MOTILAL OSWAL

22 July 2021

1QFY22 Results Update | Sector: Consumer

Hindustan Unilever

Estimate changes	↔
TP change	↑
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2021 for India Research, Sales, Corporate Access and Trading team. We request your ballot.

Bloomberg	HUVR IN
Equity Shares (m)	2,350
M.Cap.(INRb)/(USDb)	5588.8 / 75.1
52-Week Range (INR)	2532 / 2001
1, 6, 12 Rel. Per (%)	-5/-9/-34
12M Avg Val (INR M)	4941

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	460.0	507.4	581.5
Sales Gr. (%)	18.6	10.3	14.6
EBITDA	113.2	128.2	153.9
EBITDA mrg. (%)	24.6	25.3	26.5
Adj. PAT	81.8	90.3	111.7
Adj. EPS (INR)	34.8	38.4	47.5
EPS Gr. (%)	11.5	10.4	23.7
BV/Sh.(INR)	201.8	201.8	201.8
Ratios			
RoE (%)	29.5	19.0	23.6
RoCE (%)	39.0	25.9	31.6
Payout (%)	116.3	100.2	99.9
Valuations			
P/E (x)	68.3	61.9	50.0
P/BV (x)	11.8	11.8	11.8
EV/EBITDA (x)	49.0	43.2	35.9
Div. Yield (%)	1.7	1.6	2.0

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	61.9	61.9	61.9
DII	10.8	10.7	8.3
FII	15.1	15.0	14.8
Others	12.2	12.5	15.0

FII Includes depository receipts

CMP: INR2,379 TP: INR2,840 (+19%) Buy

Topline better than expected; commentary suggests improving momentum

- HUVR's 1QFY22 result was better than our expectations led by topline growth.
- Sales in the month of Jun'21 were reportedly back to levels seen before the second COVID wave witnessed in Mar'21, and augurs well for Discretionary sales and margin going forward.
- Despite the higher incidence of COVID-19 cases in rural India compared to last year, the demand momentum remains resilient. The expectation of a good monsoon should sustain this momentum. Urban demand is expected to see a strong rebound. With Discretionary demand back on the recovery path, mix improvements will play a major role in driving a gradual margin improvement sequentially.
- While elevated material cost remains a near-term worry, a) a potential revival in EPS growth momentum after a relative lull in recent quarters, b) continued synergies from GSKCH (tracking ahead of expectations so far), c) HUVR pulling further ahead of peers in terms of technology and analytics as indicated in our annual report analysis and strong track record in recent years lead us to maintain our **BUY** rating on the stock.

Performance largely in line

- **Reported net sales grew 12.8% YoY to INR119.2b in 1QFY22** (est. INR114.6b). EBITDA/PBT/PAT (bei) increased by 7.7%/5.1%/4.8% YoY to INR28.5b/INR26.6b/INR19.6b (est. INR27.2b/INR25.9b/INR19.2b).
- Sales in the domestic consumer business grew 12% YoY, with underlying volume growth of 9% (est. 5%).
- **Segmental performance: Home Care** (32% of total sales in 1QFY22) revenue grew 11.9% YoY. Personal Care sales (38% of total sales) rose 13.2% YoY. **Foods and Refreshments** sales (28% of total sales) grew 12.2% YoY.
- **Segmental EBIT margin: Home Care** margin contracted by 130bp YoY to 17.4%. **Personal Care** margin remained flat at 28.1%. Margin in the **Foods and Refreshments** segment contracted by 160bp YoY to 18.1%.
- Overall gross margin in 1QFY22 contracted by 140bp YoY to 50.4%.
- As a percentage of sales, lower operating expenses (-80bp YoY to 12.8%), higher ad spends (+110bp YoY to 8.6%), and lower staff cost (-40bp YoY to 5.2%), led to an EBITDA margin contraction of 110bp YoY to 23.9%.

Highlights from the management commentary

- Rural demand has remained resilient, despite a higher incidence of COVID-19 cases v/s last year. The expectation of a good monsoon also augurs well for demand going forward, with no material downtrading being witnessed.
- With mobility improving, demand for FMCG products will improve, especially for those which are discretionary in nature, leading to higher operating margin going forward.

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- Health, Hygiene, and Nutrition (85% of sales in 1QFY22) grew 8% YoY despite a high base and rose 16% v/s 1QFY20 levels. The Discretionary portfolio (12% of sales) grew 39% YoY, but was still 24% lower than 1QFY20 levels. Out-of-Home (3% of sales) grew 91% YoY but was still 40% lower v/s 1QFY20 levels. While lower mobility in 1QFY22 impacted normalization of Discretionary and OOH demand, the outlook is getting better as indicated in its Jun'21 performance.
- **Shikhar app** – HUVR recently on-boarded 50,000 retailers, with a total reach of 550,000 now. Sales through the app in Jun'21 were 6x that of Jun'20 levels. The future-ready sales platform (including e-commerce) is now 10% of total sales.

