

### Demand recovery key for re-rating

- UNSP's Q4FY21 was in-line but weak at operating level with volume decline of 49% YoY and adverse price/mix of -5.2%. UNSP's peer Radico reported relatively strong performance. It has been outperforming UNSP for several quarters now. Revenue/EBITDA/APAT were -51/-123/-199% YoY.
- UNSP's story is attractive as a long-term consumption play in industry with high barriers to entry. But, for several quarters now UNSP has failed to deliver its guided high single-digit (8-10%) volume and low double-digit (10-12%) revenue growth. Management work on costs is appreciable. However, revival in revenue growth is inevitable for momentum to sustain. This look tough in prevailing conditions given Covid and steep taxation increase led risk of down-trading and impact on high-margin on premise sales (20-25% of revenues).
- We reduce our FY21/22E EPS by 33/4%. Sharp reduction in our FY21 EPS is owing to weak Q1FY21, extended lockdowns and weak recovery. We increase our target multiple to 40x from 35x in-line with broader market recovery and reversal of steep tax increases in certain states. Reiterate Reduce with revised TP of Rs 580 @ 40x FY22E EPS (vs. Rs 551 @ 35x earlier). Our TP includes Rs 22 for treasury shares/RCB. Sharper than expected recovery in demand and/or higher than expected savings on costs is the key upside risk. Potential Increase in stake by Diageo and/or potential de-listing is another catalyst though we believe the probability is lower.

### Q1FY21 financial and operating highlights

UNSP's volume declined by 49% YoY viz. P&A/Popular by 52/47%. Price/mix was -5.2% viz. P&A -1.6/-8.4%. Sharp decline in Popular price/mix we believe is owing to lower contribution from Maharashtra. UNSP reported revenue/EBITDA/APAT of Rs 10,302/-776/-1403mn viz. -53.6/-119.5/-170.4% YoY. Adjusted for inventory and receivables provision, EBITDA would have been meager ~Rs 100mn. This is primarily due to negative operating leverage. RDCK reported volume/revenue/EBITDA/APAT decline of 44/34/25/29% YoY.

### Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	10,302	21,213	(51.4)	19,164	(46.2)
Total Expense	11,078	17,823	(37.8)	16,980	(34.8)
EBITDA	(776)	3,390	(122.9)	2,184	(135.5)
Depreciation	638	500	27.6	678	(5.9)
EBIT	(1,414)	2,890	(148.9)	1,506	(193.9)
Other Income	95	101	(5.9)	41	131.7
Interest	499	520	(4.0)	480	4.0
EBT	(2,568)	3,032	(184.7)	753	(441.0)
Tax	(415)	1,058	(139.2)	514	(180.7)
RPAT	(2,153)	1,974	(209.1)	239	(1000.8)
APAT	(1,403)	1,413	(199.3)	553	(353.7)
			(bps)		(bps)
Gross Margin (%)	41.7	46.7	(509)	41.1	54
EBITDA Margin (%)	(7.5)	16.0	(2351)	11.4	(1893)
NPM (%)	(20.9)	9.3	(3020)	1.2	(2215)
Tax Rate (%)	16.2	34.9	(1873)	68.3	(5210)
EBIT Margin (%)	(13.7)	13.6	(2735)	7.9	(2158)

CMP	Rs 591
Target / Downside	Rs 580 / 2%
BSE Sensex	37,920
NSE Nifty	11,132

### Scrip Details

Equity / FV	Rs 1,453mn / Rs 0
Market Cap	Rs 429bn
	USD 6bn
52-week High/Low	Rs 743/Rs 443
Avg. Volume (no)	4,831,010
NSE Symbol	MCDOWELL-N
Bloomberg Code	UNSP IN

### Shareholding Pattern Jun'20(%)

Promoters	56.8
MF/Banks/FIs	7.7
FII	19.7
Public / Others	15.9

### Valuation (x)

	FY20A	FY21E	FY22E
P/E	61.2	100.1	42.4
EV/EBITDA	32.3	43.8	24.6
ROE (%)	20.2	8.9	21.7
RoACE (%)	14.5	9.6	19.7

### Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	88,425	73,593	93,333
EBITDA	13,731	10,005	17,573
PAT	7,012	4,287	10,122
EPS (Rs.)	9.7	5.9	13.9

