

Estimate change 

 TP change 

 Rating change 

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Bloomberg	ITC IN
Equity Shares (m)	12,259
M.Cap.(INRb)/(USD\$)	2455 / 33
52-Week Range (INR)	273 / 135
1, 6, 12 Rel. Per (%)	-5/-8/-27
12M Avg Val (INR M)	4571
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	456.2	439.9	491.0
Sales Gr. (%)	1.4	-3.6	11.6
EBITDA	179.0	160.3	191.7
EBITDA Mrg. (%)	39.2	36.4	39.0
Adj. PAT	152.7	130.3	155.3
Adj. EPS (INR)	12.4	10.6	12.6
EPS Gr. (%)	22.2	-14.6	19.2
BV/Sh.(INR)	52.1	54.9	58.1
Ratios			
RoE (%)	25.0	19.8	22.4
RoCE (%)	24.3	19.3	21.9
Payout (%)	82.7	82.0	82.0
Valuations			
P/E (x)	16.1	18.8	15.8
P/BV (x)	3.8	3.6	3.4
EV/EBITDA (x)	11.6	12.8	10.5
Div. Yield (%)	5.1	4.4	5.2

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	0.0	0.0	0.0
DII	42.4	42.5	38.1
FII	14.8	15.3	17.2
Others	42.8	42.2	44.7

FII Includes depository receipts

CMP: INR200
TP: INR200
Neutral

Sharp Cigarette volume decline and Hospitality losses affect profits

- ITC reported higher-than-expected sales growth (mainly due to better-than-expected agriculture business resilience) in 1QFY21. However, EBITDA and PAT were disappointing due to (a) estimated 37% cigarette volume decline, (b) far lower contribution of the highly profitable cigarette business to total sales (32% in 1QFY21 v/s usual levels of ~40%), and (c) massive losses in the hospitality business (~8% negative impact on EBITDA in 1QFY21 v/s 1% usual positive contribution).
- Our channel checks indicate that cigarette volumes are close to pre-COVID levels. However, re-imposition of lockdowns in a few states could have some negative effect. Nevertheless, it is unlikely for the (a) weak mix in 1QFY21 (low cigarette proportion to total sales) to be repeated, and (b) impact on margins to be as sharp as in 1QFY21. Further, outlook for the hotel business is still extremely hazy, which should lead to some profitability impact. Target multiple of 15x Jun'22E EPS is at ~30% premium to global tobacco majors. We maintain **Neutral** on the stock.

Cigarette volumes decline slightly above estimate, margins disappoint

- ITC's 1QFY21 net revenue declined 21.2% YoY to INR89.1b (v/s est. 27.5% decline to INR83.4b) and EBITDA declined 42% YoY to INR26.5b (v/s est. INR32.9b). PBT declined 35% YoY to INR31.3b (v/s est. INR34.6b), while adj. PAT declined 26.2% YoY to INR23.4b (v/s est. INR24.9b). Other income was up 44.6% YoY. Overall gross/EBITDA margins contracted 770bp/1,070bp YoY to 55.7%/29.7%.
- Cigarette volumes are likely to have declined by ~37% (v/s est. 35% decline), leading to cigarette net sales decline of 29.1% YoY. Cigarette EBIT margin contracted 970bp YoY to 61.1%. Cigarette EBIT, thus, declined 38.8% YoY to INR23.6b (v/s est. 33% YoY decline to INR25.8b).
- FMCG-Others net sales grew 10.3% YoY (up ~12.2% on a comparable basis excluding the Lifestyle Retailing business) to INR33.7b. FMCG-Others EBIT improved YoY to INR1.3b in 1QFY21 (v/s INR0.8b in 1QFY20). Revenues of Agri Business grew 3.7% while that of Paperboards, Paper and Packaging declined 32.8%. Revenues for hotels plunged 94.2%.

Valuation and view

- We have cut FY21 EPS by 5.3% due to weak 1QFY21 earnings. However, no material impact is expected in FY22E EPS projections as we believe the disappointment was caused by short-term factors.
- Expected dividend yield of 5-6% over the next two years and the apparent relief of cigarette sales bouncing back to near pre-COVID levels are not clear positives due to (a) persistent global ESG concerns on cigarettes (85% of EBIT in FY20), (b) overhang of further GST increase on cigarettes, (c) ITC's valuation premium to global tobacco majors like Philip Morris (trading at 15.2x one-year forward P/E) and BAT (at 8.1x), and (d) continuance of weak earnings trajectory (6.6% PBT CAGR over the last 5 years). The stock is trading at 15.8x FY22E EPS. We value ITC at 15x Jun'22E EPS (~30% premium to global peers' average multiple) to arrive at TP of INR200. Maintain **Neutral**.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Quarterly Performance

