

Hindustan Unilever

Estimate change

TP change

Rating change



Bloomberg	HUVR IN
Equity Shares (m)	2,345
M.Cap.(INRb)/(USD)	5103.5 / 69.7
52-Week Range (INR)	2603 / 1749
1, 6, 12 Rel. Per (%)	-1/-35/0
12M Avg Val (INR M)	7688

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	387.9	451.1	505.3
Sales Gr. (%)	1.5	16.3	12.0
EBITDA	96.0	115.3	136.4
EBITDA mrg. (%)	24.8	25.6	27.0
Adj. PAT	67.4	81.6	100.1
Adj. EPS (INR)	31.2	34.8	42.7
EPS Gr. (%)	11.1	11.5	22.7
BV/Sh.(INR)	37.2	208.9	209.4

Ratios

RoE (%)	86.0	28.6	20.4
RoCE (%)	119.8	39.1	27.5
Payout (%)	96.2	103.1	119.4

Valuations

P/E (x)	69.6	62.4	50.9
P/BV (x)	58.4	10.4	10.4
EV/EBITDA (x)	48.3	43.1	36.4
Div. Yield (%)	1.2	1.6	2.3

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	61.9	61.9	67.2
DII	10.8	8.3	6.7
FII	14.5	14.8	12.4
Others	12.7	15.0	13.7

FII Includes depository receipts

CMP: INR2,172 TP: INR2,620 (+21%)
Buy
Outlook improving; Maintain as top pick

- HUVR's 2QFY21 health, hygiene and nutrition portfolio (80% of the portfolio) grew 10% YoY (v/s ~6% in 1QFY21), discretionary categories (15% of portfolio – skin care, cosmetics, deodorants) declined 25% YoY (v/s ~-45% in 1QFY21), and out-of-home categories (5% of sales) declined 25% YoY (v/s ~-70% in 1QFY21).
- The company is seeing (a) ad-spends inching up (-5% YoY; ahead of expectations), (b) sharp increase in palm oil costs, and (c) mix deterioration. Thus, HUVR did well in growing its EBITDA margins (including GSKCH) by 30bp YoY and restricting like-for-like margin decline to only 60bp YoY. Margin outlook for HUVR has also improved as share of its discretionary portfolio to total sales should increase sequentially.
- Outlook for the company is gradually improving. The discretionary part of its portfolio (15% of sales) is seeing gradual recovery. In a period of relative normalcy, we believe that HUVR (as has been the case in recent years) is likely to post superior earnings growth, leading us to **maintain Buy rating**.

Performance better than expectations

- Net sales grew 16.1% YoY to INR114.4b** (est. INR109.2b). EBITDA grew 17.4% YoY to INR28.7b (est. INR27.3b) and PBT grew 16.4% YoY to INR27.4b (est. INR26.3b). PAT (bei) was up 11.1% YoY to INR20.4b (est. INR19.3b).
- Domestic consumer business sales grew 3% YoY with underlying volume growth of 1% YoY (excl. GSKCH and v/s our est. of +3%).
- Margins:** Overall gross margin for the quarter contracted by 150bp YoY to 53%. As % of sales, flat operating expenses YoY at 13.1%, lower ad spends (down 220bp YoY to 10%) and higher staff cost (up 50bp YoY to 4.9%), led to EBITDA margin expansion of 30bp YoY to 25.1%.
- Segmental performance:** Home Care (29% of total sales for 2QFY21) revenues were down 1.6% YoY with margins expanding 280bp YoY to 20.4%. Personal Care sales (40% of total sales) were flat YoY with margins expanding by 30bp YoY to 29.3%. Food & Refreshment sales (30% of total sales) were up 82.9% YoY with margins expanding 60bp YoY to 16.5%.
- 1HFY21 sales/EBITDA/PAT growth stood at 10.2%/8.3%/9.1% YoY.
- Cash and cash equivalents (incl. investments) stood at INR53.1b as of Sep'20, down 30.4% YoY/15.3% vs Mar'20.
- CFO and FCF for 1HFY21 were both down 19% YoY to INR39b and INR36.5b, respectively.
- The company has declared an interim dividend of INR14 per share for FY21.

Highlights from management commentary

- Rural demand is much better than urban. Metropolitan demand is still muted.

- Purchases in winter season by the channel usually picks up in September, but has been delayed. However, management is not worried about winter season demand.
- The 30bp margin expansion was driven by (a) 90bp gain as a result of the GSKCH merger, and (b) 60bp YoY decline in base business margins.
- Nabha and Rajahmundry plants of GSKCH had temporary COVID issues. If not for these, sales would have been even better for GSKCH. Secondary sales were not affected but primary sales were.

