

Estimate changes

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We [request your ballot.](#)



Bloomberg	GCPL IN
Equity Shares (m)	1,022
M.Cap.(INRb)/(USDb)	707.8 / 9.5
52-Week Range (INR)	772 / 425
1, 6, 12 Rel. Per (%)	-8/13/12
12M Avg Val (INR M)	969

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	99.1	104.4	114.0
Sales Gr. (%)	-3.9	5.3	9.2
EBITDA	21.4	23.0	25.1
EBITDA mrg. (%)	21.6	22.0	22.0
Adj. PAT	14.5	15.6	17.2
Adj. EPS (INR)	14.2	15.3	16.9
EPS Gr. (%)	-2.8	7.9	10.3
BV/Sh.(INR)	77.3	73.0	71.6

Ratios

RoE (%)	19.1	20.4	23.3
RoCE (%)	16.0	17.1	19.0
Payout (%)	70.6	87.2	89.9

Valuations

P/E (x)	48.2	44.7	40.5
P/BV (x)	8.8	9.4	9.5
EV/EBITDA (x)	33.5	31.2	28.7
Div. Yield (%)	1.5	2.0	2.2

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	63.2	63.2	63.3
DII	3.2	3.1	2.2
FII	26.8	26.3	28.0
Others	6.8	7.3	6.6
FII Includes depository receipts			

CMP: INR684
TP: INR665(-3%)
Neutral

In-line results; Earnings recovery trajectory remains unclear

- Godrej Consumer's (GCPL) 1QFY21 earnings were in line. Household Insecticides (HI) sales were better than expectations. However, Soaps disappointed with 2% YoY sales decline, despite a favorable environment. Gross margins were below expectations due to an adverse mix. A sharp 46% YoY cut in ad-spends meant that EBITDA was slightly ahead of expectations.
- We do not see any visibility for the single-digit EPS trajectory of the past 5 years to change materially any time soon. RoCE at less than 20% is also much lower than peers and is unlikely to improve materially over the next few years. Thus, valuation of 40.5x FY22E seems fair. Maintain **Neutral**.

Sales and PAT in line; India business volumes grow 3%

- Consolidated net sales declined 0.9% YoY to INR23.3b** (v/s est. INR23.3b). EBITDA grew 3% YoY to INR4.7b (v/s est. INR4.5b), PBT grew 5.9% to INR4b (v/s est. INR3.8b), while Adj. PAT grew 3.3% YoY to INR3b (v/s est. INR3b). Gross margin contracted 290bp YoY to 54.3%. EBITDA margin expanded 80bp YoY to 20.3% (v/s est. 19.5%).
- India branded business volumes grew 3% YoY.** All the key categories in domestic business have been very erratic in performance since last seven quarters. HI sales were up 27% YoY while sale of Soaps and Hair color were down 2%/18% YoY.
- International business** – Indonesia CC sales were up 5% YoY. Africa, the USA and the Middle East (GAUM) together were down 23% YoY while others (LATAM and SAARC) were up 23% YoY.

Highlights from management commentary

- Primary/secondary sales for 1QFY21 were roughly the same. Inventory at distributor level (end-Jun'20) was at a lower level than the past 18-24 months' average.
- There has been an impact on illegal incense sticks (HI) because of supply chain issues. Import duty on bamboo sticks from China and Vietnam has increased from 10% to 25%, which has also affected the illegal trade.
- Hair color is the highest gross margin category for GCPL. Sharp decline in Hair color sales coupled with higher input costs for Soaps has led to lower-than-expected overall gross margin.

Valuation and view

- The structural top line growth outlook appears hazy for both the domestic and international businesses. Hence, there is no indication of any material improvement in the pace of earnings growth at 9.1% CAGR over FY20-22E (similar to the single-digit EPS growth for the preceding 5 years).
- For the first half of the decade, the company reported 21.7% EPS CAGR, which halved over the last 5 years ending-FY20 – GCPL delivered meager 9.8% earnings CAGR on an even more modest 3.7% sales CAGR. Neither the results nor management commentary indicates sharp revival in structural earnings momentum. In addition to the sustained weak earnings growth, GCPL's RoCE of less than 20% is also far lower than peers.
- Consequently, we maintain our **Neutral rating with TP of INR665** (38x Jun'22E EPS).

