

Hindustan Unilever

Estimate changes



TP change



Rating change



	HUVR IN
Bloomberg Equity Shares (m)	2,350
M.Cap.(INRb)/(USD\$b)	5038.1 / 65.8
52-Week Range (INR)	2859 / 1902
1, 6, 12 Rel. Per (%)	11/-3/-26
12M Avg Val (INR M)	4165

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	511.9	566.4	630.1
Sales Gr. (%)	11.3	10.6	11.2
EBITDA	125.0	130.4	149.8
EBITDA mrg. (%)	24.4	23.0	23.8
Adj. PAT	88.5	91.5	105.6
Adj. EPS (INR)	37.7	39.0	44.9
EPS Gr. (%)	8.2	3.4	15.4
BV/Sh.(INR)	207.5	196.8	187.8

Ratios

RoE (%)	18.4	19.3	23.4
RoCE (%)	24.7	26.0	31.5
Payout (%)	90.3	121.9	120.1

Valuations

P/E (x)	56.9	55.0	47.7
P/BV (x)	10.3	10.9	11.4
EV/EBITDA (x)	40.0	38.4	33.5
Div. Yield (%)	1.6	2.2	2.5

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	61.9	61.9	61.9
DII	11.6	10.9	10.7
FII	13.7	14.7	15.0
Others	12.8	12.5	12.5

FII Includes depository receipts

CMP: INR2,144

TP: INR2,500 (+17%)

Buy

Near-term headwinds temper earnings expectations

- While 4QFY22 results were above expectations, management did highlight the likely sequential margin pressures over the next 2-3 quarters. Beat in 4QFY22 was also led by a 220bp decline in ad-spends to sales that may not be a compensating factor going forward. Lower ad-spends to sales helped EBITDA margin surpass our expectations despite lower-than-expected gross margin.
- Two factors that constrained HUVR's earnings growth (ex-GSK) over the past two years were escalating material costs and lower-than-expected premiumization. Both these factors are likely to inhibit the company's 1HFY23E earnings as well.
- Nevertheless, positive factors can emerge from rural recovery fueled by: a) good Rabi crop, b) good monsoon, and c) sustained agri commodity inflation, unless offset by input cost pressures for farmers. We remain positive on the stock based on HUVR's technological edge, nimbleness v/s its FMCG peers and continued impressive market share gains (highest decadal gain witnessed in FY22). **Maintain BUY with a TP of INR2,500.**

Marginal sales beat; lower ad spends boost EBITDA

- HUVR's reported net sales grew 11% YoY to INR134.6b in 4QFY22** (est. INR128.7b). EBITDA grew 9.7% YoY to INR32.5b (est. INR29.9b), PBT rose 9.3% YoY to INR30.7b (est. INR28b), while PAT (bei) was up 8.6% YoY to INR22.8b (est. INR20.4b).
- Underlying volumes were flat in 4QFY22 (est. -4%). FY22 volumes grew 3% YoY.
- Segmental performance: Home care** revenue (35% of total sales in 4QFY22) was up 23.7% YoY, **Personal care** revenue (35% of total sales) rose 3.6% YoY and **Food & Refreshment** business revenue (27% of total sales) grew 5.3% YoY.
- Segmental EBIT: Home care** margin contracted 140bp YoY to 19.8%, **Personal care** margin contracted 130bp YoY to 26.2% while **Food & Refreshment** margin expanded 290bp YoY to 19.3% in 4QFY22.
- Overall gross margin contracted 300bp YoY to 49.5% (est. 50.1%).
- As a percentage of sales, lower operating expenses (-40bp YoY to 11.8%), ad spends (-210bp YoY to 9.6%) and staff cost (-30bp YoY to 4%), led to **EBITDA margin contraction of 30bp YoY only to 24.1%** (est. 23.2%). Absolute ad spends dipped 8.7% YoY to INR12.9b in 4QFY22. For FY22, ad spends remained flat at INR47b.
- EBITDA grew 9.7% YoY to INR32.5b (est. INR29.9b) in 4QFY22.
- FY22 Sales/EBITDA/Adj. PAT grew 11.3%/10.4%/8.2% YoY, respectively.

Highlights from the management commentary

- The company gained both value and volume share in FY22. It recorded the highest YoY market share gain in more than a decade.
- In FY22, INR9b out of the sales growth of ~INR50b came from innovations.
- Management believes that the company may see higher sequential material cost inflation in the next 2-3 quarters. Margins will decline in the short term as price v/s cost gap increases.