(INR Billion)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Est. Cig. Vol. gr. (%)	3.0	2.5	2.5	-11.0	-37.0	-7.0	-7.0	-7.0	-0.8	-14.5	-35.0	
Net Sales	113.1	118.7	120.1	108.4	89.1	109.9	112.3	128.6	456.2	439.9	83.4	6.9%
YoY change (%)	4.0	5.3	5.1	-9.6	-21.2	-7.5	-6.5	18.6	1.4	-3.6	-27.5	
Gross Profit	71.7	73.9	74.7	67.8	49.6	66.7	68.4	80.1	283.8	264.9	53.3	
Margin (%)	63.4	62.2	62.2	62.5	55.7	60.7	60.9	62.3	62.2	60.2	63.9	
EBITDA	45.7	45.6	46.1	41.6	26.5	41.7	42.7	49.4	179.0	160.3	32.9	-19.4%
Growth (%)	8.7	8.5	6.6	-8.9	-42.0	-8.5	-7.4	18.6	3.3	-10.5	-28.0	
Margins (%)	40.4	38.4	38.4	38.4	29.7	38.0	38.0	38.4	39.2	36.4	39.4	
Depreciation	3.6	4.0	4.2	3.9	4.0	4.0	4.2	3.8	15.6	15.9	3.6	
Interest	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.6	0.5	0.1	
Other Income	6.2	6.5	9.8	7.6	9.0	6.1	8.4	6.9	30.1	30.3	5.6	
PBT	48.1	48.1	51.7	45.1	31.3	43.7	46.8	52.4	193.0	174.2	34.6	-9.7%
Tax	16.4	7.8	8.9	7.1	7.9	11.4	11.7	12.9	40.3	43.8	9.7	
Rate (%)	34.0	16.3	17.3	15.8	25.1	26.0	25.0	24.7	20.9	25.2	28.0	
Adj PAT	31.7	40.2	42.7	37.9	23.4	32.3	35.1	39.5	152.7	130.3	24.9	-6.1%
YoY change (%)	12.6	36.2	33.2	9.1	-26.2	-19.6	-17.9	4.0	22.5	-14.6	-21.4	

E: MOFSL estimate; Full year COGS also includes contract processing charges (included in other op. exps. in quarterly)

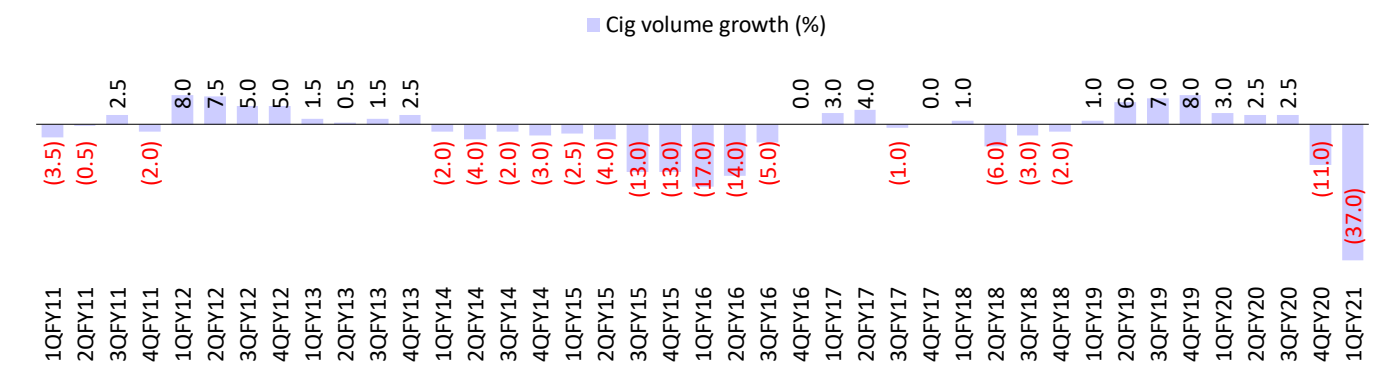
Key Performance Indicators

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
Cig Realization Gr %	3.0	3.5	2.2	4.5	7.9	6.0	7.5	7.6
2Y average growth %								
Cig Volumes	2.0	4.3	4.8	-1.5	-17.0	-2.3	-2.3	-9.0
Sales	6.6	7.3	11.0	1.8	-8.6	-1.1	-0.7	4.5
EBITDA	10.4	10.1	8.9	0.7	-16.7	0.0	-0.4	4.8
PAT	11.3	24.0	23.8	13.9	-6.8	8.3	7.6	6.5
% sales								
COGS	36.6	37.8	37.8	37.5	44.3	39.3	39.1	37.7
Others	23.0	23.8	23.8	24.1	26.0	22.8	22.9	23.9
Depreciation	3.2	3.3	3.5	3.6	4.5	3.6	3.7	3.0
YoY change %								
COGS	0.7	4.7	5.7	-11.9	-4.7	-3.8	-3.4	19.2
Others	1.7	1.5	1.7	-6.9	-11.1	-11.6	-9.9	17.6
Other income	53.6	29.8	17.6	2.1	44.6	-7.0	-15.0	-8.6
EBIT	7.8	7.4	5.2	-10.7	-46.6	-9.4	-8.1	20.8