Valuation and view

- As mentioned in [our Corner Office note](#) and [detailed note on the Annual Report](#), the structural and near-term investment case for HUVR remains strong.
- The company's earnings growth has gained further momentum in recent years (17% EPS CAGR in the past three years v/s ~12% CAGR over 10 years). This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years. HUVR's best-of-breed analytics and execution ability (exhibited by the successful implementation of the WIMI strategy, cost-saving plans, herbals, etc.) are key factors driving the pace of earnings growth.
- Gain in market share (90% of the portfolio) has increased penetration in 70% of the portfolio compared to pre-COVID levels. Further, launch of 100 SKUs in the past six months, continued cost savings and extension of its significant lead over peers on analytics only strengthens the medium-term investment case.
- We remain positive on HUVR from a medium-term perspective encouraged by: (a) robust earnings growth potential beyond the near term owing to its portfolio and execution strengths, and (b) significant synergies in FY22E as a result of GSKCH. These factors suggest premium multiples are likely to sustain. Valuing the company at 55x Sep'22E merged EPS, we arrive at a **TP of INR2,620, implying a 21% upside.**

Quarterly performance (Standalone)

(INR b)

Y/E March	FY20				FY21				FY20	FY21E	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Domestic volume growth (%)	5.0	5.0	5.0	-7.0	4.0	14.0	16.0	25.0	2.0	14.8	10.5	
Net sales	101.1	98.5	98.1	90.1	105.6	114.4	115.8	115.3	387.9	451.1	109.2	4.8%
YoY change (%)	6.6	6.7	2.6	-9.4	4.4	16.1	18.0	28.0	1.5	16.3	10.8	
Gross Profit	54.7	53.7	53.2	48.4	54.7	60.7	61.6	61.3	209.9	238.4	57.2	
Margin %	54.0	54.5	54.2	53.7	51.8	53.0	53.2	53.2	54.1	52.8	52.4	
EBITDA	26.5	24.4	24.5	20.7	26.4	28.7	30.2	30.0	96.0	115.3	27.3	5.3%
YoY change (%)	17.6	21.0	19.5	-11.0	-0.1	17.4	23.5	45.0	11.1	20.1	11.6	
Margins (%)	26.2	24.8	24.9	22.9	25.0	25.1	26.1	26.0	24.8	25.6	25.0	
Depreciation	2.1	2.4	2.3	2.6	2.4	2.5	2.6	2.8	9.4	10.4	2.6	
Interest	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.1	1.1	0.3	
Other income	1.5	1.8	1.4	2.7	1.6	1.5	1.6	1.8	7.3	6.5	1.9	
PBT	25.6	23.6	23.3	20.5	25.3	27.4	28.9	28.7	92.9	110.3	26.3	4.2%
Tax	8.1	5.2	6.4	5.8	5.3	6.5	8.0	8.8	25.5	28.7	7.0	
Rate (%)	31.5	22.2	27.4	28.3	21.0	23.8	27.8	30.8	27.4	26.0	26.7	
PAT bei	17.5	18.3	16.9	14.7	18.7	20.4	20.9	19.8	67.4	81.6	19.3	5.5%
YoY change (%)	11.7	20.4	20.7	-7.6	7.0	11.1	23.3	17.4	10.9	21.0	5.2	
Reported Profit	17.6	18.5	16.2	15.2	18.8	20.1	20.9	19.8	67.4	79.6	19.3	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21	
	1Q	2Q	3Q	4Q	1Q	2Q
2Y average growth %						
Volumes	8.5	7.5	7.5	0.0	4.5	9.5
Sales	8.9	8.9	6.9	0.0	5.5	11.4
EBITDA	19.1	20.5	20.6	1.2	8.7	19.2
PAT	16.5	21.8	18.8	2.6	9.4	15.7
% sales						
COGS	46.0	45.5	45.8	46.3	48.2	47.0
Staff cost	4.5	4.4	4.6	3.9	5.6	4.9
Advertising and Promotion	11.5	12.2	11.9	12.9	7.5	10.0
Others	11.9	13.2	12.8	13.9	13.6	13.1
Depreciation	2.1	2.4	2.4	2.8	2.3	2.2
YoY change %						
COGS	6.5	1.1	1.6	-12.1	9.4	19.8
Staff cost	-0.2	-0.4	-0.2	-0.1	1.1	0.5
Advertising and Promotion	-0.7	0.2	-0.6	1.8	-3.9	-2.2
Others	-1.5	-0.2	-2.3	0.2	1.7	0.0
Other income	8.9	-41.0	32.1	125.4	6.1	-16.1
EBIT	14.5	16.8	15.7	-17.2	-1.3	18.8