Krishnan Sambamoorthy – Research analyst (Krishnan.Sambamoorthy@MotilalOswal.com)

Research analyst: Pooja Doshi (Pooja.Doshi@motilaloswal.com); | Dhairya Dhruv (Dhairya.Dhruv@MotilalOswal.com);

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

 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales (including OOI)	23,488	26,302	27,781	21,538	23,273	27,223	28,669	25,229	99,108	1,04,395	23,253	0.1%
YoY change (%)	-5.2	-1.1	2.0	-12.2	-0.9	3.5	3.2	17.1	-3.9	5.3	-1.0	
Gross Profit	13,417	14,884	15,757	12,433	12,629	15,241	16,348	14,641	56,491	58,859	13,353	
Margin (%)	57.1	56.6	56.7	57.7	54.3	56.0	57.0	58.0	57.0	56.4	57.4	
EBITDA	4,589	5,765	6,313	4,765	4,727	5,967	6,544	5,714	21,430	22,952	4,543	4.0%
Margins (%)	19.5	21.9	22.7	22.1	20.3	21.9	22.8	22.6	21.6	22.0	19.5	
YoY growth (%)	2.2	7.1	2.4	-17.8	3.0	3.5	3.7	19.9	-1.2	7.1	-1.0	
Depreciation	473	477	490	532	493	483	495	525	1,973	1,997	483	
Interest	551	531	477	615	483	531	501	500	2,174	2,016	523	
Other Income	214	266	235	492	218	297	306	328	1,123	1,149	299	
PBT	3,746	4,976	5,574	4,110	3,968	5,250	5,853	5,016	18,406	20,087	3,837	3.4%
Tax	843	805	1,084	1,258	963	1,139	1,270	1,087	3,932	4,459	848	
Rate (%)	22.5	16.2	19.5	30.6	24.3	21.7	21.7	21.7	21.4	22.2	22.1	
Adj PAT	2,904	4,174	4,496	2,850	3,001	4,111	4,583	3,933	14,482	15,628	2,989	0.4%
YoY change (%)	-8.6	16.2	7.7	-28.0	3.3	-1.5	1.9	38.0	-2.8	7.9	0.9	

E: MOFSL Estimate

Key Performance Indicators

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
2Y average growth %								
Sales	4.3	2.5	2.8	-7.6	-3.0	1.2	2.6	2.5
EBITDA	15.3	3.1	2.7	-11.0	2.6	5.3	3.1	1.1
PAT	14.0	7.1	2.1	-17.3	-2.6	7.3	4.8	5.0
% sales								
COGS	42.9	43.4	43.3	42.3	45.7	44.0	43.0	42.0
Other expenditure	37.6	34.7	34.0	35.6	34.0	34.1	34.2	35.4
Depreciation	2.0	1.8	1.8	2.5	2.1	1.8	1.7	2.1
YoY change %								
COGS	-8.0	-5.2	1.0	-10.1	5.7	4.9	2.5	16.3
Other expenditure	-5.4	-0.7	3.0	-10.8	-10.5	1.7	3.8	16.4
Other income	-30.9	1.0	3.7	68.7	1.8	12.0	30.0	-33.4
EBIT	1.1	6.7	1.5	-21.2	2.9	3.7	3.9	22.6

E: MOFSL Estimate

Exhibit 1: Snapshot of 1QFY21 performance

Growth (%)	Consolidated	India
Net Sales	(1)	5
Net Sales Constant Currency Comparable*	0	-
EBITDA Comparable*	3	23
EBITDA Constant Currency Comparable*		
Net Profit	(3)	13
Net profit without exceptional & one offs	3	23