Cigarette volumes likely to have declined 37% in 1QFY21 with EBIT margin contraction of 970bp YoY

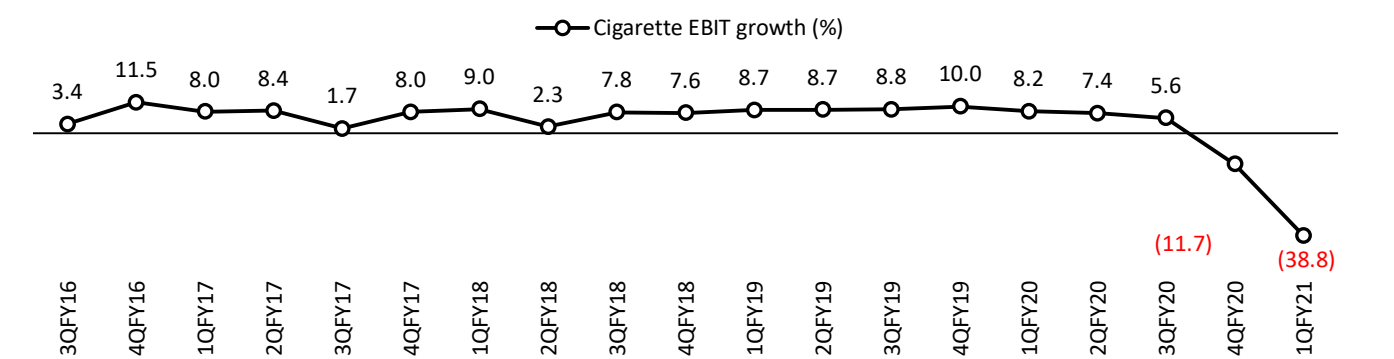
- Unprecedented disruption was witnessed across the value chain with manufacturing, selling and distribution operations being severely restricted following imposition of the lockdown. During 1QFY21, manufacturing operations resumed (around mid-May'20), and thereafter, rapidly scaled up. Currently, all factories are operational and production has been scaled up to pre-COVID levels. The sales and distribution operations have largely normalized. However, re-imposition of localized lockdowns toward end-Jun'20 and in recent weeks in certain pockets, has caused closure of outlets and restrictions in operations in the containment zones, posing operational challenges.
- Net cigarette revenues declined by 29.1% YoY to INR38.5b with likely volume decline of ~37% on a base of 3% growth.
- The company took focused actions during the quarter to consolidate its market standing. Key market interventions in recent times include the launch of innovative and differentiated offerings such as *Gold Flake Super Star (Supermint)*, *Gold Flake Star and Royal* in the DSFT segment. The Flake brand was launched in an innovative 5s pack in target markets. Moreover, *Gold Flake Luxury filter* in the Longs segment, and *Navy Cut Deluxe Filter, Gold Flake Indie Mint and Capstan Fresh* in the regular size filter segment, were extended to target markets.
- Cigarette EBIT declined 38.8% YoY to INR23.6b (v/s est. 33% YoY decline to INR25.8b). Cigarette net EBIT margin contracted by 970bp YoY to 61.1%.

Exhibit 1: Cigarette volumes were down ~37% YoY in 1QFY21



Source: Company, MOFSL

Exhibit 2: Cigarette EBIT declined 38.8% YoY to INR23.6b in 1QFY21



Source: Company, MOFSL

Exhibit 3: Far lower contribution of the highly profitable cigarette business to total sales in 1QFY21

Revenue contribution (%)	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21E	3Q FY21E	4Q FY21E
Cigarettes	41.9	41.6	43.2	42.9	39.9	41.2	41.6	42.5	38.7	40.2	41.4	42.3	32.1	44.1	45.1	44.6
FMCG - Others	21.7	25.6	26.8	26.5	22.3	25.9	26.3	25.4	21.8	24.8	25.8	26.3	28.1	32.2	31.8	30.8
Hotels	2.6	2.7	3.8	3.5	2.7	3.0	3.7	3.9	2.8	3.2	4.3	3.8	0.2	0.3	0.5	0.6
Agri. business	23.1	18.0	14.3	15.7	24.5	18.2	15.8	16.3	25.7	20.0	16.3	15.6	31.2	13.3	12.4	13.5
Paper and packaging	10.7	12.0	11.9	11.3	10.6	11.7	12.7	11.9	10.9	11.8	12.1	12.0	8.5	10.2	10.2	10.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, MOFSL