Valuation and view

- There is no material change to our forecast.
- HUVR continues to strengthen the key drivers of its success in India over the last decade, including: a) pioneering the use of technology to generate data and facilitate decision making, b) the Winning in Many Indias (WiMI) strategy, which is focused on decentralization and localized strategies, c) recognizing trends and investing in them early on, d) funneling cost savings back into the business, and e) its strong execution ability, which has led to a strong momentum in the past few years. Earnings growth has gained further impetus in recent years (before COVID-19 affected FY21) – it reported ~18% EPS CAGR in the four years ended FY20 v/s ~12% CAGR over FY10-20. This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years.
- After premiumization in Detergents led to strong growth in detergent sales and margin in the last decade, the Personal Wash and Dishwashing segments show considerable promise going forward. The high margin Discretionary portfolio was under pressure in FY21, resulting in lower than the usual 12% adjusted EPS growth. While the Jun'21 quarter was affected on this front due to lockdowns, the management commentary suggests substantial improvement in mix in subsequent quarters. Synergies from the GSKCH business (tracking ahead of earlier expectations) would play a bigger role in resumption of strong earnings growth going forward.
- We maintain our BUY rating, with a TP of INR2,840 (55x Sep'23E EPS).

Standalone quarterly performance **(INR b)**

Y/E March	FY21				FY21						FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY21	FY22E	1QE	
Domestic volume growth (%)	**4.0**	**14.0**	**17.0**	**31.0**	**9.0**	**6.0**	**5.0**	**6.0**	**16.5**	**6.5**	**5.0**	
Net sales	**105.6**	**114.4**	**118.6**	**121.3**	**119.2**	**125.9**	**129.3**	**133.0**	**460.0**	**507.4**	**114.6**	4.0%
YoY change (%)	4.4	16.1	20.9	34.6	12.8	10.0	9.0	9.7	18.6	10.3	8.5	
Gross Profit	**54.7**	**60.7**	**64.0**	**63.8**	**60.1**	**66.4**	**69.9**	**73.0**	**243.2**	**269.4**	**59.3**	
Margin (%)	51.8	53.0	54.0	52.6	50.4	52.7	54.1	54.9	52.9	53.1	51.7	
EBITDA	**26.4**	**28.7**	**28.5**	**29.6**	**28.5**	**31.1**	**33.7**	**34.9**	**113.2**	**128.2**	**27.2**	4.8%
YoY change (%)	-0.1	17.4	16.7	43.2	7.7	8.5	17.9	18.1	18.0	13.2	2.8	
Margin (%)	25.0	25.1	24.1	24.4	23.9	24.7	26.0	26.3	24.6	25.3	23.7	
Depreciation	2.4	2.5	2.7	2.5	2.4	2.6	2.7	3.0	10.1	10.7	2.7	
Interest	0.3	0.3	0.4	0.1	0.1	0.1	0.2	0.2	1.1	0.6	0.2	
Other income	1.6	1.5	1.0	1.1	0.7	1.1	1.5	1.9	5.1	5.2	1.6	
PBT	**25.3**	**27.4**	**26.4**	**28.1**	**26.6**	**29.5**	**32.3**	**33.7**	**107.2**	**122.1**	**25.9**	2.6%
Tax	5.3	6.5	6.8	6.8	5.7	7.7	8.4	10.0	25.4	31.7	6.7	
Rate (%)	21.0	23.8	25.6	24.2	21.5	26.0	26.0	29.5	23.7	26.0	26.0	
PAT bei	**18.7**	**20.4**	**19.5**	**21.0**	**19.6**	**21.8**	**23.9**	**24.0**	**81.8**	**90.3**	**19.2**	2.3%
YoY change (%)	7.0	11.1	15.4	43.2	4.8	7.2	22.4	23.1	21.3	10.4	2.4	
Reported Profit	**18.8**	**20.1**	**19.2**	**21.4**	**20.6**	**21.8**	**23.9**	**24.0**	**79.5**	**90.3**	**19.2**	

E: MOFSL estimates / Note: Quarterly PAT (bei) is as reported by the company, while FY21 PAT (bei) is adjusted PAT

Key performance indicators

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
Average growth (%) in the last two-years								
Volumes	4.5	9.5	11.0	12.0	6.5	10.0	11.0	18.5
Sales	5.5	11.4	11.8	12.6	8.6	13.1	15.0	22.2
EBITDA	8.7	19.2	18.1	16.1	3.8	13.0	17.3	30.7
PAT	9.4	15.7	18.0	17.8	5.9	9.2	18.9	33.1
As a percentage of sales								
COGS	48.2	47.0	46.0	47.4	49.6	47.3	45.9	45.1
Staff cost	5.6	4.9	4.7	4.3	5.2	4.9	4.7	5.5
Advertising and Promotion	7.5	10.0	11.7	11.6	8.6	10.5	10.9	12.0
Others	13.6	13.1	13.5	12.2	12.8	12.6	12.4	11.1
Depreciation	2.3	2.2	2.3	2.1	2.0	2.0	2.1	2.2
YoY change (%)								
COGS	9.4	19.8	21.6	38.0	16.1	10.7	8.8	4.4
Staff cost	1.1	0.5	0.1	0.4	-0.4	0.0	0.0	1.2
Advertising and Promotion	-3.9	-2.2	-0.2	-1.3	1.0	0.5	-0.8	0.3
Others	1.7	0.0	0.7	-1.7	-0.9	-0.6	-1.1	-1.1
Other income	6.1	-16.1	-30.7	-59.0	-57.1	-30.0	55.0	77.8
EBIT	-1.3	18.8	16.7	49.6	8.4	9.1	19.8	18.1