VP Research: Himanshu Shah  
Tel: +91 22 4096 9737

E-mail: himanshu.shah@dolatcapital.com

## Key highlights from the con-call

- UNSP management highlighted that near-medium term outlook on volumes remain uncertain. While the recovery was better in July vs. June and had been improving MoM still it is much-below pre Covid levels. Re-imposition of local lockdowns (Karnataka, Assam etc) is impacting the business.
- From a capacity perspective UNSP is geared up for pre Covid level demand or even higher but recovery in the demand is the key.
- Gross margin was impacted by 406bps on account of lower franchise fees, obsolete inventory reduction of Rs 210mn.
- UNSP earns annual franchise fees of ~Rs 1.6bn p.a. and expect it to be lower by ~40% in FY21.
- ENA prices were flattish QoQ and are expected to soften from here on whereas glass bottles would witness low single-digit inflation.
- On the positive side, management stated that they haven't witnessed down-trading despite impact on income due to covid or increase in taxations.
- Long-term potential of the industry remains attractive. 17mn+ people getting added to legal drinking age.
- Due to Covid and absence of travel, some duty-free sales of BIO may move to duty-paid in which UNSP operates. Duty-free is ~2x of duty-paid at industry level. We estimate BIO sales at ~6.57% of revenues for UNSP (10-12% of P&A).
- **Price increases:** UNSP got modest price increases in 7-8 states over last couple of months. UNSP will liaise with Government for roll-back of taxes where it is increased by 30-40%.
- UNSP witnessed strong collections across market leading to a reduction in receivables, working capital requirement and debt position. This is positive in our view.
- In FY20, UNSP relaunched McD No1 and RC. Innovation of Hipster and McD No 1 Platinum.
- In FY20, State-brand mix should have been better which needs to be worked upon.
- Market access becoming difficult in AP which has been a better doing state. Sales are almost trivial in the state.
- **Home delivery:** It is an important development. Six states have allowed home delivery. Online browsing helps explore brands, SKUs and eventually end up buying more. This is what generally happens in online shopping. Women buying can increase. Choice-making will be there. State-government seeing opportunity of enhanced revenue. There is significant opportunity to enhance the consumer experience. It is difficult to by-pass retailers who have paid significant license fees to run-shops. Online delivery thus needs to be routed through retailers.
- Online sales are significant in Mumbai, WB etc though can't replace off-line. Seeds of new distribution model are being rooted. UNSP and industry needs to work on sustenance of the same.

**Exhibit 1: Actual vs. Estimates**

(Rs Mn)	Actual	Estimate	% Variance	Remarks
Revenue	10,302	10,207	0.9	EBITDA and APAT below estimates due to provision for doubtful receivables of Rs 650mn and obsolete inventory write-off of Rs 200mn
EBITDA	(776)	133	(683.9)	
Margin %	(7.5)	1.3	(883)	
PAT	(1,403)	(605)	131.8	