* Adjusted for Europe business divestment w.e.f Sept'18

Source: Company, MOFSL

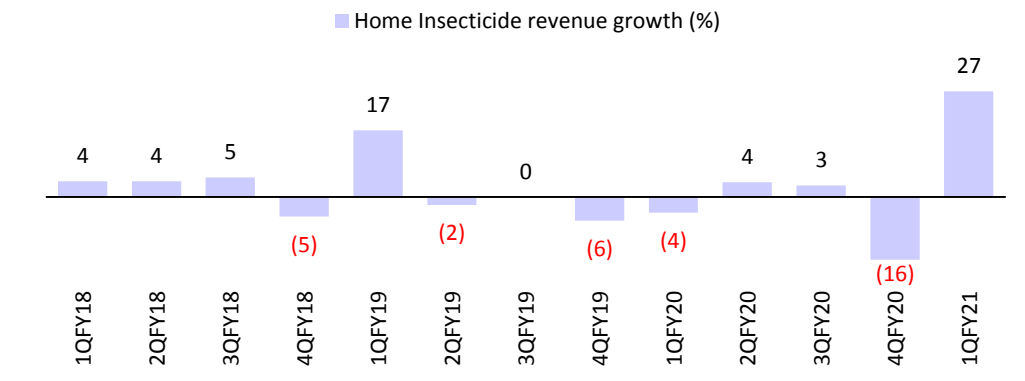
- Lower ad spends as % of sales (down 370bp YoY to 4.5%) and lower other expenses (down 10bp YoY to 18.2%) were off-set by higher staff costs (up 20bp YoY to 11.2%). This led to EBITDA margin expansion of 80bp YoY to 20.3% (v/s est. 19.5%).
- Consolidated comparable constant currency (CC) sales stood flat YoY in 1QFY21.

Standalone Performance

- Net sales (including OOI) grew 5% YoY to INR13.8b in 1QFY21.
- India branded business volume grew 3%. Sale of Soaps were down 2% YoY, HI sales were up 27% while Hair color sales were down 18% YoY.

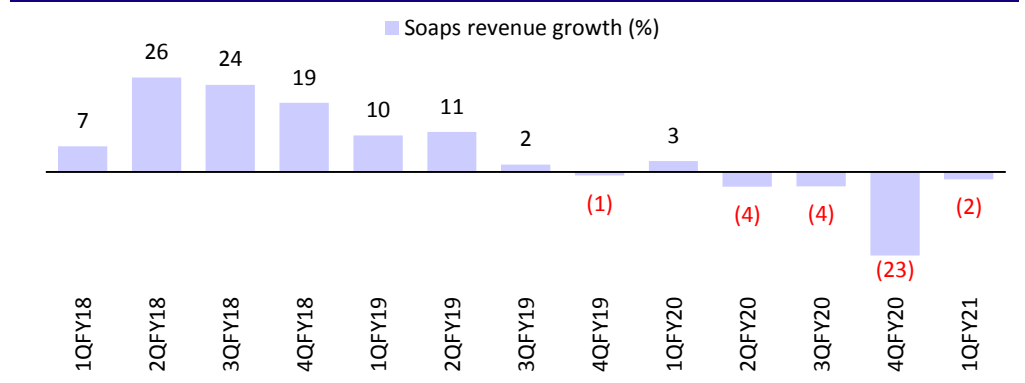
- Gross margin contracted 230bp YoY to 56.3% while EBITDA margin expanded 380bp YoY to 27.3%.
- EBITDA grew 22.1% YoY on standalone basis to INR3.8b.
- Adj. PAT grew 6.8% to INR2.6b. Net profit without exceptions and one-off items was up 23% (as per the press release).

