other Current Assets	5,946	6,371	2,087	2,828
Total Assets	1,14,698	1,31,880	1,34,070	1,63,793
Equity				
Equity Share Capital	888	888	888	888
Other Equity	60,929	67,361	80,301	94,781
Total Network	61,817	68,249	81,188	95,669
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,189	1,525	1,168	1,583
Other non current liabilities	-	9,668	9,668	9,668
Current Liabilities				
ST Debt / Current of LT Debt	-	6,262	-	-
Trade payables	30,600	20,169	22,259	30,664
Other current liabilities	21,093	26,008	19,786	26,209
Total Equity & Liabilities	1,14,698	1,31,880	1,34,070	1,63,793

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	19,974	20,792	14,983	24,690
Add. Depreciation	1,389	2,945	3,325	3,630
Add. Interest	477	445	1,344	1,188
Less Financial Other Income	1,474	905	867	1,663
Add. Other	(3,200)	(2,500)	(2,500)	(2,500)
Op. profit before WC changes	18,639	21,681	17,153	27,008
Net Changes-WC	(6,180)	(13,787)	(4,446)	(12,557)
Direct tax	(5,530)	(5,240)	(3,776)	(6,215)
Net cash from Op. activities	6,929	2,655	8,931	8,236
Capital expenditures	(2,714)	(3,779)	(2,326)	(2,326)
Interest / Dividend Income	-	-	-	-
Others	(730)	(1,024)	(909)	(1,000)
Net Cash from Inv. activities	(3,443)	(4,803)	(3,235)	(3,326)
Issue of share cap. / premium	2,641	(2,340)	7,340	2,500
Debt changes	-	6,262	(6,262)	-
Dividend paid	(4,007)	(4,281)	(3,107)	(3,995)
Interest paid	(477)	(445)	(1,344)	(1,188)
Others	525	(185)	13	-
Net cash from Fin. activities	(1,318)	(988)	(3,361)	(2,683)
Net change in cash	2,168	(3,136)	2,335	2,227
Free Cash Flow	4,216	(1,124)	6,605	5,909

Source: Company Data, PL Research

Key Financial Metrics

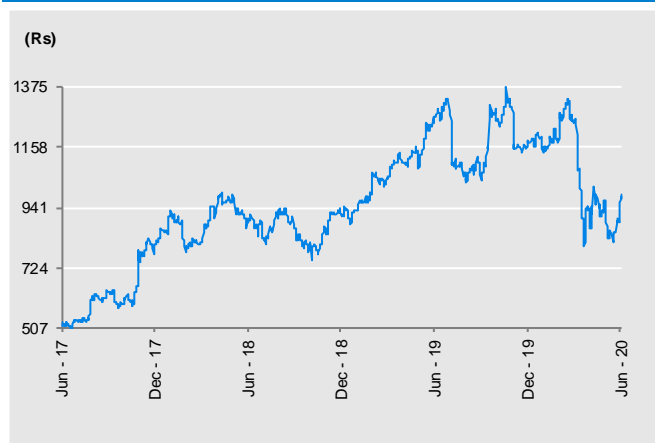
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	16.3	17.5	12.6	20.8
CEPS	17.8	20.8	16.4	24.9
BVPS	69.6	76.9	91.4	107.8
FCF	4.7	(1.3)	7.4	6.7
DPS	3.8	4.0	3.5	4.5
Return Ratio(%)				
RoCE	33.3	31.1	19.7	27.5
ROIC	18.2	16.6	12.7	18.0
RoE	25.4	23.9	15.0	20.9
Balance Sheet				
Net Debt : Equity (x)	(0.2)	0.0	(0.2)	(0.3)
Net Working Capital (Days)	77	108	121	98
Valuation(x)				
PER	61.3	56.9	79.0	47.9
P/B	14.3	13.0	10.9	9.3
P/CEPS	55.9	47.9	60.9	40.0
EV/EBITDA	43.0	36.7	46.8	30.7
EV/Sales	4.6	4.4	5.2	3.8
Dividend Yield (%)	0.4	0.4	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	49,397	44,350	62,062	44,288
YoY gr. (%)	14.4	0.6	9.4	(5.2)
Raw Material Expenses	36,135	31,378	46,627	30,978
Gross Profit	13,262	12,972	15,435	13,310
Margin (%)	26.8	29.2	24.9	30.1
EBITDA	5,653	5,132	7,356	6,037
YoY gr. (%)	14.1	3.4	12.4	32.5
Margin (%)	11.4	11.6	11.9	13.6
Depreciation / Depletion	681	737	777	902
EBIT	4,972	4,395	6,579	5,135
Margin (%)	10.1	9.9	10.6	11.6
Net Interest	303	408	405	379
Other Income	560	307	197	401
Profit before Tax	5,229	4,294	6,371	5,156
Margin (%)	10.6	9.7	10.3	11.6
Total Tax	1,521	1,093	1,671	1,588
Effective tax rate (%)	29.1	25.4	26.2	30.8
Profit after Tax	3,707	3,202	4,699	3,568
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,707	3,202	4,699	3,568
YoY gr. (%)	6.2	(6.8)	(3.3)	(2.1)
Margin (%)	7.5	7.2	7.6	8.1
Extra Ord. Income / (Exp)	-	-	-	(700)
Reported PAT	3,707	3,202	4,699	2,868
YoY gr. (%)	6.2	1.8	12.9	(2.6)
Margin (%)	7.5	7.2	7.6	6.5
Other Comprehensive Income	(837)	693	(1,124)	-
Total Comprehensive Income	2,870	3,895	3,576	2,868
Avg. Shares O/s (m)	888	888	888	888
EPS (Rs)	4.2	3.6	5.3	4.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-May-20	Hold	844	892
2	04-Feb-20	Hold	1,264	1,273
3	03-Jan-20	Hold	1,189	1,140
4	06-Nov-19	Hold	1,189	1,282
5	03-Oct-19	BUY	1,282	1,296
6	06-Aug-19	BUY	1,173	1,047
7	02-Aug-19	BUY	1,267	1,057
8	04-Jul-19	BUY	1,267	1,290

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,687	1,651
2	Avenue Supermarts	Reduce	1,658	2,398
3	Britannia Industries	BUY	3,744	3,510
4	Colgate Palmolive	Reduce	1,224	1,313
5	Crompton Greaves Consumer Electricals	BUY	267	199
6	Dabur India	Hold	422	431
7	Emami	Hold	285	227
8	Future Retail	Under Review	-	332
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Reduce	485	511
11	Hindustan Unilever	Hold	2,017	2,195
12	ITC	BUY	250	189
13	Jubilant FoodWorks	Hold	1,392	1,530
14	Kansai Nerolac Paints	BUY	486	360
15	Marico	Hold	318	284
16	Nestle India	Reduce	13,127	17,462
17	Pidilite Industries	Hold	1,327	1,349
18	Titan Company	Hold	844	892
19	Voltas	Accumulate	564	539

PL's Recommendation Nomenclature (Absolute Performance)

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



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