**Conference Call Highlights****Operating environment**

- 80% of the portfolio (health, hygiene and nutrition) grew 10% while discretionary categories (15% of portfolio made up by skin care, cosmetics, deodorants) declined 25% while out-of-home (5% of sales) declined 25% YoY. These numbers in 1QFY21 were ~+6%, ~-45% and ~-70%, respectively.
- Particularly, given some pipeline filling in Jun'20 quarter v/s pipeline shedding in Mar'20, the Sep'20 quarter's sequential improvement is more impressive.
- Based on global experience, so far, recovery in the discretionary portfolio has been strong and depends on people stepping out more.
- In 70% of the portfolio, the company has increased category penetration compared to pre-COVID levels.
- In over 90% of the business, HUVR has gained market share. This is despite the fact that Modern Trade (MT) demand (where HUVR has an even higher market share compared to market share in General Trade) is still some way back from normal levels.
- Rural demand is much better than urban. Metropolitan demand is still muted.
- Big cities are seeing higher demand of larger packs but less frequency of buying. This is not the case in smaller cities and rural areas.
- Supply and service levels are now back to pre-COVID levels.
- HUVR launched 100+ SKUs over the last six months.
- Volume growth was 1% on like-to-like basis, excl. GSKCH.
- Management believes the worst is behind them and are cautiously optimistic.

Segmental information, Costs and Margins

- The 30bp margin expansion was driven by (a) 90bp gain as a result of merger of GSKCH, and (b) 60bp YoY decline in base business margins.
- Fabric wash: Price reduction was taken in some SKUs in certain markets. Some categories have declined as people are spending more time at home. Sequential recovery is good.

- Oral care saw double-digit growth after a long time.
- 'Glow and Lovely' and 'Glow and Handsome' have been launched to pleasing initial response.
- Nabha and Rajahmundry plants of GSKCH had temporary COVID issues. If not for these issues, sales would have been even better for the GSKCH portfolio. Secondary sales were not affected but primary sales were.
- Tea: HUVR has hiked prices because of the steep commodity cost inflation, but focus is on gaining from the unorganized segment.
- Purchases in winter season by the channel usually picks up in September, but has been delayed. However, management is not worried about winter season demand.
- Ad spends were down only 5% YoY in 2QFY21 (v/s 31% YoY decline in 1QFY21), which makes overall margin improvement even more worthy.

Other points

- Shikhar app for retailers is available in 270,000 stores. Partnership with SBI also enables credit to a retailer.
- E-commerce sales have doubled from pre-COVID levels.
- Domex has been taken from South India to the entire country as the household cleaning category is growing very well post-COVID.
- Indulekha has also been taken on a national level as the company is even more confident after GSKCH's efforts.