FMCG - Others: Robust performance

- Despite the challenging conditions, the company's FMCG-Others businesses recorded segment revenue growth of ~12.2% on comparable YoY basis, excluding the Lifestyle Retailing business. Excluding the Education and Stationery Products business, which was impacted due to the closure of education institutions (owing to the pandemic), segment revenue grew 18.8%.
- FMCG - Others net sales grew 10.3% YoY to INR33.7b. Segment EBIT posted a growth of 60.8% YoY to INR1.3b in 1QFY21. EBIT margins expanded by 120bp YoY to 3.7%.
- **In the Staples, Snacks and Meals Business**, *Aashirvaad atta* continued to post robust growth, consolidating its leadership position across markets. The '*Bingo!*' Snacks category, which saw subdued operational performance during the initial phase of the lockdown due to restricted mobility, rapidly normalized after restrictions of the complete lockdown were lifted.
- **In the Instant Noodles category**, '*Yippee!*' Noodles posted substantial growth driven by increased 'at-home' consumption and leveraging high-decibel brand campaigns.
- **In the Biscuits category**, '*Sunfeast*' Biscuits and Cakes recorded robust growth, driven mainly by surge in 'at-home' consumption and the consumers' preference for trusted brands. *Veda Marie*, launched last year, continued to record impressive growth in all target markets.
- **In the Dairy & Beverages Business**, '*Aashirvaad Svasti*' range of fresh dairy products and ghee recorded strong growth. The range of milk products was augmented with the launch of *Aashirvaad Svasti* Lassi. The 'B Natural' range of juices was augmented with the launch of two innovative variants addressing immunity needs in partnership with *Amway*.
- **The Chocolates and Confectionery categories** were severely impacted reflecting the subdued demand for discretionary products.
- **Launches in personal care products**: *Savlon* portfolio was augmented with the launch of '*Savlon* Surface Disinfectant Spray', '*Savlon Hexa*' hand sanitizing liquid, '*Savlon* Germ Protection Wipes', *Savlon* Hand Sanitizer Sachet, and '*Savlon Hexa advanced*' Soap. The Hygiene portfolio was augmented with the launch of '*Nimwash*' - Vegetables and Fruit Wash Liquid.

Paperboards, Paper & Packaging

- While demand for paperboards and packaging from Pharma and FMCG end-user customer segments was relatively stable, relatively subdued off-take in certain segments (e.g. liquor, cup stock, tobacco, hosiery) and significant adverse impact in others (such as publications, décor, wedding cards, etc.) impacted operational performance. The demand for writing and printing paper was also impacted due to closure of educational institutions and offices in the wake of the pandemic. Performance was impacted by lower off-take from end-user industries. However, robust growth in exports partly mitigated the weak domestic demand environment.
- Paper and Paperboard business' net sales declined by 32.8% YoY to INR10.3b.
- Segment EBIT declined by 51.4% YoY to INR1.6b. EBIT margins contracted by 600bp YoY to 15.6%.