Source: DART, Company \*Adjusted for line-by-line impact of one of scotch sales

**Exhibit 2: Change in estimates**

Particulars	Old		New		Chg %/bps		Remarks
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	
<b>Volume (Mn cases)</b>	<b>66.8</b>	<b>82.2</b>	<b>70.0</b>	<b>80.1</b>	<b>(4.6)</b>	<b>2.6</b>	Reduction in our FY21 estimates to factor in the weak Q1FY21 and the delay in recovery due to extended lockdown
- P&A	33.1	41.2	36.6	42.6	(9.5)	(3.3)	
- Popular	33.6	41.0	33.4	37.5	0.6	9.2	
<b>Realization (`/case)</b>	<b>1,073</b>	<b>1,108</b>	<b>1,114</b>	<b>1,151</b>	<b>(3.7)</b>	<b>(3.8)</b>	Despite reduction in gross margin by 234bps in FY22, our EBITDA margin is higher to factor the steep decline in A&P spend, employee costs and other expenses.
- P&A	1,456	1,498	1,464	1,513	(0.5)	(1.0)	
- Popular	695	715	729	740	(4.7)	(3.4)	
<b>IMFL Revenue</b>	<b>71,612</b>	<b>91,008</b>	<b>78,018</b>	<b>92,179</b>	<b>(8.2)</b>	<b>(1.3)</b>	
- P&A	48,266	61,741	53,648	64,457	(10.0)	(4.2)	
- Popular	23,346	29,266	24,370	27,722	(4.2)	5.6	
Other operating income	1,981	2,325	1,851	1,944	7.0	19.6	
Revenue	73,593	93,333	79,869	94,123	(7.9)	(0.8)	
Gross Profit	32,762	42,801	37,657	45,324	(13.0)	(5.6)	
EBITDA	10,005	17,573	11,945	17,220	(16.2)	2.0	
<b>APAT</b>	<b>4,287</b>	<b>10,122</b>	<b>6,463</b>	<b>10,588</b>	<b>(33.7)</b>	<b>(4.4)</b>	
<b>AEPS</b>	<b>5.9</b>	<b>14.0</b>	<b>8.9</b>	<b>14.6</b>	<b>(33.7)</b>	<b>(4.4)</b>	
<b>Margin %</b>							
GP %	44.5	45.9	47.1	48.2	(258)	(234)	
EBITDA %	13.6	18.8	15.0	18.3	(140)	53	
APAT %	5.8	10.8	8.1	11.2	(228)	(35)	

Source: DART

**Exhibit 3: Quarterly Operating Performance**

Operating KPIs	Q1FY20*	Q2FY20*	Q3FY20	Q4FY20*	Q1FY21	% YoY	% QoQ
<b>Volumes (Mn Cases)</b>							
Prestige & Above	10.3	10.8	11.4	8.4	5.0	(51.5)	(40.5)
Popular	9.0	9.8	10.1	9.9	4.8	(46.7)	(51.5)
<b>Total</b>	<b>19.3</b>	<b>20.6</b>	<b>21.5</b>	<b>18.3</b>	<b>9.8</b>	<b>(49.2)</b>	<b>(46.4)</b>
<b>Net Revenue (Rs Mn)</b>							
Prestige & Above	14,230	15,020	17,880	12,180	6,800	(52.2)	(44.2)
Popular	6,430	7,010	7,370	6,780	3,140	(51.2)	(53.7)
<b>Sub Total</b>	<b>20,660</b>	<b>22,030</b>	<b>25,250</b>	<b>18,960</b>	<b>9,940</b>	<b>(51.9)</b>	<b>(47.6)</b>
Other Operating Income*	553	193	575	980	362	(34.5)	(63.1)
<b>Total</b>	<b>21,213</b>	<b>22,223</b>	<b>25,825</b>	<b>19,940</b>	<b>10,302</b>	<b>(51.4)</b>	<b>(48.3)</b>
<b>Realization/case (Rs)</b>							
Prestige & Above	1,382	1,391	1,568	1,450	1,360	(1.6)	(6.2)
Popular	714	715	730	685	654	(8.4)	(4.5)
<b>Total</b>	<b>1,070</b>	<b>1,069</b>	<b>1,174</b>	<b>1,036</b>	<b>1,014</b>	<b>(5.2)</b>	<b>(2.1)</b>
Gross Profit/case (Rs)	514	490	533	430	438	(14.8)	1.7
EBITDA/case (Rs)	176	190	197	119	(79)	(145.1)	(166.3)