Exhibit 1: Segmental performance

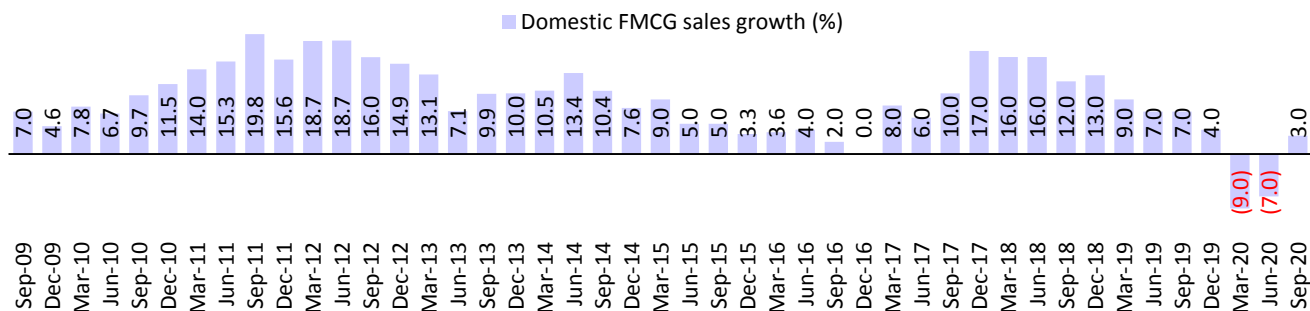
Segment Revenue (INR b)	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Home Care	31.5	35.0	34.7	33.7	34.6	33.5	33.9	33.2
Personal Care	45.4	43.9	45.9	45.4	44.1	38.0	40.4	45.4
Foods & Refreshments	17.3	19.2	19.5	18.5	18.7	17.9	29.6	33.8
Others	1.4	1.3	1.1	0.9	0.8	0.7	1.7	2.1
Net Segment Revenue	95.6	99.5	101.1	98.5	98.1	90.1	105.6	114.4
Growth YoY (%)								
Home Care	14.8	12.9	10.1	9.4	9.8	-4.3	-2.1	-1.6
Personal Care	11.0	7.3	4.1	5.3	-2.8	-13.5	-12.0	-0.2
Foods & Refreshments	9.9	10.4	9.2	8.4	7.9	-6.7	51.7	82.9
Others	-23.5	-18.3	-26.2	-32.1	-47.6	-46.3	55.5	130.8
Net Segment Revenue	11.3	9.3	6.6	6.7	2.6	-9.4	4.4	16.1
Salience (%)								
Home Care	33	35	34	34	35	37	32	29
Personal Care	47	44	45	46	45	42	38	40
Foods & Refreshments	18	19	19	19	19	20	28	30
Others	1	1	1	1	1	1	2	2
Total Segment Revenue	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR b)								
Home Care	4.5	6.2	7.0	6.0	6.3	6.4	6.4	6.8
Personal Care	11.7	12.2	13.6	13.2	12.5	9.5	11.3	13.3
Foods & Refreshments	2.6	3.5	3.8	2.9	3.3	2.3	5.8	5.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.6
Total Segment Results	18.7	21.9	24.4	22.1	22.1	18.1	24.0	26.2
PBT	19.5	22.3	25.6	23.1	22.3	19.9	24.1	26.6
Growth YoY (%)								
Home Care	26.0	21.1	16.1	19.7	41.0	2.7	-8.9	13.9
Personal Care	15.7	8.3	16.9	15.6	7.5	-22.5	-16.5	1.0
Foods & Refreshments	51.7	20.1	13.5	-0.3	28.0	-35.0	53.6	90.1
Others	0.0	0.0	L/P	0.0	-33.3	100.0	#	#
Total Segment Results	22.2	13.4	16.3	14.2	18.4	-17.2	-1.5	18.8
Salience (%)								
Home Care	22.9	27.8	27.3	25.8	28.2	31.9	26.4	25.5
Personal Care	59.7	54.8	53.0	57.0	56.2	47.4	47.0	49.9
Foods & Refreshments	13.4	15.5	14.8	12.7	15.0	11.3	24.1	21.0
Others	-0.2	0.1	0.1	0.1	-0.1	0.2	2.0	2.1
Total Segment Results	95.8	98.2	95.1	95.6	99.3	90.9	99.6	98.5
PBT	100	100	100	100	100	100	100	100
Segmental EBIT margin (%)								
Home Care	14.2	17.7	20.2	17.7	18.2	19.0	18.8	20.4
Personal Care	25.7	27.8	29.6	28.9	28.4	24.9	28.1	29.3
Foods & Refreshments	15.1	18.1	19.4	15.9	17.9	12.6	19.7	16.5
Others	-2.1	1.5	1.8	2.2	-2.7	5.6	28.7	26.2
Total	19.6	22.0	24.1	22.4	22.6	20.1	22.7	22.9
EBIT margin change YoY (bps)								
Home Care	125	120	104	151	403	131	-139	278
Personal Care	105	26	323	258	271	-291	-152	34
Foods & Refreshments	416	146	72	-139	280	-547	24	63
Others	-49	27	316	71	-57	406	2,684	2,399
Total	174	80	201	147	301	-190	-136	51

inordinately high number

Source: Company, MOFSL

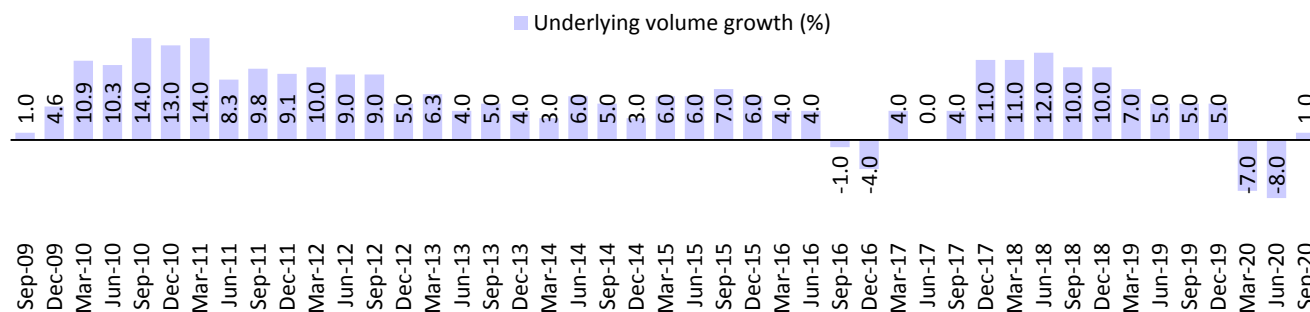
Key Exhibits

Exhibit 2: Domestic sales growth of 3% in 2QFY21 was led by...