E: MOFSL estimates

Exhibit 1: Segmental performance

	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Segment Revenue (INR b)								
Home Care	33.7	34.6	33.5	33.9	33.2	34.1	38.4	38.0
Personal Care	45.4	44.1	38.0	40.4	45.4	48.4	45.5	45.7
Foods and Refreshments	18.5	18.7	17.9	29.6	33.8	33.6	35.1	33.2
Others	0.9	0.8	0.7	1.7	2.1	2.6	2.3	2.3
Net Segment Revenue	**98.5**	**98.1**	**90.1**	**105.6**	**114.4**	**118.6**	**121.3**	**119.2**
Growth YoY (%)								
Home Care	9.4	9.8	-4.3	-2.1	-1.6	-1.4	14.6	11.9
Personal Care	5.3	-2.8	-13.5	-12.0	-0.2	9.7	19.7	13.2
Foods and Refreshments	8.4	7.9	-6.7	51.7	82.9	79.9	96.4	12.2
Others	-32.1	-47.6	-46.3	55.5	130.8	241.3	222.2	32.2
Net Segment Revenue	**6.7**	**2.6**	**-9.4**	**4.4**	**16.1**	**20.9**	**34.6**	**12.8**
Salience (%)								
Home Care	34	35	37	32	29	29	32	32
Personal Care	46	45	42	38	40	41	37	38
Foods and Refreshments	19	19	20	28	30	28	29	28
Others	1	1	1	2	2	2	2	2
Total Segment Revenue	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Segment Results (EBIT) - (INR b)								
Home Care	6.0	6.3	6.4	6.4	6.8	6.5	8.1	6.6
Personal Care	13.2	12.5	9.5	11.3	13.3	14.1	12.5	12.9
Foods and Refreshments	2.9	3.3	2.3	5.8	5.6	4.7	5.8	6.0
Others	0.0	0.0	0.0	0.5	0.6	0.5	0.7	0.5
Total Segment Results	**22.1**	**22.1**	**18.1**	**24.0**	**26.2**	**25.8**	**27.1**	**26.0**
PBT	**23.1**	**22.3**	**19.9**	**24.1**	**26.6**	**26.0**	**28.2**	**26.3**
Growth YoY (%)								
Home Care	19.7	41.0	2.7	-8.9	13.9	2.7	27.7	3.9
Personal Care	15.6	7.5	-22.5	-16.5	1.0	12.9	32.5	13.5
Foods and Refreshments	-0.3	28.0	-35.0	53.6	90.1	41.6	155.6	3.1
Others	0.0	-33.3	100.0	#	#	L/P	#	10.2
Total Segment Results	**14.2**	**18.4**	**-17.2**	**-1.5**	**18.8**	**16.7**	**49.6**	**8.4**
Salience (%)								
Home Care	25.8	28.2	31.9	26.4	25.5	24.9	28.8	25.1
Personal Care	57.0	56.2	47.4	47.0	49.9	54.4	44.4	48.9
Foods and Refreshments	12.7	15.0	11.3	24.1	21.0	18.2	20.4	22.8
Others	0.1	-0.1	0.2	2.0	2.1	1.9	2.4	2.1
Total segment results	**95.6**	**99.3**	**90.9**	**99.6**	**98.5**	**99.5**	**96.0**	**98.9**

	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
PBT	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Segmental EBIT margin (%)								
Home Care	17.7	18.2	19.0	18.8	20.4	18.9	21.1	17.4
Personal Care	28.9	28.4	24.9	28.1	29.3	29.2	27.5	28.1
Foods and Refreshments	15.9	17.9	12.6	19.7	16.5	14.1	16.4	18.1
Others	2.2	-2.7	5.6	28.7	26.2	19.5	29.7	23.9
Total	**22.4**	**22.6**	**20.1**	**22.7**	**22.9**	**21.8**	**22.3**	**21.8**
EBIT margin change YoY (bp)								
Home Care	151	403	131	-139	278	75	216	-134
Personal Care	258	271	-291	-152	34	81	266	7
Foods and Refreshments	-139	280	-547	24	63	-381	379	-160
Others	71	-57	406	2,684	2,399	2,220	2,419	-476
Total	**147**	**301**	**-190**	**-136**	**51**	**-80**	**223**	**-90**

#an inordinately high number; Source: Company, MOFSL

Highlights from the management commentary

Demand environment

- **FMCG sector demand**: May'21 was impacted significantly due to localized lockdowns. However, demand rebounded to Mar'21 levels in Jun'21.
- Urban demand is yet to return to Mar'21 levels. Sales have improved significantly in Jun'21 compared to mid-Apr'21 to May'21 levels, which was impacted by a dip in mobility as cases peaked.
- Rural demand has remained resilient, despite a higher incidence of COVID-19 cases v/s last year. The expectation of a good monsoon also augurs well for demand going forward, with no material downtrading being witnessed.
- Premium grew twice as fast as the rest of the portfolio in 1QFY22.
- More than 80% of HUVR's businesses are seeing increased penetration, even over 1QFY20 numbers, and 75% of the portfolio gained share as well.
- With mobility improving, demand for FMCG products will improve, especially for those which are discretionary in nature.