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- Management, however, remains confident of outpacing FMCG sales growth and eventually growing margins in a phased manner beyond near-term headwinds.

Valuation and view

- We have kept our EPS forecasts for FY23/FY24 broadly unchanged.
- HUVR's pre-COVID earnings had been extremely strong and it reported ~18% EPS CAGR in the four years ending FY20, before steeper commodity cost inflation (v/s peers) and the over-indexed discretionary portfolio adversely impacted its earnings in FY21 and FY22. The company's pre-COVID earnings growth was particularly impressive given the weak mid-single-digit growth posted by its (much smaller) Staples peers over the same period. We expect HUVR to return to the mid-teens earnings growth range going ahead.
- We also believe that HUVR is the best prepared among peers, both on the technology front as well as on the e-commerce strategy level, to deal with the potentially significant disruptions going forward.
- Given all these factors, HUVR's valuations at 47.7x FY24E EPS still leave room for further upside. We maintain our **BUY** rating on the stock with a TP of INR2,500 (premised on 55x FY24E EPS), implying 17% potential upside.

Quarterly performance (Standalone)

(INR b)

Y/E March	FY21				FY22				FY21	FY22	FY22 4QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Domestic volume growth (%)	4.0	14.0	17.0	31.0	9.0	4.0	2.0	0.0	16.5	3.0	-4.0	
Net sales	105.6	114.4	118.6	121.3	119.2	127.2	130.9	134.6	460.0	511.9	128.7	4.6%
YoY change (%)	4.4	16.1	20.9	34.6	12.8	11.2	10.4	11.0	18.6	11.3	6.1	
Gross Profit	54.7	60.7	64.0	63.8	60.1	65.7	68.2	66.7	243.2	260.7	64.5	
Margin %	51.8	53.0	54.0	52.6	50.4	51.6	52.1	49.5	52.9	50.9	50.1	
EBITDA	26.4	28.7	28.5	29.6	28.5	31.3	32.8	32.5	113.2	125.0	29.9	8.7%
YoY change (%)	-0.1	17.4	16.7	43.2	7.7	9.2	14.9	9.7	18.0	10.4	1.0	
Margins (%)	25.0	25.1	24.1	24.4	23.9	24.6	25.0	24.1	24.6	24.4	23.2	
Depreciation	2.4	2.5	2.7	2.5	2.4	2.7	2.6	2.6	10.1	10.3	2.7	
Interest	0.3	0.3	0.4	0.1	0.1	0.3	0.3	0.4	1.1	1.0	0.1	
Other income	1.6	1.5	1.0	1.1	0.7	1.1	0.9	1.2	5.1	3.9	1.0	
PBT	25.3	27.4	26.4	28.1	26.6	29.5	30.9	30.7	107.2	117.7	28.0	9.7%
Tax	5.3	6.5	6.8	6.8	5.7	7.7	7.8	8.0	25.4	29.2	7.6	
Rate (%)	21.0	23.8	25.6	24.2	21.5	26.0	25.3	26.1	23.7	24.8	27.0	
PAT bei	18.7	20.4	19.5	21.0	19.6	21.9	22.9	22.8	81.8	88.5	20.4	11.7%
YoY change (%)	7.0	11.1	15.4	43.2	4.8	7.5	17.5	8.6	21.3	8.2	-2.8	
Extraordinary Inc/(Exp)	-1.2	-0.8	-0.4	0.1	-0.3	0.0	-0.7	0.6	-2.3	-	0.0	
Reported Profit	18.8	20.1	19.2	21.4	20.6	21.9	22.4	23.3	79.5	88.2	20.4	

Note: Quarterly PAT (bei) is as reported by the company while FY21/FY22 PAT (bei) is adjusted PAT