Source: Company, DART \*Adjusted for one of scotch sales impact

**Exhibit 4: Standalone Quarterly P&L Snapshot**

(Rs mn)	Q1FY20*	Q2FY20*	Q3FY20	Q4FY20*	Q1FY21	% YoY	% QoQ
<b>Net Revenue</b>	<b>21,213</b>	<b>22,223</b>	<b>25,825</b>	<b>19,164</b>	<b>10,302</b>	<b>(51.4)</b>	<b>(46.2)</b>
Raw Material Costs	11,297	12,137	14,366	11,286	6,011	(46.8)	(46.7)
<b>Gross Profit</b>	<b>9,916</b>	<b>10,086</b>	<b>11,459</b>	<b>7,878</b>	<b>4,291</b>	<b>(56.7)</b>	<b>(45.5)</b>
Employee Expenses	1,361	1,461	1,266	1,106	1,203	(11.6)	8.8
A&P	1,708	1,734	2,511	1,200	518	(69.7)	(56.8)
Prov for doubtful debts	(44)	-	-	(164)	656	(1,590.9)	(500.0)
Other Expenses	3,501	2,974	3,442	3,552	2,690	(23.2)	(24.3)
<b>Total Other opex</b>	<b>6,526</b>	<b>6,169</b>	<b>7,219</b>	<b>5,694</b>	<b>5,067</b>	<b>(22.4)</b>	<b>(11.0)</b>
<b>EBITDA</b>	<b>3,390</b>	<b>3,917</b>	<b>4,240</b>	<b>2,184</b>	<b>(776)</b>	<b>(122.9)</b>	<b>(135.5)</b>
D&A	500	573	524	678	638	27.6	(5.9)
Interest Costs	520	452	455	480	499	(4.0)	4.0
Other Income	101	137	176	41	95	(5.9)	131.7
<b>PBT</b>	<b>2,471</b>	<b>3,029</b>	<b>3,437</b>	<b>1,067</b>	<b>(1,818)</b>	<b>(173.6)</b>	<b>(270.4)</b>
Tax	1,058	571	849	514	(415)	(139.2)	(180.7)
<b>APAT</b>	<b>1,413</b>	<b>2,458</b>	<b>2,588</b>	<b>553</b>	<b>(1,403)</b>	<b>(199.3)</b>	<b>(353.7)</b>
Eo gain/(Loss)	561	(253)	-	(314)	(750)	(233.7)	138.9
<b>RPAT</b>	<b>1,974</b>	<b>2,205</b>	<b>2,588</b>	<b>239</b>	<b>(2,153)</b>	<b>(209.1)</b>	<b>(1,000.8)</b>

Source: Company, DART \*Adjusted for line-by-line impact of one of scotch sales

**Exhibit 5: Margin Analysis**

	Q4FY19	Q1FY20*	Q2FY20*	Q3FY20	Q4FY20*	YoY (Bps)	QoQ (Bps)
<b>Net Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	-	-
Raw Material Costs	53.3	54.6	55.6	58.9	58.3	509	(54)
<b>Gross Profit</b>	<b>46.7</b>	<b>45.4</b>	<b>44.4</b>	<b>41.1</b>	<b>41.7</b>	<b>(509)</b>	<b>54</b>
Employee Expenses	6.4	6.6	4.9	5.8	11.7	526	591
A&P	8.1	7.8	9.7	6.3	5.0	(302)	(123)
Prov for doubtful debts	(0.2)	-	-	(0.9)	6.4	658	722
Other Expenses	16.5	13.4	13.3	18.5	26.1	961	758
<b>Total Other opex</b>	<b>30.8</b>	<b>27.8</b>	<b>28.0</b>	<b>29.7</b>	<b>49.2</b>	<b>1,842</b>	<b>1,947</b>
<b>EBITDA</b>	<b>16.0</b>	<b>17.6</b>	<b>16.4</b>	<b>11.4</b>	<b>(7.5)</b>	<b>(2,351)</b>	<b>(1,893)</b>
D&A	2.4	2.6	2.0	3.5	6.2	384	266
Interest Costs	2.5	2.0	1.8	2.5	4.8	239	234
Other Income	0.5	0.6	0.7	0.2	0.9	45	71
<b>PBT</b>	<b>11.6</b>	<b>13.6</b>	<b>13.3</b>	<b>5.6</b>	<b>(17.6)</b>	<b>(2,930)</b>	<b>(2,321)</b>
Tax	5.0	2.6	3.3	2.7	(4.0)	(902)	(671)
<b>APAT</b>	<b>6.7</b>	<b>11.1</b>	<b>10.0</b>	<b>2.9</b>	<b>(13.6)</b>	<b>(2,028)</b>	<b>(1,650)</b>
Eo gain/(Loss)	2.6	(1.1)	-	(1.6)	(7.3)	(992)	(564)
<b>RPAT</b>	<b>9.3</b>	<b>9.9</b>	<b>10.0</b>	<b>1.2</b>	<b>(20.9)</b>	<b>(3,020)</b>	<b>(2,215)</b>
Tax as % of PBT	42.8	18.9	24.7	48.2	22.8	(1,999)	(2,535)