Raw materials

- Tea prices remain inflated.
- HUVR raised prices further in Soaps, Tea, and Detergents (3% in 1QFY22).
- Price increases appear to be lower in 1QFY22 because of low trade spends (deducted from sales) in the base quarter. This will normalize in 2QFY22.
- As mobility improves, the improvement in mix going forward will lead to better operating margin in subsequent quarters.
- Cost synergies from GSKCH are tracking ahead of expectations. It is investing these back into the business. Media buying and procurement synergies have come through to some extent. Manufacturing synergies are yet to be realized.
- Due to the COVID-19 outbreak, HUVR was not able to carry out market development in GSKCH as required. While margin is tracking ahead of expectations, sales are currently lower than targeted. As the impact of the pandemic abates, the management is confident of getting back on track with respect to sales targets as well.

Segmental highlights

- HUVR is gaining market share in all of its three large categories – Skin Cleansing, Laundry, and Tea.

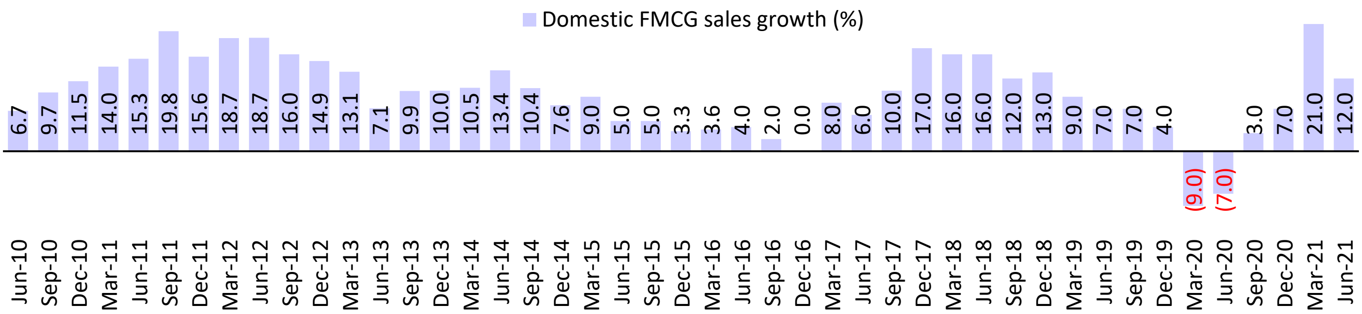
- Health, Hygiene, and Nutrition (85% of sales in 1QFY22) grew 8% YoY despite a high base and rose 16% v/s 1QFY20 levels.
- The Discretionary portfolio (12% of sales) grew 39% YoY, but was still 24% lower than 1QFY20 levels.
- Out-of-Home (3% of sales) grew 91% YoY but was still 40% lower v/s 1QFY20 levels.
- Lower mobility in 1QFY22 impacted normalization of Discretionary and OOH demand.
- **Nutrition:** GSKCH's direct reach rose 1.4x over FY21 levels. It is targeting 2x going forward.
- **Home care** – Household Care and Fabric Care did well.
- **Beauty and Personal Care** – Soaps saw another strong quarter of growth, with market share gains. Oral Care did well. Hair Care reported double-digit growth. Skin Care did well YoY on a weak base, but is yet to return to normal levels.
- **Food** – The pipeline correction impacted Nutrition sales. HUVR gained market share in Tea.

Launches and tech initiatives

- **Surf Excel** – Launched smart 3-in-1 shots – a single use soluble capsule.
- **Lakme** has introduced refill packs.
- **Shikhar app** – HUVR recently on-boarded 50,000 retailers, with a total reach of 550,000 now. Sales through the app in Jun'21 were 6x that of Jun'20 levels.
- The future-ready sales platform (including e-commerce) is now 10% of total sales.