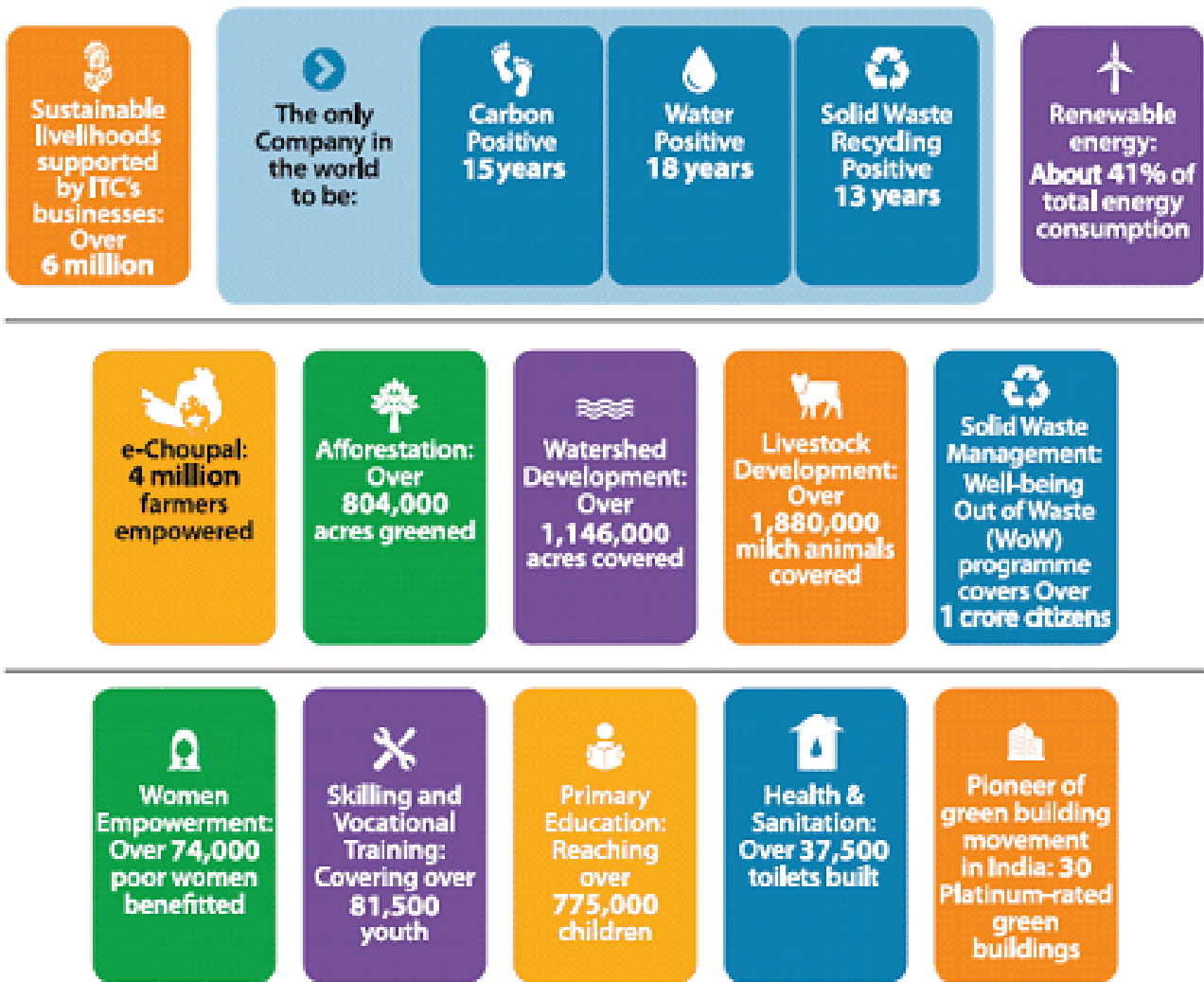
Agri Business

- The Agri Business recorded moderate performance on the back of trading opportunities, mainly in oilseeds and rice. ITC leveraged its e-choupal network to cater to the surge in wheat requirement for '*Aashirvaad atta*'.
- During the quarter, ITC also ramped up the direct milk sourcing network in West Bengal to cater to the increasing requirements on the back of the growing franchise of the '*Aashirvaad Svasti*' range of dairy products.
- Revenues grew 3.7% YoY to INR37.5b. Segment reported EBIT decline of 11.9% YoY to INR1.8b with EBIT margin contraction of 80bp YoY to 4.8%.
- The '*ITC Master Chef*' range of Frozen Snacks posted robust growth in the retail channel. The range of Frozen Snacks was augmented with the launch of eight new exciting variants and the range was extended to 70+ cities.

Hotels: Prospects appear weak for next few months

- The business was severely impacted with operations coming to a standstill due to restrictions on travel and hotel operations. Negative operating leverage weighed on segment profits while aggressive reduction in controllable fixed costs partly mitigated the impact.
- For presenting unique cuisine experiences to discerning guests during the lockdown, *ITC Hotels* launched '*Flavors*' and '*Gourmet Couch*' menus as home delivery and takeaway offerings. The business also partnered with food delivery platforms '*Zomato*' and '*Swiggy*' to enable wider availability of the offering.
- Revenue declined 94.2% YoY to INR0.2b. Segment EBIT reported loss of INR2.4b in 1QFY21 while EBIT margin saw contraction of 1,077bp YoY.