Exhibit 2: HI sales grew 27% in 1QFY21



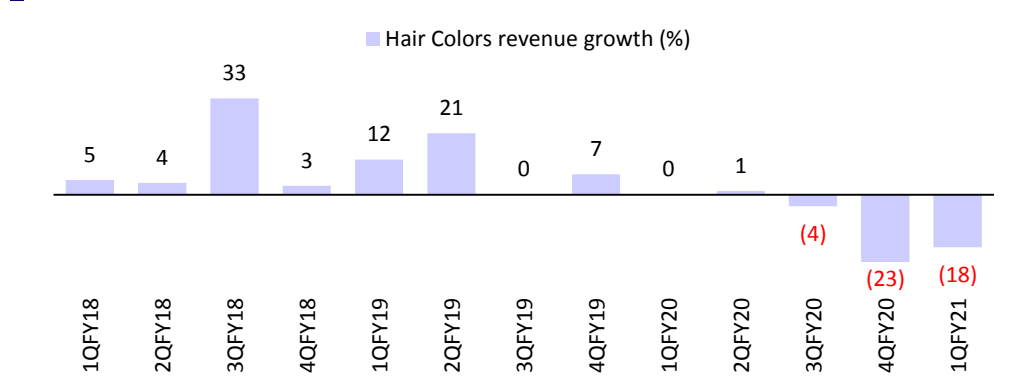
Source: Company, MOFSL

Exhibit 3: Soap sales declined 2% YoY in 1QFY21



Source: Company, MOFSL

Exhibit 4: Hair color sales declined 18% YoY in 1QFY21



Source: Company, MOFSL

Exhibit 5: Snapshot of India business

Sales (INR m)	1QFY21	YoY (%)
Household Insecticides	5,400	26.5
Soaps	5,450	(2.0)
Hair Colours	1,490	(17.7)
Other brands	1,290	(11.6)
Unbranded and Exports	480	(22.6)
Total	14,110	2.8
Sales and trade promotions netted off from Sales as per Ind AS	(530)	(35.4)
Gross sales	13,580	5.3
Total Branded Volume		3.0

Source: Company, MOFSL

International Performance

- Indonesia (CC) sales grew 5% YoY. Africa, the US and the Middle East (GAUM) together declined 23% YoY on CC basis. Others (LATAM, and SAARC) grew 23% YoY on CC basis.
- Indonesia saw Adj. EBITDA margin contraction of 10bp YoY while GAUM EBITDA margins contracted 1,370bp YoY.

Exhibit 6: Snapshot of International business

International Business	1QFY21		
	Sales (INR m)	Growth (%)	CC growth (%)
Indonesia	4,050	9.0	5.0
GUAM	4,370	(22.0)	(23.0)
Others*	1,260	4.0	23.0
Total Net Sales*	9,680	(9.1)	N.A.

*Adjusted for Europe business divestment

Source: Company, MOFSL

Conference Call Highlights**Update on segments/ geographies**

- Household Insecticides (HI), Hygiene and Value for Money (VFM) products (85% of sales) grew 9% in 1QFY21.
- Indonesia and India grew 5% YoY each for the quarter.
- GAUM has started reporting better growth in recent months.
- Rural is reporting better sales than urban. While rural forms 30% of India sales, GCPL believes that they have the SKUs to take advantage of better expected rural demand going forward.
- Primary and secondary sales for the quarter were roughly the same. Inventory at distributor level (end-Jun'20) was at a lower level than the past 18-24 months' average.

HI sales were strong, Soap sales surprisingly weak

- HI grew 27% YoY in the quarter aided by health awareness and good season.
- There has been an impact on illegal incense sticks because of supply chain issue. Duty on Bamboo sticks imported from China and Vietnam has increased from 10% to 25% affecting the illegal trade.
- Soap sales surprisingly declined 2% YoY (in a period where we expected sales to improve due to the favorable environment).

Costs and margins

- Hair color is the highest gross margin category for GCPL. Sharp decline in Hair color sales affected gross margin. Input costs for soaps were also higher.
- Expect sequential gross margin improvement as mix improves and due to some price actions by the company on soaps.
- A sequential pickup in ad-spends is expected in the Sep'20 quarter.

Other points

- Africa – Dry hair competitors have significant supply chain issues owing to absence of imports. Thus, performance should get a tad better going ahead.
- HI is also being introduced in Africa now.