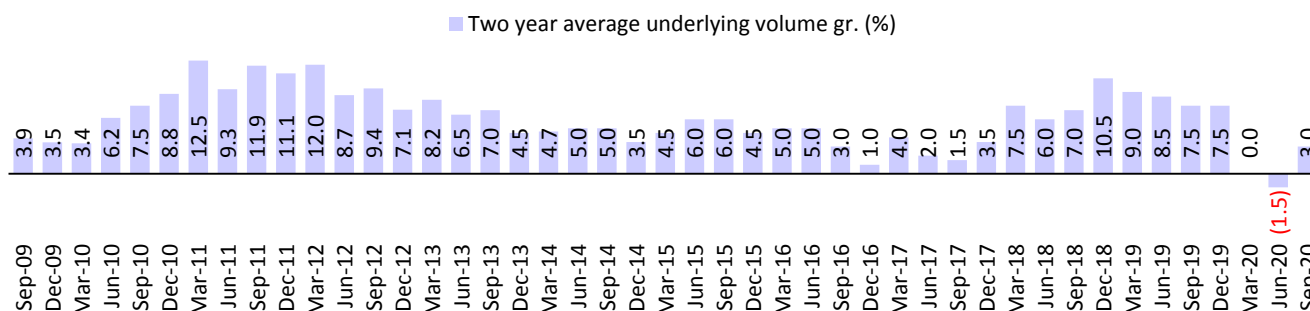
Source: Company, MOFSL

Exhibit 3: ...underlying volume growth of 1% YoY in 2QFY21 (excluding GSKCH)



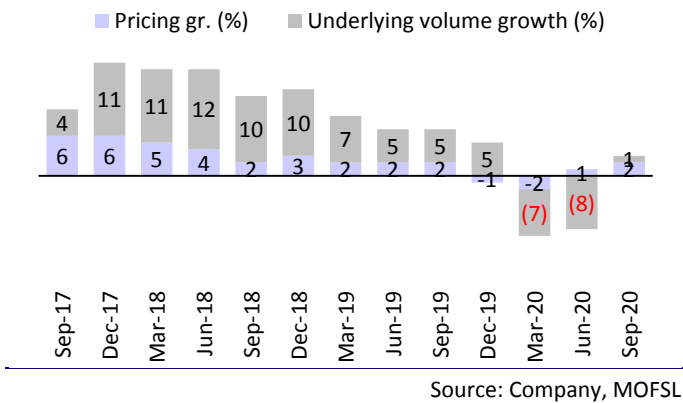
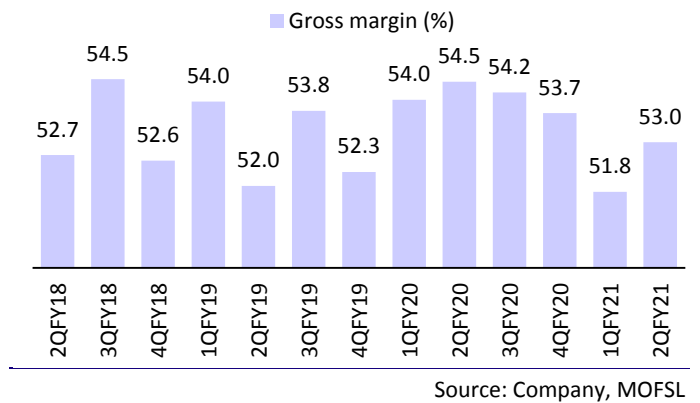
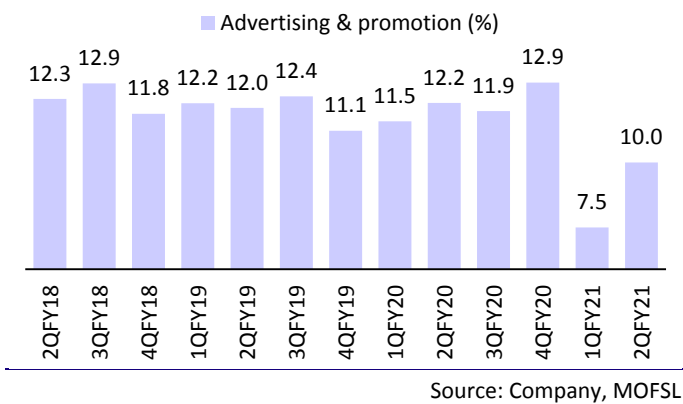
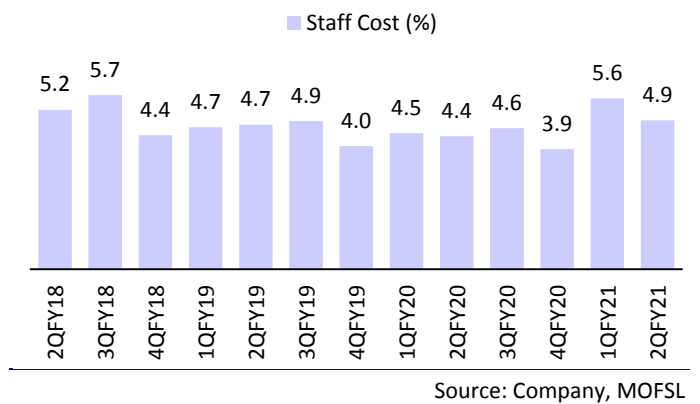
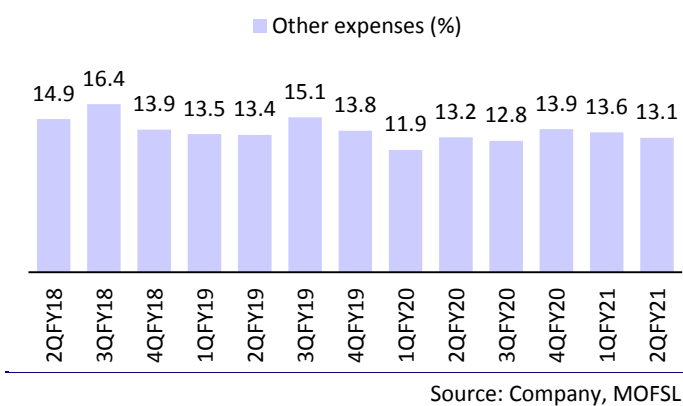
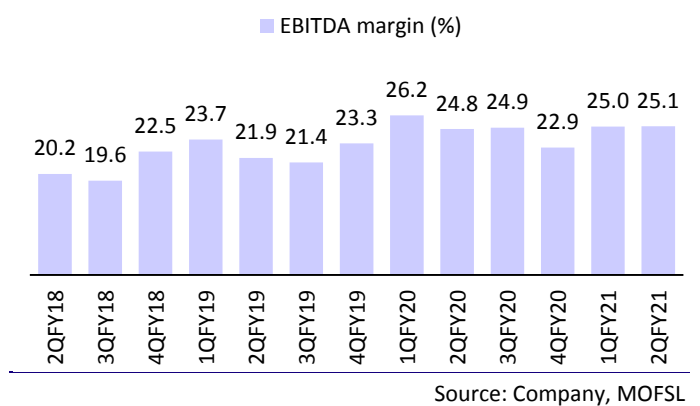
Source: Company, MOFSL