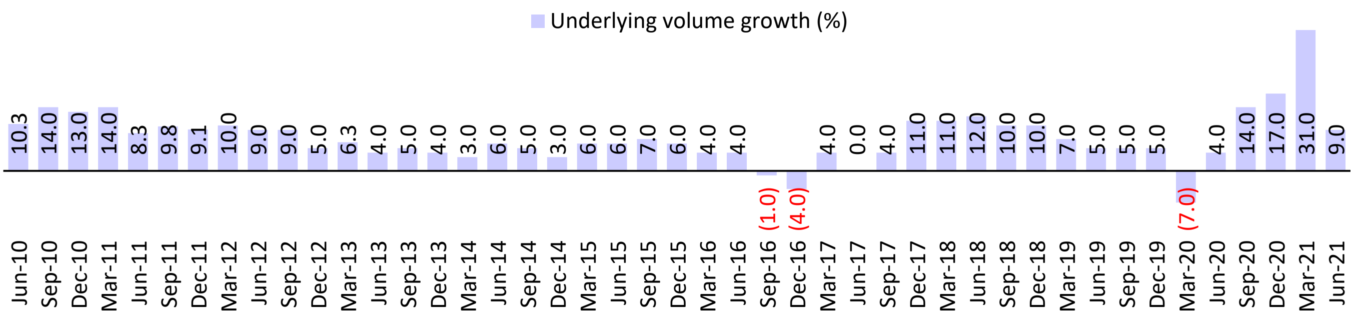
Key exhibits

Exhibit 2: Domestic sales grew 12% in 1QFY22…



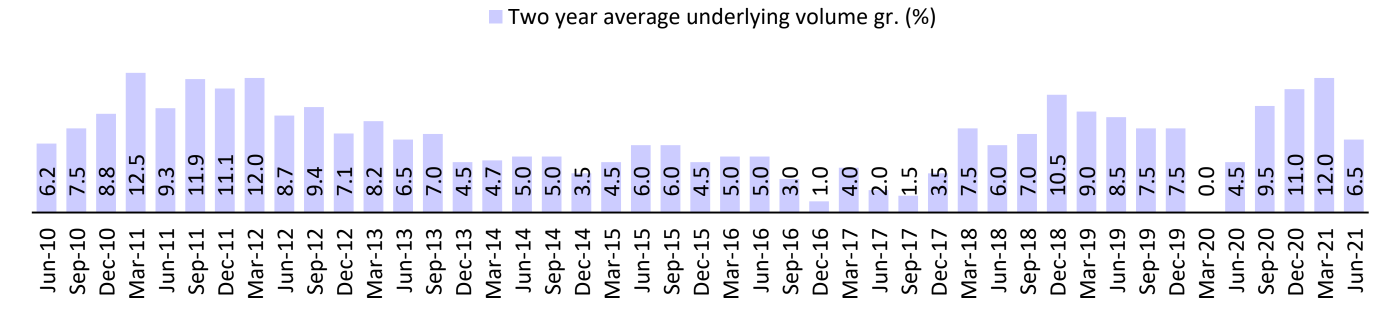
Source: Company, MOFSL

Exhibit 3: …led by underlying volume growth of 9% YoY



Source: Company, MOFSL

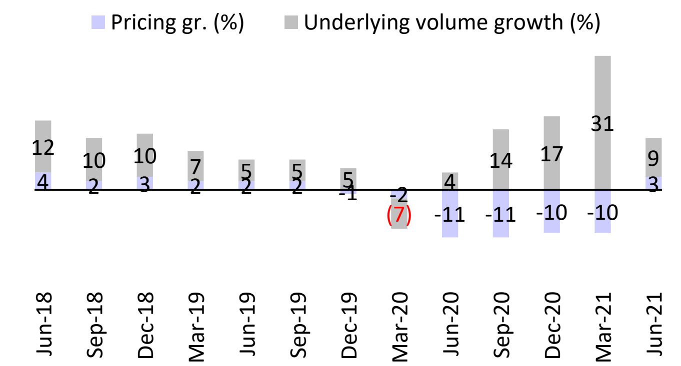
Exhibit 4: On a two-year average basis, underlying volumes is up 6.5%



Source: Company, MOFSL

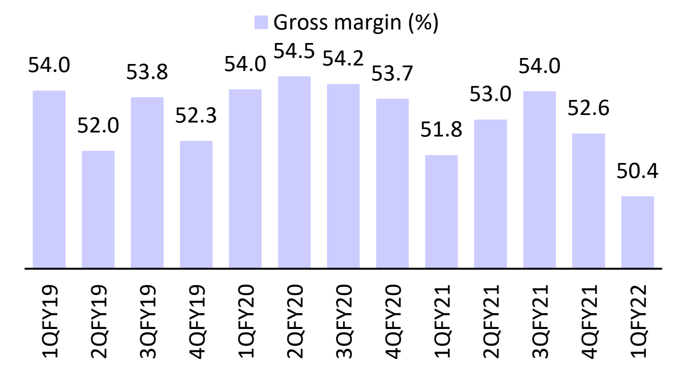
- **As a percentage of sales**, lower operating expenses (-80bp YoY to 12.8%), higher ad spends (+110bp YoY to 8.6%), and lower staff cost (-40bp YoY to 5.2%), led to an 110bp YoY contraction in EBITDA margin to 23.9%.