Key Performance Indicators

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
2Y average growth %								
Volumes	4.5	9.5	11.0	12.0	6.5	9.0	9.5	15.5
Sales	5.5	11.4	11.8	12.6	8.6	13.7	15.7	22.8
EBITDA	8.7	19.2	18.1	16.1	3.8	13.3	15.8	26.5
PAT	9.4	15.7	18.0	17.8	5.9	9.3	16.4	25.9
% sales								
COGS	48.2	47.0	46.0	47.4	49.6	48.4	47.9	50.5
Staff cost	5.6	4.9	4.7	4.3	5.2	4.6	5.0	4.0
Advertising and Promotion	7.5	10.0	11.7	11.6	8.6	9.5	9.1	9.6
Others	13.6	13.1	13.5	12.2	12.8	12.9	13.0	11.8
Depreciation	2.3	2.2	2.3	2.1	2.0	2.1	1.9	1.9
YoY change %								
COGS	9.4	19.8	21.6	38.0	16.1	14.6	14.8	18.0
Staff cost	1.1	0.5	0.1	0.4	-0.4	-0.3	0.3	-0.3
Advertising and Promotion	-3.9	-2.2	-0.2	-1.3	1.0	-0.4	-2.6	-2.1
Others	1.7	0.0	0.7	-1.7	-0.9	-0.2	-0.6	-0.4
Other income	6.1	-16.1	-30.7	-59.0	-57.1	-25.2	-6.2	11.9
EBIT	-1.3	18.8	16.7	49.6	8.4	9.4	17.1	10.2

**Highlights from the management commentary****Key highlights for the year**

- The company gained both value and volume share in FY22. It recorded the highest YoY market share gain in more than a decade.
- It is increasing market share in large packs, mid packs and small packs and across geographies as well as in e-commerce.
- HUVR's 16 brands are now over INR10b in sales and make up 75% of its topline.
- In FY22, INR9b out of the sales growth of ~INR50b came from innovations.
- The company now sells products to 9m stores.
- Distance travelled to get its products has come down by 8% YoY. Three Nano factories make over 100% SKUs.
- Assortments rose 15% YoY v/s pre-COVID levels.
- Gross savings amounted to 7% of turnover in FY22.
- HUVR posted 2x growth in premium portfolio v/s rest of the portfolio in FY22.

Operating environment and outlook

- Raw materials – crude up 60% YoY, palm oil up 60% YoY, plastics up 20% YoY and Soda Ash up 30% YoY.
- 30% of volumes are of INR10 or below and thus grammage reduction method impacts overall volume growth negatively.
- Operating environment remains challenging.
- Management believes that the company may see higher sequential material cost inflation in the next 2-3 quarters. Margins will decline in the short term as price v/s cost gap increases.
- CPI inflation breached the RBI threshold, thereby, affecting household budgets.
- Downtrading is happening to smaller pack products. HUVR is trying to mitigate this to some extent using bridge gaps where gaps exist.
- Food and kitchen items are being prioritized over discretionary products.
- Both value and volume growth in rural and urban areas (in HUVR's category) slowed down sequentially in 4QFY22.

- For rural, even value growth has been declining in HUVR's categories.
- Nevertheless, positive factors can emerge from rural recovery fueled by: a) good Rabi crop, b) good monsoon, and c) sustained agri commodity inflation, unless offset by input cost pressures for farmers.
- Management, however, remains confident of outpacing FMCG sales growth and eventually growing margins in a phased manner beyond near-term headwinds.

Segmental highlights

- Homecare volumes were up mid-single digits for the quarter and both fabric wash and household care sales grew in high-double digits.
- Skin cleansing grew in double digits led by pricing.
- Color cosmetics were adversely impacted by slowdown in discretionary categories and also by the third COVID wave.
- Oral Care had a soft quarter due to a high base.
- Tea had a very high base and yet did well. It has both value and volume leadership now.
- HFD: Market share and penetration growth continue. Current reach is 2x that of pre-acquisition levels. Distribution and manufacturing synergies are yet to be achieved with respect to margins.
- Foods grew in double digits led by ketchups, jams and soups.
- The company has gained share in all key F&B categories.

Technology and new age initiatives

- It is the number one beauty brand on Instagram.
- B2C website witnessed 25m visits annually.
- Beauty products - 30% of sales is from online now.
- Shikhar app reaches 800,000 outlets.
- 20% of HUVR's sales now get digitally captured including Shikhar.
- Samadhan's advanced fulfillment center enables N+1 delivery.
- Simple, Love Beauty & Planet and baby Dove are digital first brands in B2C.

Other points

- Three reasons why other operating income was higher for the quarter:
 - Distribution income on GSK Asia brands
 - Recovery of global data center costs
 - Some initial PLI benefits
- Food business margins improved led by benefits in synergies from GSK HFD business and lower material costs in tea as well as cost saving initiatives.

Sustainability

- The company has become plastic Neutral in CY21.
- HUVR has completely eliminated the use of coal.
- It has achieved 94% reduction in Co2 emission v/s 2008 base line.