Source: Company, DART \*Adjusted for line-by-line impact of one of scotch sales

**Exhibit 6: Valuation Snapshot: UNSP**

Particulars	
FY22E Standalone EPS	13.9
Target Multiple (x)	40
<b>Target Price (Rs) (A)</b>	<b>557</b>
Non-core assets (Rs) (B)	11
RCB (Rs) (C)	11
<b>Target Price (Rs) (A+B+C)</b>	<b>580</b>
CMP (Rs)	575
<b>Upside/Downside (%)</b>	<b>0.8</b>

Source: Company, DART

**Exhibit 7: Valuation of RCB**

RCB	Rs Mn
EBITDA	1,250
Net Debt*	-
Interest	-
PBT	1,250
PAT	813
Tgt Multiple (x)	20
RCB Value	16,250
(-) Hold Co discount	50%
RCB Value	8,125
UNSP O/s shares (Mn)	727
Value per share (Rs)	11

Source: Company, DART

**Exhibit 8: Valuation of Treasury shares**

Treasury shares	
UNSP treasury shares (17.3mn @ Rs 575)	9,945
Flats/factories etc (Rs Mn)	6,000
Non core assets value (Rs Mn)	15,945
(-) discount owing to legal disputes and timing uncertainty	50%
Non core assets value (Rs Mn)	7,972
UNSP O/s shares (Mn)	727
Value per share (Rs)	11