Exhibit 5: Realization grew 3% in 1QFY22



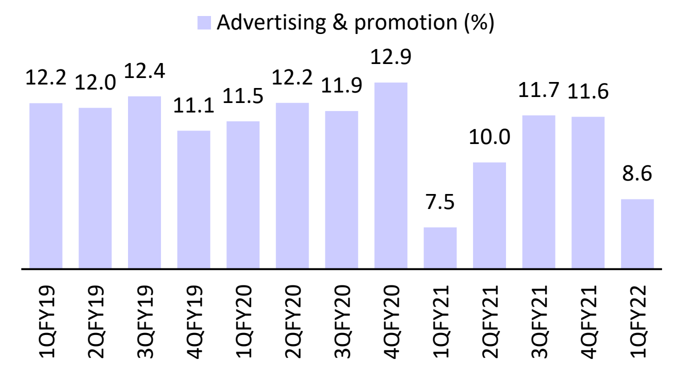
Source: Company, MOFSL

Exhibit 6: Gross margin fell 140bp YoY to 50.4%



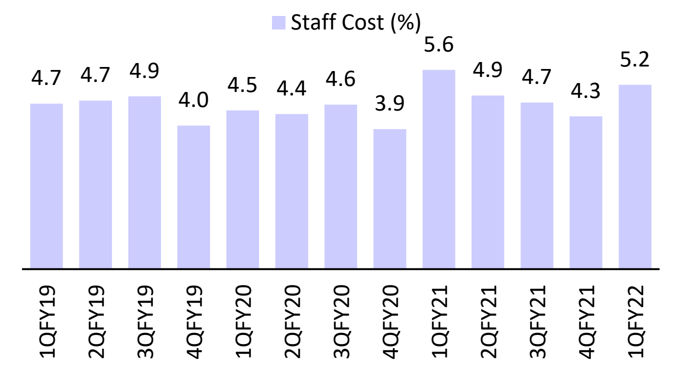
Source: Company, MOFSL

Exhibit 7: A&P spends rose 110bp YoY to 8.6% of sales



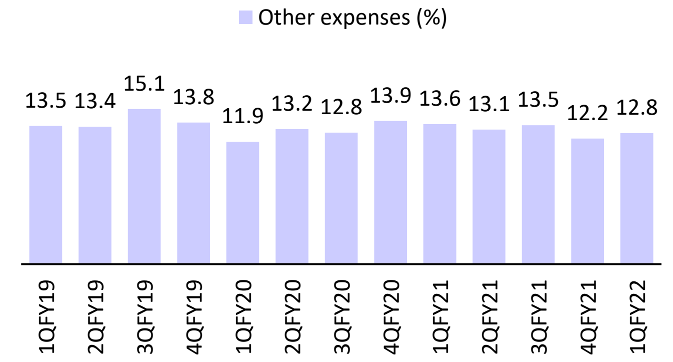
Source: Company, MOFSL

Exhibit 8: Employee expenses fell 40bp YoY to 5.2%



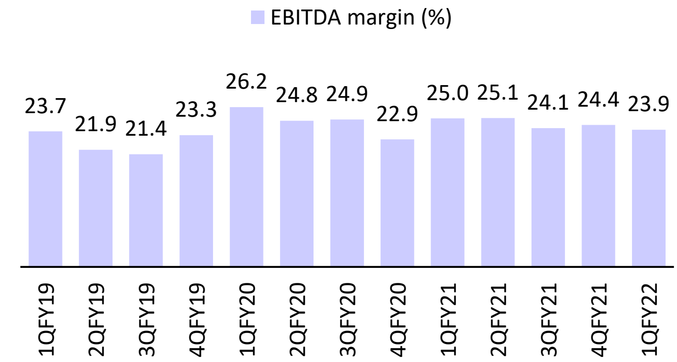
Source: Company, MOFSL

Exhibit 9: Other expenses fell 80bp YoY to 12.8%...



Source: Company, MOFSL

Exhibit 10: ...leading to an 110bp YoY contraction in EBITDA margin to 23.9%



Source: Company, MOFSL

Valuation and view

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

- The company's newfound nimbleness in response to raw material cost and competitive stimuli has reinvigorated earnings momentum to strong double digits over this period. Best-of-breed analytics have further boosted growth.
- Strong execution of its WiMI strategy has meant that growth in Central India stands at 1.5x of base growth. The execution strategy for herbal products, and the recent acquisition has also been remarkable.
- The 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 a rigorous focus on cost savings, has resulted in unprecedented EBITDA margin improvement of over 920bp YoY in the past 10 years ended FY20.
- Despite being the largest consumer company over the past 10 years ended FY20, sales/EBITDA/PAT reported a healthy 8.1%/13.3%/12.4% CAGR. Performance over the last five and three years has been even more impressive on the EBITDA and PAT front – 13%/13.1% CAGR and 16.7/16.6% CAGR, respectively. This is particularly impressive, given the weak earnings growth posted by peers in recent years.

Our investment case for HUVR

- There is no material change to our forecast.
- HUVR continues to strengthen the key drivers of its success in India over the last decade, including: a) pioneering the use of technology to generate data and facilitate decision making, b) the WiMI strategy, which is focused on decentralization and localized strategies, c) recognizing trends and investing in them early on, d) funneling cost savings back into the business, and e) its strong execution ability, which has led to a strong momentum in the past few years. Earnings growth has gained further impetus in recent years (before COVID-19 affected FY21) – it reported ~18% EPS CAGR in the four years ended FY20 v/s ~12% CAGR over FY10-20. This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years.
- After premiumization in Detergents led to strong growth in detergent sales and margin in the last decade, the Personal Wash and Dishwashing segments show considerable promise going forward. The high margin Discretionary portfolio

was under pressure in FY21, resulting in lower than the usual 12% adjusted EPS growth. While the Jun'21 quarter was affected on this front due to lockdowns, the management commentary suggests substantial improvement in mix in subsequent quarters. Synergies from the GSKCH business (tracking ahead of earlier expectations) would play a bigger role in resumption of strong earnings growth going forward.

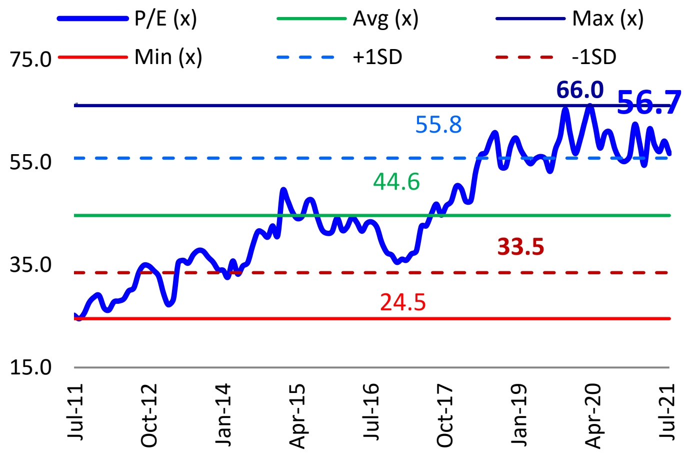
- We maintain our **BUY** rating, with a TP of INR2,840 (55x Sep'23E EPS).