Key Exhibits

Exhibit 7: Segmental quarterly sales growth and EBIT margin

Segment revenue (INR m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
India	13,154	15,213	15,239	11,139	13,807
Indonesia	3,721	4,262	4,482	4,494	4,056
Africa (including SON)	5,623	5,912	6,787	4,840	4,373
Others	1,308	1,277	1,611	1,359	1,273
Less: Intersegment eliminations	(318)	(362)	(339)	(294)	(236)
Net Sales from operations	23,488	26,302	27,781	21,538	23,273
Segment revenue growth (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
India	0.4	0.9	1.2	(17.9)	5.0
Indonesia	5.4	17.1	13.3	8.9	9.0
Africa (including SON)	(0.6)	(6.3)	(0.5)	(17.6)	(22.2)
Others	(53.0)	(33.0)	(3.2)	(0.6)	(2.7)
Less: Intersegment eliminations	7.0	11.1	30.4	(26.1)	(25.9)
Net Sales from operations	(5.2)	(1.1)	2.0	(12.2)	(0.9)
Segment EBIT (INR m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
India	3,073	4,016	4,426	3,061	3,782
Indonesia	877	1,057	1,124	1,544	984
Africa (including SON)	466	504	600	122	(294)
Others	(17)	37	7	62	128
Less: Intersegment eliminations	(103)	(107)	(105)	(63)	(148)
Net EBIT from operations	4,297	5,507	6,051	4,725	4,451
Less: Interest	(551)	(531)	(477)	(615)	(483)
Less: Exceptional Items	3	(35)	(44)	(734)	132
Total Profit Before Tax	3,749	4,941	5,531	3,376	4,100
Segment EBIT growth (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
India	4.6	1.0	(0.2)	(24.0)	23.1
Indonesia	4.6	19.9	21.9	17.1	12.2
Africa (including SON)	(13.4)	(436.4)	(15.9)	(73.6)	(163.1)
Others	(122.5)	(32.4)	(108.8)	(322.4)	(863.1)
Less: Intersegment eliminations	74.3	72.9	4.6	(53.9)	44.3
Net EBIT from operations	(0.8)	17.1	2.8	(16.3)	3.6
Less: Interest	15.4	(13.2)	(17.5)	7.0	(12.2)
Less: Exceptional Items	(104.4)	(101.4)	(173.6)	1,002.6	4,607.1
Total Profit Before Tax	(1.0)	(26.1)	3.0	(32.5)	9.4
Segment EBIT mix (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
India	72	73	73	65	85
Indonesia	20	19	19	33	22
Africa (including SON)	11	9	10	3	(7)
Others	(0)	1	0	1	3
Less: Intersegment eliminations	(2)	(2)	(2)	(1)	(3)
Net EBIT from operations	100	100	100	100	100
Segment EBIT margin (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
India	23.4	26.4	29.0	27.5	27.4
Indonesia	23.6	24.8	25.1	34.4	24.2
Africa (including SON)	8.3	8.5	8.8	2.5	(6.7)
Others	(1.3)	2.9	0.4	4.5	10.1
Net EBIT margin from operations	18.3	20.9	21.8	21.9	19.1
Segment EBIT margin change (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
India	0.9	0.0	(0.4)	(2.2)	4.0
Indonesia	(0.2)	0.6	1.8	2.4	0.7
Africa (including SON)	(1.2)	10.9	(1.6)	(5.3)	(15.0)
Others	(4.0)	0.0	5.3	6.6	11.4
Overall EBIT change	0.8	3.3	0.2	(1.1)	0.8

Source: Company, MOFSL

Valuation view

What has happened from a business perspective in the last 10 years?

- From a business perspective, over the last 10 years, the company added a host of businesses in Indonesia, Africa and LATAM to its earlier relatively smaller international portfolio. The international businesses now contribute close to half of GCPL's total sales. Most acquisitions were EPS accretive since inception.
- In the India business, the company has emerged as the second largest player in Soaps, strengthened its lead in HI, and introduced and scaled up products in the car/ room freshener market.