Exhibit 4: On a two-year average basis, underlying volumes grew 3%



Source: Company, MOFSL

- **As a % of sales**, flat operating expenses YoY at 13.1%, lower ad spends (down 220bp YoY to 10%) and higher staff cost (up 50bp YoY to 4.9%), led to EBITDA margin expansion of 30bp YoY to 25.1%.

Exhibit 5: Realization growth of 2% in 2QFY21**Exhibit 6: Gross margins declined by 150bp YoY to 53%****Exhibit 7: A&P spends down 220bp YoY to 10% of sales...****Exhibit 8: ...Employee expenses up 50bp YoY to 4.9%...****Exhibit 9: ...Other expenses were flat YoY at 13.1%...****Exhibit 10: ...leading to EBITDA margin expansion of 30bp YoY**

Valuation view

Why has HUVR been a strong wealth generator over the last 10 years?

- A new-found nimbleness in response to raw material cost and competitive stimuli has reinvigorated earnings momentum to strong double-digit growth over this period. Best-of-breed analytics has further boosted growth.
- Strong execution of its 'Winning in Many India' (WIMI) strategy has meant that Central India growth stands at 1.5x the base growth. Execution of herbal products and more recently the acquisition has also been remarkable.
- Focus on premiumization, particularly evident in detergents and tea, has meant that even these highly penetrated and large categories have grown smartly.

This, in addition to rigorous focus on cost savings, has meant an unprecedented EBITDA margin improvement of over 920bp YoY over the past 10 years.

- Consequently, despite being the largest consumer company over the past 10 years, sales/ EBITDA/PAT have been healthy at 8.1%/13.3%/12.4% CAGR. Performance over the last five/three years has been even more impressive on EBITDA/ PAT front at 13.0%/13.1% CAGR and 16.7/16.6%, respectively, which is particularly impressive given the weak earnings growth posted by peers in recent years.

Our investment case for HUVR

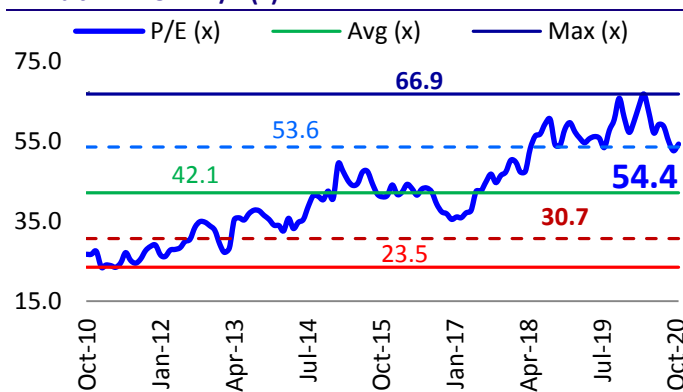
- As mentioned in [our Corner Office note](#) and [detailed note on the Annual Report](#), the structural and near-term investment case for HUVR remains strong.
- The company's earnings growth has gained further momentum in recent years (17% EPS CAGR over the past three years v/s ~12% CAGR over 10 years). This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years. HUVR's best-of-breed analytics and execution ability (exhibited by the successful implementation of the WIMI strategy, cost-saving plans, herbals, etc.) are key factors driving the pace of earnings growth.
- Market share gain in 90% and increased penetration in 70% of the portfolio compared to pre-COVID levels, launch of 100 SKUs over the past six months, continued cost savings, and extension of its significant lead over peers on analytics only strengthens our medium-term investment case.
- We remain positive on HUVR from a medium-term perspective, encouraged by: (a) robust earnings growth potential beyond the near term owing to its portfolio and execution strengths, and (b) significant synergies in FY22E as a result of GSKCH. These factors suggest premium multiples are likely to sustain. Valuing the company at 55x Sep'22E merged EPS, we arrive at **TP of INR2,620, implying 21% upside.**