Exhibit 11: Model changes led to a -2.8%/-1.9% change in our FY22E/FY23E EPS estimate

	New		Old		Change	
(INR b)	**FY22E**	**FY23E**	**FY22E**	**FY23E**	**FY22E**	**FY23E**
Sales	507.4	581.5	503.7	577.3	0.7%	0.7%
EBITDA	128.2	153.9	131.1	153.9	-2.2%	0.0%
PAT	90.3	111.7	92.9	113.8	-2.8%	-1.9%

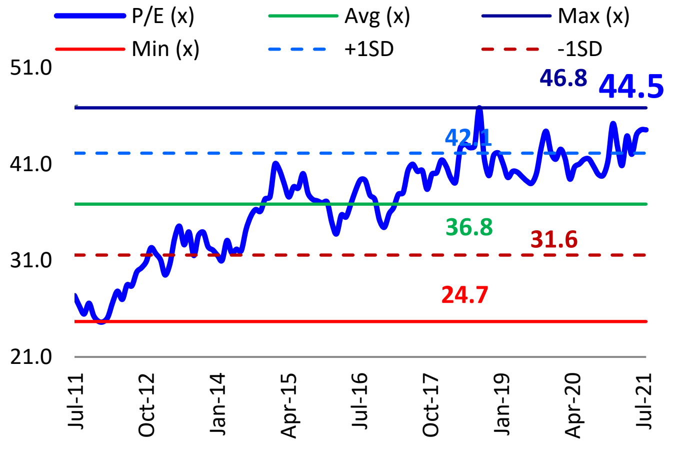
Source: MOFSL

Exhibit 12: HUVR's P/E (x)



Source: Bloomberg, MOFSL

Exhibit 13: Consumer sector P/E (x)



Source: Bloomberg, MOFSL

Financials and valuations

Income Statement (INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	**313.0**	**339.3**	**376.6**	**382.7**	**453.1**	**500.2**	**574.0**
Other Oper. Income	5.9	6.0	5.6	5.1	6.9	7.2	7.6
Total Revenue	**318.9**	**345.3**	**382.2**	**387.9**	**460.0**	**507.4**	**581.5**
Change (%)	2.7	8.3	10.7	1.5	18.6	10.3	14.6
COGS	156.9	162.3	179.6	177.9	216.8	238.0	269.2
Gross Profit	**162.1**	**182.9**	**202.6**	**209.9**	**243.2**	**269.4**	**312.4**
Gross Margin (%)	50.8	53.0	53.0	54.1	52.9	53.1	53.7
Operating Exp.	101.6	110.2	116.3	113.9	130.0	141.2	158.4
% of sales	31.9	31.9	30.4	29.4	28.3	27.8	27.2
EBITDA	**60.5**	**72.8**	**86.4**	**96.0**	**113.2**	**128.2**	**153.9**
Change (%)	5.2	20.3	18.7	11.1	18.0	13.2	20.1
Margin (%)	19.0	21.1	22.6	24.8	24.6	25.3	26.5
Depreciation	4.0	4.8	5.2	9.4	10.1	10.7	11.5
Int. and Fin. Charges	0.2	0.2	0.3	1.1	1.1	0.6	0.7
Other Income - Recurring	5.3	5.7	6.6	7.3	5.1	5.2	7.5
Profit before Taxes	**61.6**	**73.5**	**87.5**	**92.9**	**107.2**	**122.1**	**149.3**
Change (%)	3.0	19.4	19.1	6.2	15.4	13.9	22.3
Margin (%)	19.7	21.7	23.2	24.3	23.7	24.4	26.0
Tax	18.7	21.5	27.5	23.9	24.6	31.7	37.6
Deferred Tax	0.4	-1.0	-0.8	1.5	0.8	0.0	0.0
Tax Rate (%)	31.0	27.9	30.5	27.4	23.7	26.0	25.2
Profit after Taxes	**42.5**	**53.0**	**60.8**	**67.4**	**81.8**	**90.3**	**111.7**
Change (%)	1.9	24.7	14.7	10.9	21.3	10.4	23.7
Margin (%)	13.6	15.6	16.1	17.6	18.1	18.1	19.5
Non-rec. (Exp.)/Income	2.4	-0.6	-0.4	-0.1	-2.3	0.0	0.0
Reported PAT	**44.9**	**52.4**	**60.4**	**67.4**	**79.5**	**90.3**	**111.7**