Source: Company, DART

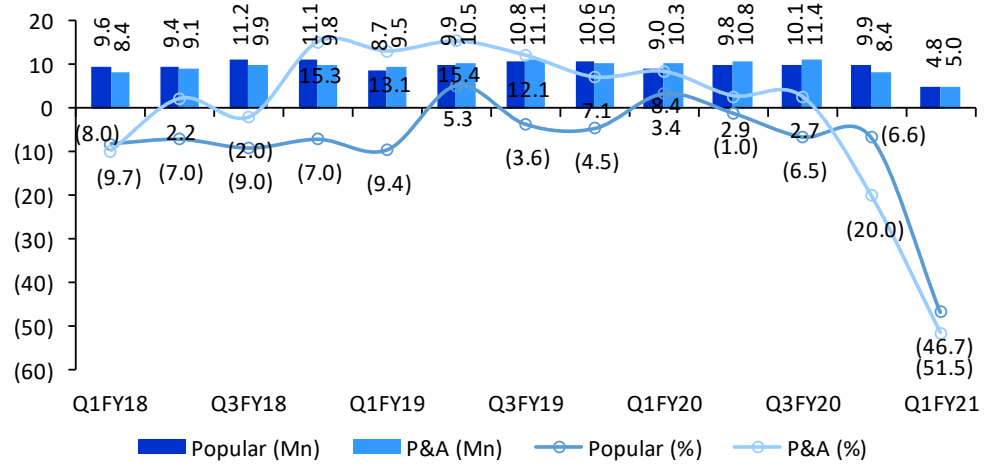
**Exhibit 9: Key model assumptions**

Particulars (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	CAGR FY20-22E
<b>Volumes (Mn Cases)</b>	<b>78.5</b>	<b>81.6</b>	<b>79.7</b>	<b>66.8</b>	<b>82.2</b>	<b>1.5</b>
- P&A	37.2	41.6	40.9	33.1	41.2	0.4
- Popular	41.3	40.0	38.8	33.6	41.0	2.7
<b>Realization/case</b>	<b>1,021</b>	<b>1,077</b>	<b>1,090</b>	<b>1,073</b>	<b>1,108</b>	<b>0.8</b>
- P&A	1,378	1,420	1,450	1,456	1,498	1.6
- Popular	698	720	711	695	715	0.3
<b>Revenue</b>	<b>81,701</b>	<b>89,838</b>	<b>89,201</b>	<b>73,593</b>	<b>93,333</b>	<b>2.3</b>
- P&A	51,280	59,090	59,310	48,266	61,741	2.0
- Popular	28,830	28,810	27,590	23,346	29,266	3.0
- Other operating income	1,591	1,938	2,301	1,981	2,325	0.5
<b>Raw Material costs</b>	<b>41,980</b>	<b>45,946</b>	<b>49,086</b>	<b>40,831</b>	<b>50,532</b>	<b>1.5</b>
Gross Profit	<b>39,721</b>	<b>43,892</b>	<b>40,115</b>	<b>32,762</b>	<b>42,801</b>	<b>3.3</b>
Gross Margin (%)	48.6	48.9	45.0	44.5	45.9	
Advtg & Prom	7,882	8,587	7,153	5,459	6,366	(5.7)
% of revenue	9.6%	9.6%	8.0%	7.4%	6.8%	
Employee costs	6,601	6,393	5,194	5,028	5,569	3.5
% of revenue	8.1%	7.1%	5.8%	6.8%	6.0%	
Other operating expenses	15,023	15,231	13,261	12,268	13,293	0.1
% of revenue	18.4%	17.0%	14.9%	16.7%	14.2%	
<b>Total operating expenses</b>	<b>29,506</b>	<b>30,211</b>	<b>25,608</b>	<b>22,756</b>	<b>25,228</b>	<b>(0.7)</b>
% of revenue	36.1%	33.6%	28.7%	30.9%	27.0%	
<b>EBITDA</b>	<b>10,215</b>	<b>13,681</b>	<b>14,507</b>	<b>10,005</b>	<b>17,573</b>	<b>10.1</b>
% of revenue	12.5%	15.2%	16.3%	13.6%	18.8%	