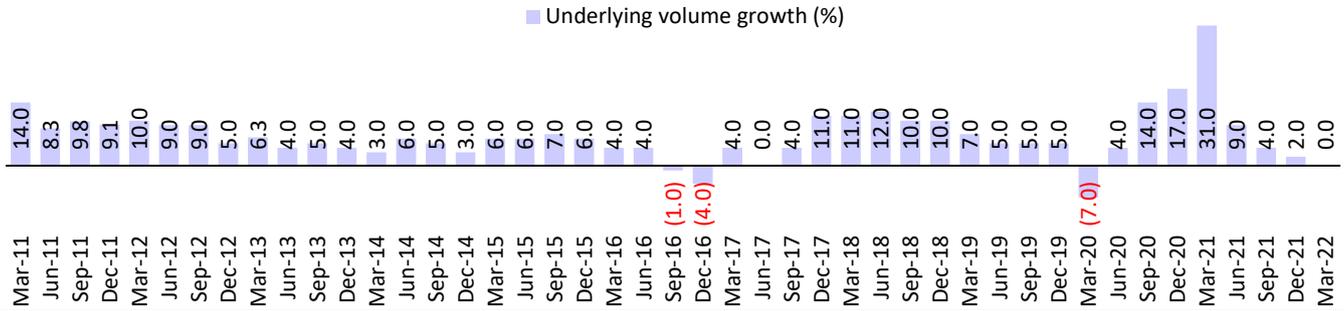
Exhibit 1: Segmental performance

	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Segmental revenue (INR b)									
Home Care	33.5	33.9	33.2	34.1	38.4	38.0	38.4	41.9	47.5
Personal Care	38.0	40.4	45.4	48.4	45.5	45.7	50.0	51.8	47.1
Foods and Refreshments	17.9	29.6	33.8	33.6	35.1	33.2	36.2	34.7	37.0
Others	0.7	1.7	2.1	2.6	2.3	2.3	2.6	2.6	3.0
Net segmental revenue	90.1	105.6	114.4	118.6	121.3	119.2	127.2	130.9	134.6
Growth YoY (%)									
Home Care	-4.3	-2.1	-1.6	-1.4	14.6	11.9	15.7	23.0	23.7
Personal Care	-13.5	-12.0	-0.2	9.7	19.7	13.2	10.3	6.9	3.6
Foods and Refreshments	-6.7	51.7	82.9	79.9	96.4	12.2	7.2	3.3	5.3
Others	-46.3	55.5	130.8	241.3	222.2	32.2	25.7	0.8	30.2
Net segmental revenue	-9.4	4.4	16.1	20.9	34.6	12.8	11.2	10.4	11.0
Saliency (%)									
Home Care	37	32	29	29	32	32	30	32	35
Personal Care	42	38	40	41	37	38	39	40	35
Foods and Refreshments	20	28	30	28	29	28	28	26	27
Others	1	2	2	2	2	2	2	2	2
Total segmental revenue	100								
Segmental results (EBIT) - (INR b)									
Home Care	6.4	6.4	6.8	6.5	8.1	6.6	7.3	8.6	9.4
Personal Care	9.5	11.3	13.3	14.1	12.5	12.9	13.9	14.4	12.4
Foods and Refreshments	2.3	5.8	5.6	4.7	5.8	6.0	6.6	6.5	7.1
Others	0.0	0.5	0.6	0.5	0.7	0.5	0.9	0.7	1.0
Total segmental results	18.1	24.0	26.2	25.8	27.1	26.0	28.7	30.2	29.8
PBT	19.9	24.1	26.6	26.0	28.2	26.3	29.5	30.9	30.7
Growth YoY (%)									
Home Care	2.7	-8.9	13.9	2.7	27.7	3.9	7.4	33.7	15.6
Personal Care	-22.5	-16.5	1.0	12.9	32.5	13.5	4.7	2.0	-1.3
Foods and Refreshments	-35.0	53.6	90.1	41.6	155.6	3.1	18.8	36.6	24.0
Others	100.0	#	#	L/P	#	10.2	54.5	46.0	39.1
Total segmental results	-17.2	-1.5	18.8	16.7	49.6	8.4	9.4	17.1	10.2
Saliency (%)									
Home Care	31.9	26.4	25.5	24.9	28.8	25.1	24.6	28.0	30.6
Personal Care	47.4	47.0	49.9	54.4	44.4	48.9	47.1	46.6	40.3
Foods and Refreshments	11.3	24.1	21.0	18.2	20.4	22.8	22.5	20.9	23.2
Others	0.2	2.0	2.1	1.9	2.4	2.1	2.9	2.4	3.1
Total segmental results	90.9	99.6	98.5	99.5	96.0	98.9	97.1	97.9	97.2
Segmental EBIT margin (%)									
Home Care	19.0	18.8	20.4	18.9	21.1	17.4	19.0	20.6	19.8
Personal Care	24.9	28.1	29.3	29.2	27.5	28.1	27.8	27.8	26.2
Foods and Refreshments	12.6	19.7	16.5	14.1	16.4	18.1	18.3	18.6	19.3
Others	5.6	28.7	26.2	19.5	29.7	23.9	32.2	28.3	31.8
Total	20.1	22.7	22.9	21.8	22.3	21.8	22.5	23.1	22.2
EBIT margin change YoY (bp)									
Home Care	131	-139	278	75	216	-134	-147	166	-138
Personal Care	-291	-152	34	81	266	7	-148	-134	-129
Foods and Refreshments	-547	24	63	-381	379	-160	179	454	290
Others	406	2,684	2,399	2,220	2,419	-476	601	876	205
Total	-190	-136	51	-80	223	-90	-37	133	-16