Exhibit 4: Contribution to sustainable development



Source: Company, MOFSL

Key Exhibits

Exhibit 5: Segmental performance

Sales (INR b)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Cigarettes	51.3	50.3	50.7	54.9	54.3	53.3	53.1	51.3	38.5
FMCG - Others	28.7	31.6	32.0	32.7	30.6	32.9	33.1	31.8	33.7
Hotels	3.4	3.6	4.5	5.1	3.9	4.3	5.5	4.7	0.2
Agri business	31.5	22.2	19.2	21.0	36.1	26.5	20.9	18.9	37.5
Paper and packaging	13.6	14.2	15.4	15.4	15.3	15.7	15.6	14.6	10.2
Sales growth (YoY %)									
Cigarettes	2.3	10.4	9.6	11.1	6.0	6.0	4.7	(6.5)	(29.1)
FMCG - Others	10.7	12.7	11.5	7.3	6.6	4.0	3.5	(2.8)	10.3
Hotels	11.9	20.8	11.7	24.9	15.0	17.7	22.2	(8.6)	(94.2)
Agri business	14.2	12.8	25.7	16.2	14.6	19.3	8.8	(10.2)	3.7
Paper and packaging	5.7	8.8	20.5	18.2	12.7	9.9	0.8	(5.1)	(32.8)
Estimated volume growth (YoY)									
Cigarettes %	1.0	6.0	7.0	8.0	3.0	2.5	2.5	(11.0)	(37.0)
EBIT (INR b)									
Cigarettes	35.6	35.8	35.6	38.6	38.5	38.4	37.6	34.0	23.6
FMCG - Others	0.5	0.6	0.8	1.3	0.8	0.9	1.1	1.5	1.3
Hotels	0.1	0.2	0.6	0.9	0.1	0.2	0.9	0.4	(2.4)
Agri business	1.9	2.4	2.0	1.5	2.0	2.5	2.1	1.2	1.8
Paper and packaging	3.0	3.1	3.3	3.0	3.3	3.6	3.3	2.9	1.6
EBIT growth (YoY %)									
Cigarettes	8.7	8.7	8.8	10.0	8.2	7.4	5.6	(11.7)	(38.8)
FMCG – Others	823.0	185.3	63.1	43.1	55.7	54.8	40.4	12.6	60.8
Hotels	149.0	267.0	10.1	17.5	-21.4	12.0	44.8	(52.0)	(2,434.7)
Agri business	-17.3	-7.9	-14.8	18.8	4.3	5.7	7.4	(16.4)	(11.9)
Paper and packaging	14.9	13.4	23.8	24.0	11.5	14.5	0.6	(4.9)	(51.4)
EBIT Margin (%)									
Cigarettes	69.4	71.2	70.1	70.3	70.8	72.2	70.7	66.3	61.1
FMCG - Others	1.7	1.8	2.4	4.0	2.5	2.8	3.2	4.6	3.7
Hotels	3.9	4.3	13.3	17.4	2.6	4.1	15.8	9.1	(1,074.3)
Agri business	6.2	10.6	10.3	7.0	5.6	9.4	10.2	6.5	4.8
Paper and packaging	21.8	21.8	21.5	19.5	21.6	22.7	21.5	19.6	15.6

Source: Company, MOFSL

Valuation and view

What has happened over the last 10 years?

- ITC's financial performance over the last 10 years has been a story of two halves.
- Spectacular performance in the first half of the decade witnessed 16-22% CAGR growth in sales/ EBITDA/ PBT and PAT.
- But in the subsequent five years, sales, EBITDA and PBT CAGR have declined to 4.6%, 5.8% and 6.6% – one-third of the growth witnessed during the preceding five years. PAT growth has still been better in high single-digits led by the corporate tax cut.

Our view

- We have cut FY21 EPS by 5.3% due to weak 1QFY21 earnings. However, no material impact is expected in FY22E EPS projections as we believe the disappointment was caused by short-term factors.

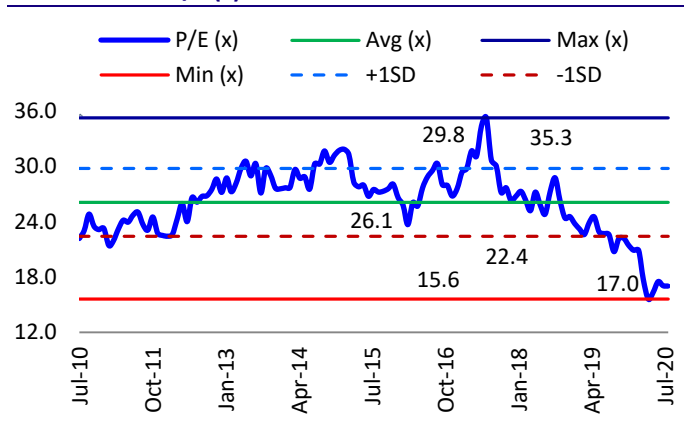
- Expected dividend yield of 5-6% over the next two years and the apparent relief of cigarette sales bouncing back to near pre-COVID levels are not clear positives due to (a) persistent global ESG concerns on cigarettes (85% of EBIT in FY20), (b) overhang of further GST increase on cigarettes, (c) ITC's valuation premium to global tobacco majors like Philip Morris (trading at 15.2x one-year forward P/E) and BAT (at 8.1x), and (d) continuance of weak earnings trajectory (6.6% PBT CAGR over the last 5 years). The stock is trading at 15.8x FY22E EPS. We value ITC at 15x Jun'22E EPS (~30% premium to global peers' average multiple) to arrive at **TP of INR200**. Maintain **Neutral**.

Exhibit 6: We cut our FY21 EPS estimates by 5.3% and FY22E by 0.6%

(INR b)	New		Old		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	436	486	428	478	1.7%	1.6%
EBITDA	160	192	170	193	-5.7%	-0.5%
PAT	130	155	138	156	-5.3%	-0.6%