Source: Company, DART

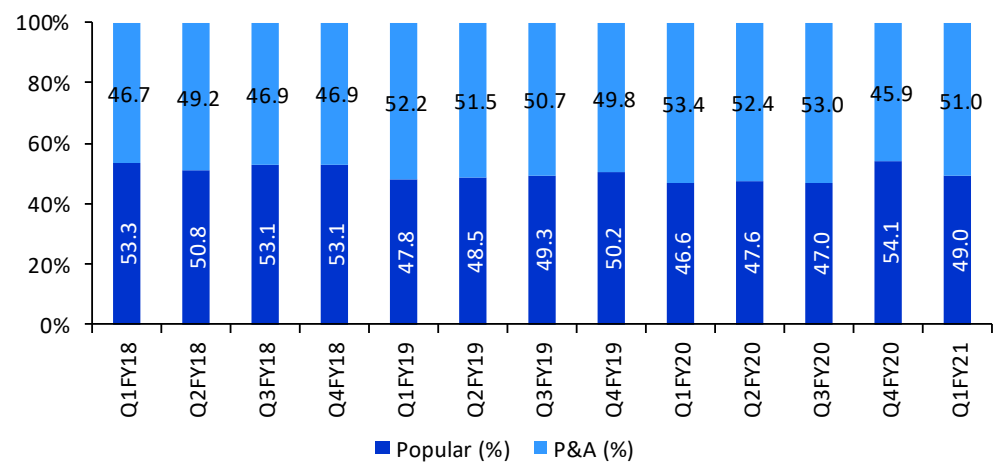


**Exhibit 10: Popular and P&A volume and growth trend**



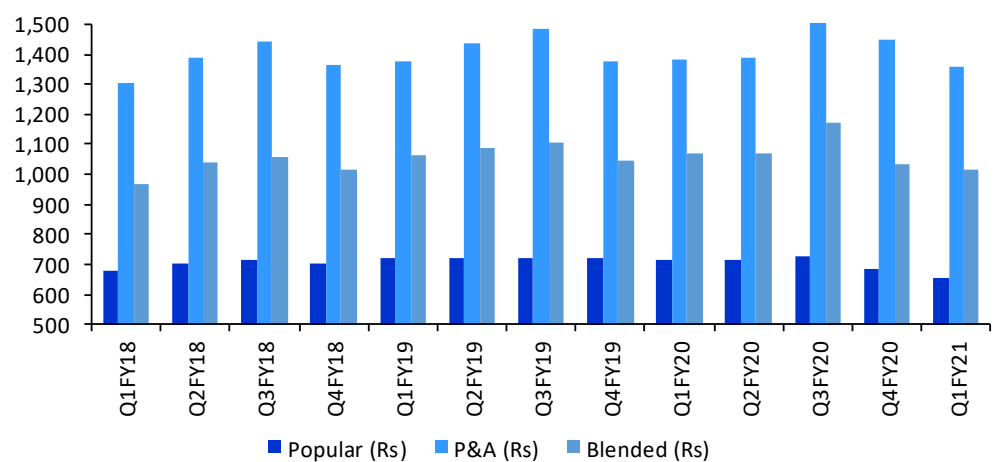
Source: DART, Company

**Exhibit 11: Popular vs. P&A volume mix (%)**



Source: DART, Company

**Exhibit 12: Realization trend (Rs/case)**



Source: DART, Company

**Profit and Loss Account**

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
<b>Revenue</b>	<b>89,838</b>	<b>88,425</b>	<b>73,593</b>	<b>93,333</b>
<b>Total Expense</b>	<b>76,157</b>	<b>74,694</b>	<b>63,587</b>	<b>75,760</b>
COGS	45,946	49,086	40,831	50,532
Employees Cost	6,393	5,194	5,028	5,569
Other expenses	23,818	20,414	17,728	19,659
<b>EBIDTA</b>	<b>13,681</b>	<b>13,731</b>	<b>10,005</b>	<b>17,573</b>
Depreciation	1,445	2,275	2,610	2,770
<b>EBIT</b>	<b>12,236</b>	<b>11,456</b>	<b>7,395</b>	<b>14,803</b>
Interest	2,177	1,907	1,864	1,454
Other Income	704	455	392	423
Exc. / E.O. items	(850)	(6)	(750)	0
<b>EBT</b>	<b>9,913</b>	<b>9,998</b>	<b>5,173</b>	<b>13,771</b>
Tax	3,328	2,992	1,636	3,649
RPAT	6,585	7,006	3,537	10,122
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>7,435</b>	<b>7,012</b>	<b>4,287</b>	<b>10,122</b>

**Balance Sheet**

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
<b>Sources of Funds</b>				
Equity Capital	1,453	1,453	1,453	1,453
Minority Interest	0	0	0	0
Reserves & Surplus	29,862	36,644	40,181	50,303
<b>Net Worth</b>	<b>31,315</b>	<b>38,097</b>	<b>41,634</b>	<b>51,756</b>
Total Debt	25,889	15,196	9,904	6,729
Net Deferred Tax Liability	518	70	77	85
<b>Total Capital Employed</b>	<b>57,722</b>	<b>53,363</b>	<b>51,615</b>	<b>58,569</b>

**Applications of Funds**

Net Block	<b>11,282</b>	<b>13,347</b>	<b>12,237</b>	<b>10,967</b>
CWIP	1,171	1,187	890	668
Investments	25,098	23,192	25,017	27,049
<b>Current Assets, Loans &amp; Advances</b>	<b>49,072</b>	<b>47,819</b>	<b>42,730</b>	<b>55,283</b>
Inventories	18,767	18,361	14,979	18,613
Receivables	25,181	22,835	22,029	27,171
Cash and Bank Balances	588	345	497	2,872
Loans and Advances	0	0	0	0
Other Current Assets	4,536	6,278	5,225	6,626
<b>Less: Current Liabilities &amp; Provisions</b>	<b>28,901</b>	<b>32,182</b>	<b>29,259</b>	<b>35,397</b>
Payables	13,360	11,712	9,747	12,362
Other Current Liabilities	15,541	20,470	19,512	23,035
sub total				
Net Current Assets	20,171	15,637	13,471	19,886
<b>Total Assets</b>	<b>57,722</b>	<b>53,363</b>	<b>51,615</b>	<b>58,569</b>