Financial performance, however, has been clearly a tale of two halves

- Over the course of the decade between FY10-20E, the company has posted healthy sales/ EBITDA/PAT CAGR of 17.1%/18.0%/15.6%.
- Strong performance during FY10-15 when sales/EBITDA/PAT posted 32.3%/27.3%/21.7% CAGR was followed by weak performance over the next five years (during FY15-20E) with much slower sales/EBITDA/PAT CAGR of 3.7%/9.4%/9.8%.
- The sales slowdown in recent years in the domestic business, continued inability to scale up margins and improve weak RoCEs in the international business have had an adverse effect on GCPL's pace of earnings growth.

Our key concerns underpinning our Neutral view

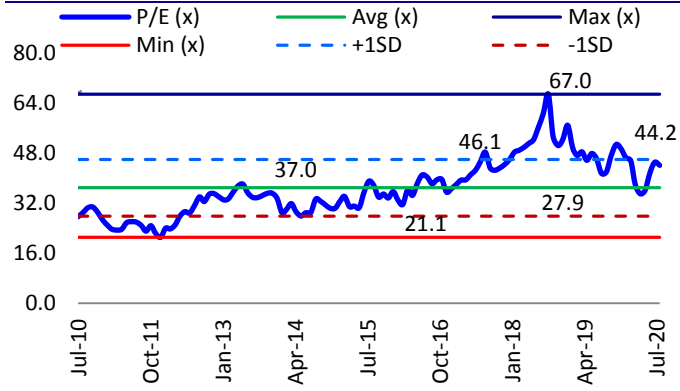
- The structural top line growth outlook appears hazy for both the domestic and international businesses. Hence, there is no indication of any material improvement in the pace of earnings growth at 9.1% CAGR over FY20-22E (similar to the single-digit EPS growth for the preceding 5 years).
- For the first half of the decade, the company reported 21.7% EPS CAGR, which halved over the last 5 years ending-FY20 – GCPL delivered meager 9.8% earnings CAGR on an even more modest 3.7% sales CAGR. Neither the results nor management commentary indicates sharp revival in structural earnings momentum. In addition to the sustained weak earnings growth, GCPL's RoCE of less than 20% is also far lower than peers.
- Consequently, we maintain our **Neutral rating with TP of INR665** (38x Jun'22E EPS).

Exhibit 8: Changes in model have led to EPS upgrade of 2.9%/1.6% in FY21/22E

INR Mn	Old		New		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	1,03,846	1,14,007	1,04,395	1,13,988	0.5%	0.0%
EBITDA	22,559	24,943	22,952	25,068	1.7%	0.5%
PAT	15,184	16,970	15,628	17,235	2.9%	1.6%

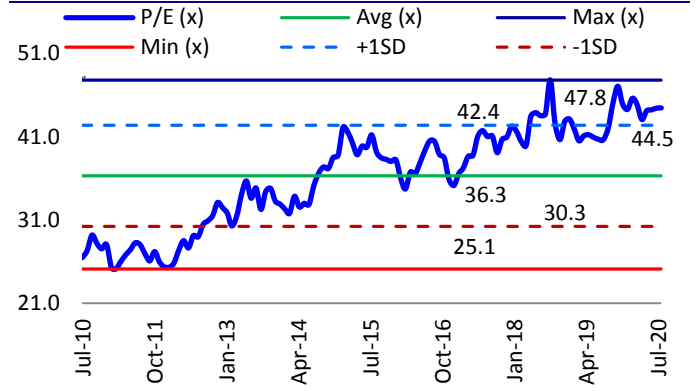
Source: Company, MOFSL

Exhibit 9: GCPL P/E (x)