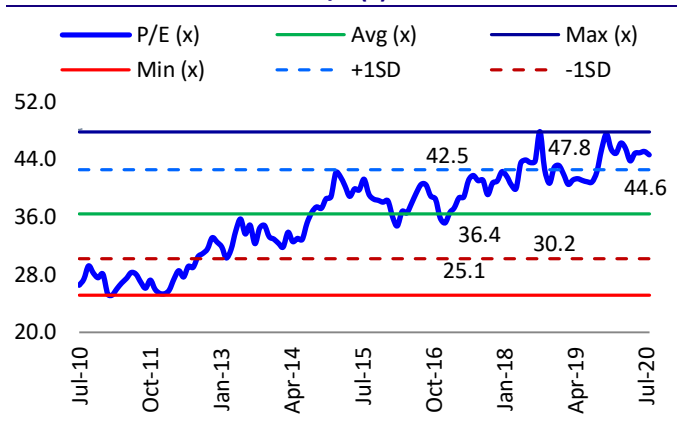
Source: Company, MOFSL

Exhibit 7: ITC P/E (x)



Source: Bloomberg, Company, MOFSL

Exhibit 8: Consumer sector P/E (x)



Source: Bloomberg, Company, MOFSL

Financials and Valuations

Income Statement							(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Net Sales	3,60,832	3,62,206	3,96,419	4,02,547	4,44,327	4,51,361	4,35,540	4,86,018
Operational Income	4,242	3,621	4,468	3,729	5,630	4,836	4,353	4,998
Total Revenue	3,65,074	3,65,827	4,00,887	4,06,275	4,49,957	4,56,197	4,39,893	4,91,016
Change (%)	9.8	0.2	9.6	1.3	10.8	1.4	-3.6	11.6
Gross Profit	2,10,170	2,23,312	2,32,908	2,40,142	2,68,260	2,83,846	2,64,921	3,04,565
Margin (%)	57.6	61.0	58.1	59.1	59.6	62.2	60.2	62.0
Other operating expenditure	75,224	85,938	86,903	84,503	94,966	1,04,803	1,04,616	1,12,823
EBITDA	1,34,946	1,37,374	1,46,004	1,55,639	1,73,294	1,79,043	1,60,305	1,91,742
Change (%)	8.2	1.8	6.3	6.6	11.3	3.3	-10.5	19.6
Margin (%)	37.0	37.6	36.4	38.3	38.5	39.2	36.4	39.0
Depreciation	9,617	10,007	10,380	11,454	13,117	15,633	15,944	16,799
Int. and Fin. Charges	785	719	453	1,096	580	557	501	451
Other Inc. - Recurring	15,431	17,693	19,859	21,298	24,845	30,137	30,319	33,077
Profit before Taxes	1,39,975	1,44,341	1,55,030	1,64,388	1,84,442	1,92,989	1,74,179	2,07,568
Change (%)	10.6	3.1	7.4	6.0	12.2	4.6	-9.7	19.2
Margin (%)	38.3	39.5	38.7	40.5	41.0	42.3	39.6	42.3
Tax	40,210	48,961	52,857	55,998	58,492	44,420	43,841	52,245
Deferred Tax	3,688	2,096	164	286	1,306	-4,112	0	0
Tax Rate (%)	31.4	35.4	34.2	34.2	32.4	20.89	25.17	25.17
Profit after Taxes	96,077	93,284	1,02,009	1,08,104	1,24,643	1,52,682	1,30,338	1,55,323
Change (%)	9.4	-2.9	9.4	6.0	15.3	22.5	-14.6	19.2
Margin (%)	26.3	25.5	25.4	26.6	27.7	33.5	29.6	31.6
Non-rec. (Exp)/Income	0	0	0	4,129	0	-1,321	0	0
Reported PAT	96,077	93,284	1,02,009	1,12,233	1,24,643	1,51,361	1,30,338	1,55,323

Balance Sheet							(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	12,100	12,147	12,147	12,204	12,259	12,292	12,292	12,292
Reserves	2,95,257	4,04,417	4,41,262	5,01,796	5,67,239	6,27,999	6,62,490	7,01,483
Net Worth	3,07,357	4,16,564	4,53,410	5,14,001	5,79,498	6,40,292	6,74,782	7,13,775
Loans	143	165	79	69	32	3,298	705	705
Deferred Liability	16,316	18,674	18,717	19,179	20,441	16,177	16,177	16,177
Capital Employed	3,23,816	4,35,403	4,72,205	5,33,249	5,99,972	6,59,766	6,91,663	7,30,656
Gross Block	2,09,908	2,20,933	2,40,156	2,58,097	3,00,430	3,36,314	3,54,314	3,73,314
Less: Accum. Deprn.	72,136	80,516	90,896	1,02,350	1,15,467	1,31,100	1,47,044	1,63,843
Net Fixed Assets	1,37,771	1,40,417	1,49,259	1,55,747	1,84,963	2,05,215	2,07,270	2,09,471
Capital WIP	25,155	23,884	34,913	50,169	33,915	27,763	27,763	27,763
Investments	84,055	1,33,245	1,85,853	2,33,972	2,65,780	3,06,306	3,35,238	3,67,321
Curr. Assets, L&A	1,94,976	2,02,636	1,72,134	1,83,925	2,13,322	2,13,070	2,21,338	2,34,474
Inventory	78,368	85,198	78,640	72,372	75,872	80,381	77,182	82,861
Account Receivables	17,224	16,864	22,075	23,570	36,462	20,920	40,571	45,273
Cash and Bank Balance	75,886	56,392	27,473	25,949	37,687	68,433	59,128	60,727
Others	23,498	44,182	43,946	62,035	63,300	43,337	44,458	45,614
Curr. Liab. and Prov.	1,18,140	64,780	69,954	90,564	98,008	92,588	99,946	1,08,373
Account Payables	19,046	22,280	25,512	33,823	33,683	34,467	36,275	38,597
Other Liabilities	48,997	42,500	44,442	56,742	64,325	58,121	63,671	69,776
Net Current Assets	76,835	1,37,856	1,02,180	93,361	1,15,314	1,20,482	1,21,392	1,26,101
Application of Funds	3,23,816	4,35,403	4,72,206	5,33,249	5,99,972	6,59,766	6,91,663	7,30,656