Balance Sheet (INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	2.2	2.2	2.2	2.2	2.4	2.4	2.4
Reserves	62.7	68.6	74.4	78.2	472.0	471.8	471.9
Net Worth	**64.9**	**70.8**	**76.6**	**80.3**	**474.3**	**474.2**	**474.3**
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Employed	**64.9**	**70.8**	**76.6**	**80.3**	**474.3**	**474.2**	**474.3**
Gross Block	65.8	71.8	79.0	95.5	565.4	570.4	575.4
Less: Accum. Depn.	-25.6	-30.4	-35.6	-45.0	-55.1	-65.8	-77.2
Net Fixed Assets incl. Goodwill	**40.2**	**41.4**	**43.4**	**50.6**	**510.3**	**504.6**	**498.1**
Capital WIP	2.0	4.3	3.7	5.1	6.2	6.2	6.2
Investment in Subsidiaries	2.5	2.5	2.5	2.5	3.1	3.1	3.1
Current Investments	35.3	28.6	27.0	12.5	26.9	29.9	33.9
Deferred Charges	1.6	2.6	3.4	2.6	-59.9	-59.9	-59.9
Curr. Assets, L&A	**65.9**	**92.1**	**98.6**	**122.7**	**134.7**	**151.1**	**171.8**
Inventory	23.6	23.6	24.2	26.4	33.8	39.6	44.2
Account Receivables	9.3	11.5	16.7	10.5	16.5	21.3	22.0
Cash and Bank Balance	16.7	33.7	36.9	50.2	43.2	47.8	57.9
Others	16.2	23.3	20.8	35.7	41.2	42.4	47.7
Curr. Liab. and Prov.	**82.6**	**100.7**	**102.1**	**115.7**	**147.0**	**160.9**	**179.0**
Account Payables	60.1	70.1	70.7	74.0	86.3	96.2	111.2
Other Liabilities	13.8	16.4	15.9	25.6	40.3	42.3	44.4
Provisions	8.7	14.2	15.5	16.2	20.4	22.4	23.4
Net Current Assets	**-16.8**	**-8.6**	**-3.4**	**7.0**	**-12.3**	**-9.7**	**-7.2**
Application of Funds	**64.9**	**70.8**	**76.6**	**80.3**	**474.3**	**474.2**	**474.3**

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)							
EPS	**19.6**	**24.5**	**28.1**	**31.2**	**34.8**	**38.4**	**47.5**
Cash EPS	21.5	26.7	30.5	35.6	39.1	43.0	52.4
BV/Share	30.0	32.7	35.4	37.2	201.8	201.8	201.8
DPS	17.0	20.0	22.0	25.0	40.5	38.5	47.5
Payout (%)	97.9	98.9	94.8	96.2	116.3	100.2	99.9
Valuation (x)							
P/E	121.1	97.2	84.7	76.2	68.3	61.9	50.0
Cash P/E	110.8	89.1	78.0	66.9	60.8	55.3	45.4
EV/Sales	16.4	15.1	13.6	13.3	12.2	11.1	9.6
EV/EBITDA	84.8	70.3	59.2	53.0	49.0	43.2	35.9
P/BV	79.3	72.8	67.2	64.0	11.8	11.8	11.8
Dividend Yield (%)	0.7	0.8	0.9	1.1	1.7	1.6	2.0
Return Ratios (%)							
RoE incl. Goodwill	66.5	78.1	82.5	86.0	29.5	19.0	23.6
RoCE incl. Goodwill	96.7	108.6	119.1	119.8	39.0	25.9	31.6
Working Capital Ratios							
Debtor (Days)	10.8	12.3	16.2	10.0	13.3	15.6	14.0
Asset Turnover (x)	4.8	4.8	4.9	4.8	1.0	1.1	1.2
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement **(INR b)**

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(loss) before Tax	61.6	72.9	85.2	90.9	104.9	122.1	149.3
Financial other income	-0.9	-2.8	-0.8	-1.6	0.6	-5.2	-7.5
Depreciation	4.0	4.8	5.2	9.4	10.7	10.7	11.5
Net Interest Paid	-2.4	-2.5	-3.0	-3.9	-2.4	0.6	0.7
Direct Taxes Paid	-18.0	-21.9	-26.9	-24.7	-23.7	-31.7	-37.6
(Incr.)/Decr. in WC	5.4	8.6	-2.6	3.0	-0.6	2.0	7.6
CF from Operations	**49.5**	**59.1**	**57.3**	**73.1**	**89.6**	**98.5**	**124.0**
Other Items	0.5	4.9	4.5	-8.5	11.9	8.4	10.6
(Incr.)/Decr. in FA	-8.5	-8.3	-7.2	-7.0	-39.5	-5.0	-5.0
Free Cash Flow	**41.0**	**50.9**	**50.0**	**66.0**	**50.0**	**93.5**	**119.0**
(Pur.)/Sale of Investments	-9.7	7.8	3.3	22.5	23.9	-3.0	-4.0
CF from Invest.	**-17.8**	**4.4**	**0.5**	**7.0**	**-3.7**	**0.4**	**1.6**
Dividend Paid	-35.6	-39.0	-45.5	-62.4	-88.1	-90.5	-111.6
Others	-7.0	-7.6	-9.2	-4.3	-4.7	-3.8	-3.8
CF from Fin. Activity	**-42.6**	**-46.5**	**-54.6**	**-66.8**	**-92.8**	**-94.3**	**-115.5**
Incr./Decr. in Cash	**-10.9**	**17.0**	**3.2**	**13.3**	**-7.0**	**4.6**	**10.1**
Add: Opening Balance	27.6	16.7	33.7	36.9	50.2	43.2	47.8
Closing Balance	**16.7**	**33.7**	**36.9**	**50.2**	**43.2**	**47.8**	**57.9**

E: MOFSL estimates

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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