#an inordinately high number; Source: Company, MOFSL

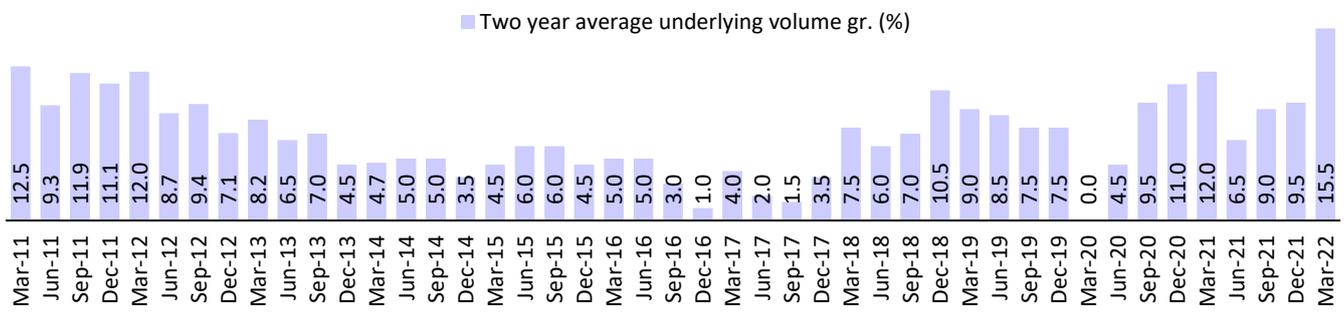
Story in charts

Exhibit 2: Volume was flat YoY



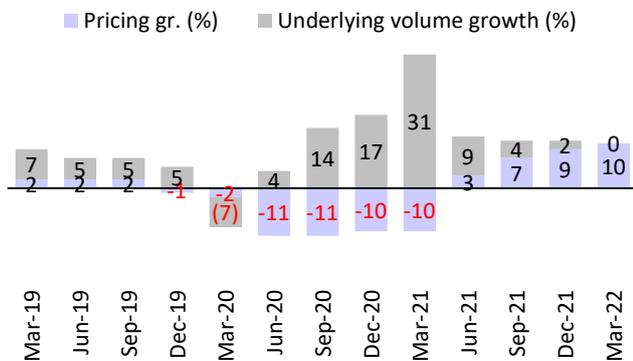
Source: Company, MOFSL

Exhibit 3: On a two-year average basis, underlying volumes rose 15.5% YoY



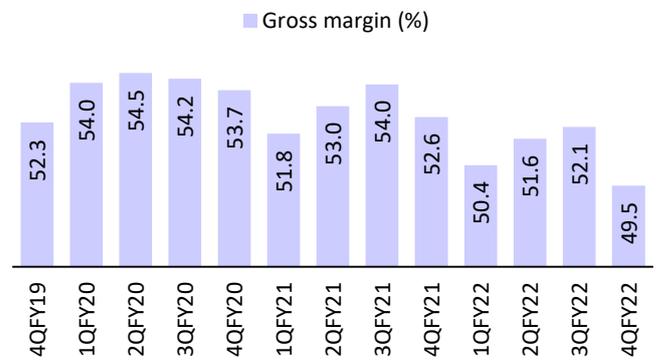
Source: Company, MOFSL

Exhibit 4: Realization up 10% in 4QFY22



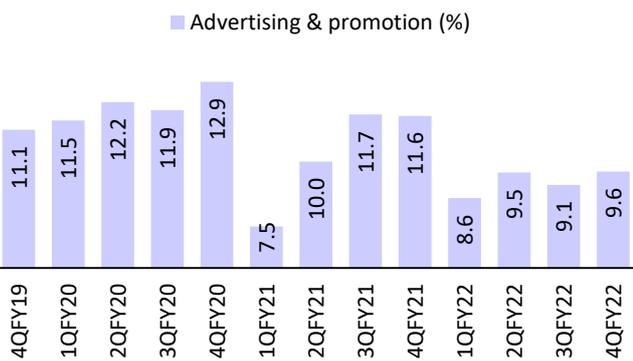
Source: Company, MOFSL

Exhibit 5: Gross margin down 310bp YoY to 49.5%



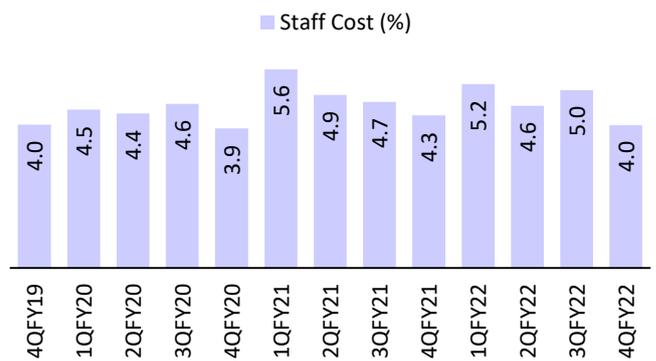
Source: Company, MOFSL

Exhibit 6: A&P spends fell 200bp YoY to 9.6% of sales

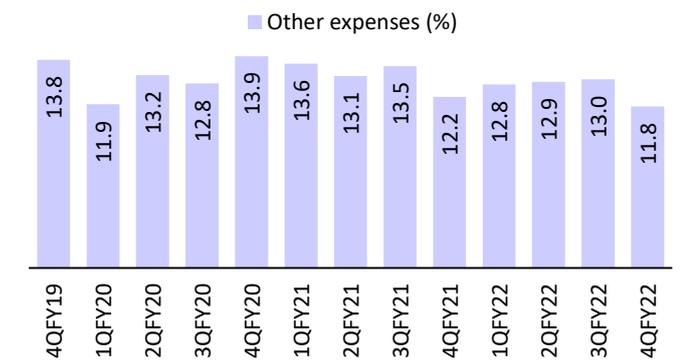


Source: Company, MOFSL