Source: Company, MOFSL

Exhibit 10: Consumer sector P/E



Source: Company, MOFSL

Financials and Valuations

Income Statement								(INR M)
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Net Sales	82,764	84,239	92,679	98,474	1,03,143	99,108	1,04,395	1,13,988
Change (%)	8.9	1.8	10.0	6.3	4.7	-3.9	5.3	9.2
Gross Profit	44,348	45,566	51,354	55,731	58,117	56,491	58,859	64,923
Margin (%)	53.6	54.1	55.4	56.6	56.3	57.0	56.4	57.0
Total Expenditure	69,111	67,881	73,702	77,803	81,450	77,678	81,443	88,920
EBITDA	13,653	16,358	18,977	20,671	21,693	21,430	22,952	25,068
Change (%)	18.0	19.8	16.0	8.9	4.9	-1.2	7.1	9.2
Margin (%)	16.5	19.4	20.5	21.0	21.0	21.6	22.0	22.0
Depreciation	908	1,006	1,416	1,557	1,700	1,973	1,997	2,130
Int. and Fin. Charges	1,002	1,190	1,452	1,607	2,243	2,174	2,016	2,038
Interest Income	284	448	408	685	868	542	514	552
Other Income-rec.	632	391	345	391	220	581	634	700
PBT	12,659	15,001	16,862	18,582	18,838	18,406	20,087	22,152
Change (%)	22.9	18.5	12.4	10.2	1.4	-2.3	9.1	10.3
Margin (%)	15.3	17.8	18.2	18.9	18.3	18.6	19.2	19.4
Tax	2,861	3,271	3,692	4,025	4,179	3,787	4,319	4,763
Deferred Tax	138	-89	-100	-22	241	-146	-140	-154
Tax Rate (%)	21.5	22.4	22.5	21.8	20.9	21.4	22.2	22.2
PAT	9,936	11,640	13,071	14,535	14,900	14,474	15,628	17,235
Change (%)	21.2	17.2	12.3	11.2	2.5	-2.9	8.0	10.3
Margin (%)	12.0	13.8	14.1	14.8	14.4	14.6	15.0	15.1
Minority interest	693	29	-8	-11	-6	-8	0	0
Group Adjusted PAT	9,079	11,447	12,915	14,382	14,907	14,482	15,628	17,235
Non-rec. (Exp.)/Income	-172	-3,335	1	1,796	8,508	484	0	0
Reported PAT	9,071	8,276	13,080	16,342	23,415	14,966	15,628	17,235

Balance Sheet								(INR M)
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	1,021	1,022	1,022	1,022	1,022	1,022	1,022	1,022
Reserves	42,086	49,955	51,998	61,561	71,647	77,961	73,553	72,205
Minority Int	1,620	842	0	0	0	0	0	0
Networth	44,727	51,819	53,020	62,583	72,669	78,984	74,575	73,227
Loans	27,172	28,911	40,009	35,076	33,821	27,204	25,843	24,551
Deferred Liability	-312	-413	1,898	1,946	-4,728	-5,701	0	0
Capital Employed	71,587	80,317	94,927	99,605	1,01,762	1,00,487	1,00,419	97,778
Gross Block	22,890	26,383	36,308	39,567	42,103	45,463	48,713	51,963
Less: Accum. Deprn.	7,821	9,020	2,081	3,588	4,569	6,542	8,539	10,670
Net Fixed Assets	15,069	17,363	34,227	35,979	37,534	38,921	40,174	41,293
Capital WIP	2,246	437	951	821	509	570	570	570
Goodwill	40,441	45,741	46,626	47,189	49,180	53,393	53,393	53,393
Non Curr Investments	343	344	2,518	1,415	347	348	313	282
Current Investments	1,514	1,529	6,818	8,558	4,813	6,372	7,646	9,175
Currents Assets	31,463	35,684	38,264	44,676	43,825	43,498	41,319	40,122
Inventory	10,717	13,070	14,125	15,777	15,586	17,031	12,299	13,429
Account Receivables	8,046	11,180	10,287	12,455	12,929	11,573	12,299	13,429
Cash and Bank Balance	8,942	7,459	9,127	9,602	8,947	7,702	8,783	4,431
Loans and Advances	3,682	3,857	4,536	6,768	6,286	3,464	3,464	3,464
Other Current Assets	76	118	189	74	77	3,729	4,474	5,369
Curr. Liab. & Prov.	19,489	20,780	34,475	39,033	34,446	42,616	42,997	47,058
Account Payables	10,869	10,372	17,239	23,531	25,399	24,805	23,453	25,608
Other Liabilities	7,886	10,064	17,161	15,273	8,693	17,329	19,061	20,967
Net Current Assets	11,974	14,904	3,789	5,643	9,379	882	-1,678	-6,936
Net Assets	71,587	80,317	94,927	99,605	1,01,762	1,00,487	1,00,419	97,778