E – Estimates



**Important Ratios**

Particulars	FY19A	FY20A	FY21E	FY22E
<b>(A) Margins (%)</b>				
Gross Profit Margin	48.9	44.5	44.5	45.9
EBIDTA Margin	15.2	15.5	13.6	18.8
EBIT Margin	13.6	13.0	10.0	15.9
Tax rate	33.6	29.9	31.6	26.5
Net Profit Margin	7.3	7.9	4.8	10.8
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	51.1	55.5	55.5	54.1
Employee	7.1	5.9	6.8	6.0
Other	26.5	23.1	24.1	21.1
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.8	0.4	0.2	0.1
Interest Coverage	5.6	6.0	4.0	10.2
Inventory days	76	76	74	73
Debtors days	102	94	109	106
Average Cost of Debt	7.4	9.3	14.9	17.5
Payable days	54	48	48	48
Working Capital days	82	65	67	78
FA T/O	8.0	6.6	6.0	8.5
<b>(D) Measures of Investment</b>				
AEPS (Rs)	10.2	9.7	5.9	13.9
CEPS (Rs)	12.2	12.8	9.5	17.7
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	43.1	52.4	57.3	71.2
RoANW (%)	23.4	20.2	8.9	21.7
RoACE (%)	14.0	14.5	9.6	19.7
RoAIC (%)	14.2	14.6	9.7	20.4
<b>(E) Valuation Ratios</b>				
CMP (Rs)	591	591	591	591
P/E	57.7	61.2	100.1	42.4
Mcap (Rs Mn)	429,216	429,216	429,216	429,216
MCap/ Sales	4.8	4.9	5.8	4.6
EV	454,517	444,067	438,623	433,073
EV/Sales	5.1	5.0	6.0	4.6
EV/EBITDA	33.2	32.3	43.8	24.6
P/BV	13.7	11.3	10.3	8.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>(F) Growth Rate (%)</b>				
Revenue	10.0	(1.6)	(16.8)	26.8
EBITDA	33.9	0.4	(27.1)	75.6
EBIT	38.0	(6.4)	(35.4)	100.2
PBT	19.8	0.9	(48.3)	166.2
APAT	34.5	(5.7)	(38.9)	136.1
EPS	34.5	(5.7)	(38.9)	136.1
<b>Cash Flow</b>				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	13,994	15,030	10,688	9,883
CFI	(5,354)	(483)	(3,380)	(2,879)
CFF	(9,250)	(14,790)	(7,156)	(4,629)
FCFF	11,097	12,649	9,484	8,606
Opening Cash	1,198	588	345	497
Closing Cash	588	345	497	2,872

E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-19	Accumulate	681	616
Jan-20	Buy	726	656
Mar-20	Buy	680	452
May-20	Reduce	531	494
Jun-20	Sell	551	589

\*Price as on recommendation date

### DART Team

<b>Purvag Shah</b>	<b>Managing Director</b>	<b>purvag@dolatcapital.com</b>	<b>+9122 4096 9747</b>
--------------------	--------------------------	--------------------------------	------------------------

<b>Amit Khurana, CFA</b>	<b>Head of Equities</b>	<b>amit@dolatcapital.com</b>	<b>+9122 4096 9745</b>
--------------------------	-------------------------	------------------------------	------------------------

### CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740

Equity Trading	Designation	E-mail	Direct Lines
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

**Dolat** Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

---

**Analyst(s) Certification**

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

---

**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)****II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (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. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. 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 Dolat Capital Market Private Limited. and/or its affiliated company(ies) 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 a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

**For U.S. Entity/ persons only:** This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

---

**Dolat Capital Market Private Limited.**

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com

---