Exhibit 11: Changes to the model led to +1.3%/ -3.3% change in FY21/ FY22E EPS

	New		Old		Change	
(INR b)	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	451.1	505.3	439.4	507.4	2.7%	-0.4%
EBITDA	115.3	136.4	112.4	137.7	2.5%	-0.9%
PAT	81.6	100.1	80.5	103.5	1.3%	-3.3%

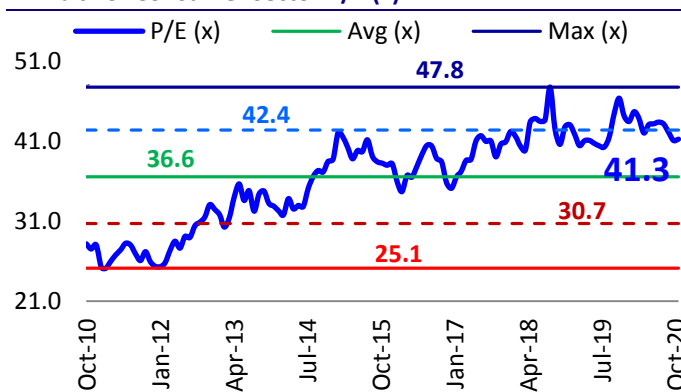
Source: Company, MOFSL

Exhibit 12: HUVR P/E (x)



Source: Bloomberg, Company, MOFSL

Exhibit 13: Consumer sector P/E (x)



Source: Bloomberg, Company, MOFSL

Financials and Valuations

Income Statement						(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Sales	304,990	312,980	339,260	376,600	382,730	445,855	499,866
Other Oper. Income	5,619	5,920	5,990	5,640	5,120	5,222	5,484
Total Revenue	310,609	318,900	345,250	382,240	387,850	451,078	505,349
Change (%)	0.8	2.7	8.3	10.7	1.5	16.3	12.0
COGS	153,053	156,850	162,320	179,600	177,930	212,693	228,416
Gross Profit	157,556	162,050	182,930	202,640	209,920	238,384	276,933
Gross Margin (%)	50.7	50.8	53.0	53.0	54.1	52.8	54.8
Operating Exp	100,070	101,580	110,170	116,270	113,920	123,117	140,529
% of sales	32.2	31.9	31.9	30.4	29.4	27.3	27.8
EBIDTA	57,486	60,470	72,760	86,370	96,000	115,267	136,405
Change (%)	10.4	5.2	20.3	18.7	11.1	20.1	18.3
Margin (%)	18.5	19.0	21.1	22.6	24.8	25.6	27.0
Depreciation	3,208	3,960	4,780	5,240	9,380	10,373	10,994
Int. and Fin. Charges	150	220	200	280	1,060	1,134	1,021
Other Income - Recurring	5,640	5,260	5,690	6,640	7,330	6,492	9,416
Profit before Taxes	59,769	61,550	73,470	87,490	92,890	110,252	133,805
Change (%)	8.2	3.0	19.4	19.1	6.2	18.7	21.4
Margin (%)	19.6	19.7	21.7	23.2	24.3	24.7	26.8
Tax	18,160	18,650	21,480	27,480	23,940	28,665	33,679
Deferred Tax	-70	410	-1,000	-790	1,520	0	0
Tax Rate (%)	30.3	31.0	27.9	30.5	27.4	26.0	25.2
Profit after Taxes	41,679	42,490	52,990	60,800	67,430	81,586	100,126
Change (%)	14.2	1.9	24.7	14.7	10.9	21.0	22.7
Margin (%)	13.7	13.6	15.6	16.1	17.6	18.3	20.0
Non-rec. (Exp)/Income	-310	2,410	-620	-440	-50	-1,990	0
Reported PAT	41,369	44,900	52,370	60,360	67,380	79,596	100,126