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	8.9	11.2	12.6	14.1	14.6	14.2	15.3	16.9
Cash EPS	9.8	12.2	14.0	15.6	16.2	16.1	17.2	18.9
BV/Share	43.8	50.7	51.9	61.2	71.1	77.3	73.0	71.6
DPS	1.8	1.9	4.0	4.7	6.7	10.0	13.3	15.2
Payout (%)	20.6	17.1	31.6	33.2	45.7	70.6	87.2	89.9
Valuation (x)								
P/E	76.9	61.0	54.1	48.6	46.9	48.2	44.7	40.5
Cash P/E	69.9	56.1	48.7	43.8	42.1	42.5	39.6	36.1
EV/Sales	8.6	8.5	7.8	7.3	7.0	7.2	6.9	6.3
EV/EBITDA	52.4	44.0	38.3	35.0	33.3	33.5	31.2	28.7
P/BV	15.6	13.5	13.2	11.2	9.6	8.8	9.4	9.5
Dividend Yield	0.3	0.3	0.6	0.7	1.0	1.5	2.0	2.2
Return Ratios (%)								
RoE	21.4	23.7	24.6	24.9	22.0	19.1	20.4	23.3
RoCE (Post-tax)	15.9	16.5	16.2	16.2	16.6	16.0	17.1	19.0
RoIC	17.9	18.5	18.6	19.3	19.0	17.7	19.3	21.4
Working Capital Ratios								
Debtor (Days)	35	48	41	46	46	43	43	43
Asset Turnover (x)	4.8	4.7	2.6	2.7	2.7	2.5	2.6	2.7
Leverage Ratio								
Debt/Equity (x)	0.6	0.6	0.8	0.6	0.5	0.3	0.3	0.3

Cash Flow Statement

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
(INR M)								
OP/(Loss) before Tax	12,994	15,737	18,426	20,548	20,439	15,674	21,451	23,582
Net interest	718	743	1,044	922	1,375	1,632	1,501	1,485
Direct Taxes Paid	-2,573	-3,360	-4,274	-4,082	-4,531	-3,787	-4,319	-4,763
(Inc)/Dec in WC	-871	-4,645	3,406	-155	6	2,613	3,642	906
CF from Operations	10,267	8,474	18,602	17,234	17,289	16,133	22,275	21,211
Inc in FA	-2,126	-2,081	-1,803	-3,115	-2,077	-1,520	-3,250	-3,250
Free Cash Flow	8,141	6,392	16,799	14,119	15,211	14,613	19,025	17,961
Pur of Investments	-395	916	-5,736	399	2,922	-1,560	-1,240	-1,498
Others	-5,732	-6,767	-16,043	-202	1,599	-1,093	2,393	398
CF from Investments	-8,253	-7,932	-23,581	-2,918	2,444	-4,173	-2,096	-4,350
Inc in Debt	3,180	-2,779	0	0	0	-6,617	-1,360	-1,292
Dividend Paid	-1,787	-1,873	-1,958	-6,131	-12,265	-12,266	-16,355	-18,584
Interest Paid	-1,189	-1,188	-1,241	-1,578	-2,147	-2,174	-2,016	-2,038
Other Item	-324	3,815	9,845	-6,131	-5,976	7,852	634	700
CF from Fin. Activity	-120	-2,025	6,647	-13,840	-20,387	-13,206	-19,097	-21,214
Inc/Dec of Cash	1,894	-1,483	1,667	476	-655	-1,246	1,082	-4,352
Add: Beginning Balance	7,048	8,942	7,459	9,127	9,602	8,947	7,702	8,783
Closing Balance	8,942	7,459	9,127	9,602	8,947	7,702	8,783	4,431

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

*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.