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	7.9	7.7	8.4	8.9	10.2	12.4	10.6	12.6
Cash EPS	8.7	8.5	9.3	9.8	11.2	13.7	11.9	14.0
BV/Share	25.4	34.3	37.3	42.1	47.3	52.1	54.9	58.1
DPS	5.0	6.7	5.7	6.2	6.9	10.2	8.7	10.4
Payout %	63	88	68	68	68	83	82	82

Valuation (x)

P/E	25.1	26.0	23.8	22.5	19.6	16.1	18.8	15.8
Cash P/E	22.9	23.5	21.6	20.4	17.8	14.6	16.8	14.3
EV/Sales	6.3	6.2	5.6	5.4	4.8	4.6	4.7	4.2
EV/EBITDA	17.0	16.4	15.3	14.1	12.4	11.6	12.8	10.5
P/BV	7.9	5.8	5.4	4.7	4.2	3.8	3.6	3.4
Dividend Yield (%)	2.5	3.4	2.9	3.1	3.5	5.1	4.4	5.2

Return Ratios (%)

RoE	33.7	25.8	23.5	22.3	22.8	25.0	19.8	22.4
RoCE	32.2	24.7	22.5	21.6	22.1	24.3	19.3	21.9
RoIC	63.8	45.7	40.0	42.4	44.6	49.7	41.0	48.1

Working Capital Ratios

Debtor (Days)	20	17	18	21	25	23	26	32
Asset Turnover (x)	1.1	0.8	0.8	0.8	0.7	0.7	0.6	0.7

Leverage Ratio

Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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Cash Flow Statement

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
(INR M)								
OP/(loss) before Tax	1,39,975	1,44,341	1,55,030	1,68,517	1,84,442	1,92,989	1,74,179	2,07,568
Financial other income	9,010	3,408	5,475	7,157	8,128	30,137	30,319	33,077
Depreciation and Amort.	9,617	10,007	10,380	11,454	13,117	15,633	15,944	16,799
Interest Paid	-5,538	-8,025	-8,416	-8,312	-12,084	557	501	451
Direct Taxes Paid	42,258	48,277	52,130	57,196	54,859	40,308	43,841	52,245
Incr in WC	-302	2,518	-631	-19,202	4,997	673	10,215	3,111
CF from Operations	93,089	92,119	1,00,020	1,26,509	1,17,491	1,38,062	1,06,250	1,36,386
Other items	18,748	-1,720	15,164	-7,587	3,174	33,333	46,781	15,185
Incr Decr in FA	30,445	21,377	28,971	25,478	27,595	21,136	18,000	19,000
Free Cash Flow	62,644	70,743	71,049	1,01,030	89,896	1,16,926	88,250	1,17,386
Pur of Investments	-7,337	33,866	43,756	34,769	15,325	40,526	28,932	32,083
CF from Invest.	-4,360	-56,962	-57,563	-67,834	-39,746	-28,329	-151	-35,898
Issue of shares	9,788	5,317	10,670	9,128	9,691	9,921	10,000	10,000
Incr in Debt	-154	-143	-129	-78	-69	3,265	-2,593	0
Net Interest Paid	57	231	218	453	867	557	501	451
Dividend Paid	47,719	50,097	68,401	57,700	62,852	70,487	1,03,824	88,630
Others	-7,594	-9,497	-13,298	-11,095	-11,909	-19,808	-19,808	-19,808
CF from Fin. Activity	-45,736	-54,651	-71,376	-60,199	-66,006	-78,987	-1,16,726	-98,889
Incr of Cash	42,992	-19,494	-28,919	-1,524	11,739	30,746	-10,627	1,599
Add: Opening Balance	32,894	75,886	56,392	27,473	25,949	37,687	69,754	59,128
Closing Balance	75,886	56,392	27,473	25,949	37,687	68,433	59,128	60,726

E: MOFSL Estimates

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

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