Balance Sheet						(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Share Capital	2,164	2,164	2,164	2,165	2,160	2,345	2,345
Reserves	60,630	62,740	68,590	74,430	78,150	487,558	488,523
Capital Employed	62,794	64,904	70,754	76,595	80,310	489,902	490,868
Net Fixed Assets incl Goodwill	29,147	40,240	41,420	43,430	50,560	396,835	390,841
Capital WIP	3,860	2,030	4,300	3,730	5,130	5,256	5,256
Investment in Subsidiaries	3,130	2,540	2,540	2,540	2,500	2,500	2,500
Current Investments	24,670	35,250	28,570	26,950	12,500	13,500	14,500
Deferred Charges	1,680	1,600	2,550	3,390	2,610	3,749	3,749
Curr. Assets, L&A	76,509	65,850	92,110	98,615	122,720	218,317	237,184
Inventory	25,284	23,620	23,590	24,220	26,360	35,357	39,578
Account Receivables	10,645	9,280	11,470	16,730	10,460	19,068	21,337
Cash and Bank Balance	27,590	16,710	33,730	36,880	50,170	119,078	129,852
Others	12,990	16,240	23,320	20,785	35,730	44,814	46,417
Curr. Liab. and Prov.	76,202	82,606	100,736	102,060	115,710	150,255	163,162
Account Payables	54,980	60,060	70,130	70,700	73,990	93,915	103,229
Other Liabilities	12,382	13,826	16,376	15,860	25,560	32,452	34,075
Provisions	8,840	8,720	14,230	15,500	16,160	23,888	25,858
Net Current Assets	307	-16,756	-8,626	-3,445	7,010	68,062	74,022
Application of Funds	62,794	64,904	70,754	76,595	80,310	489,902	490,868

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Basic (INR)							
EPS	19.3	19.6	24.5	28.1	31.2	34.8	42.7
Cash EPS	20.7	21.5	26.7	30.5	35.6	39.2	47.4
BV/Share	29.0	30.0	32.7	35.4	37.2	208.9	209.4
DPS	15.5	17.0	20.0	22.0	25.0	35.0	51.0
Payout %	97	98	99	95	96	103	119
Valuation (x)							
P/E	112.8	110.6	88.7	77.3	69.6	62.4	50.9
Cash P/E	104.7	101.2	81.4	71.2	61.1	55.4	45.8
EV/Sales	15.3	15.0	13.7	12.4	12.1	11.1	9.9
EV/EBITDA	81.2	77.4	64.1	54.0	48.3	43.1	36.4
P/BV	74.8	72.4	66.4	61.4	58.4	10.4	10.4
Dividend Yield (%)	0.7	0.8	0.9	1.0	1.2	1.6	2.3
Return Ratios (%)							
RoE incl. Goodwill	83.3	66.5	78.1	82.5	86.0	28.6	20.4
RoCE incl. Goodwill	119.8	96.7	108.6	119.1	119.8	39.1	27.5
Working Capital Ratios							
Debtor (Days)	13	11	12	16	10	16	16
Asset Turnover (x)	4.9	4.8	4.8	4.9	4.8	0.9	1.0
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(loss) before Tax	59,770	61,550	72,850	85,220	90,920	110,252	133,805
Financial other income	-1,910	-920	-2,800	-770	-1,630	-6,492	-9,416
Depreciation	3,210	3,960	4,780	5,240	9,380	10,373	10,994
Net Interest Paid	-3,160	-2,400	-2,460	-2,950	-3,940	1,134	1,021
Direct Taxes Paid	-17,040	-18,040	-21,880	-26,850	-24,650	-28,665	-33,679
(Incr)/Decr in WC	-1,130	5,380	8,640	-2,610	2,970	7,856	4,815
CF from Operations	39,740	49,530	59,130	57,280	73,050	94,457	107,541
Other Items	6,004	450	4,880	4,460	22,660	61,974	32,330
(Incr)/Decr in FA	-6,740	-8,520	-8,270	-7,240	-7,020	-1,126	-5,000
Free Cash Flow	33,000	41,010	50,860	50,040	66,030	93,331	102,541
(Pur)/Sale of Investments	3,290	-9,700	7,790	3,270	22,490	-1,000	-1,000
CF from Invest.	2,554	-17,770	4,400	490	38,130	59,848	26,330
Dividend Paid	-33,420	-35,610	-38,960	-45,460	-62,440	-82,062	-119,576
Others	-6,660	-7,030	-7,550	-9,160	-4,320	-3,520	-3,520
CF from Fin. Activity	-40,080	-42,640	-46,510	-54,620	-66,760	-85,397	-123,096
Incr/Decr of Cash	2,214	-10,880	17,020	3,150	44,420	68,908	10,775
Add: Opening Balance	25,376	27,590	16,710	33,730	5,750	50,170	119,078
Closing Balance	27,590	16,710	33,730	36,880	50,170	119,078	129,853

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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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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