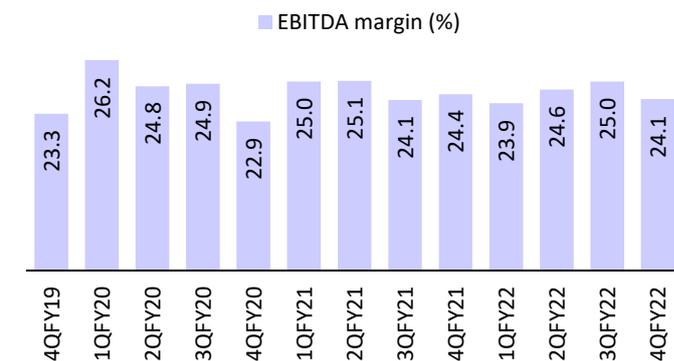
Exhibit 7: Employee expenses fell 30bp YoY to 4%



Source: Company, MOFSL

Exhibit 8: Other expenses dipped 40bp YoY to 11.8%...

Source: Company, MOFSL

Exhibit 9: ...leading to a 30bp contraction in EBITDA margin to 24.1%

Source: Company, MOFSL

Valuation and view

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

- The company's newfound nimbleness in response to raw material costs and competitive stimuli has reinvigorated earnings momentum to strong double-digits over this period. Best-of-breed analytics have further boosted growth.
- The strong execution of its Winning in Many Indias (WiMI) strategy has meant that growth in Central India is 1.5x of base growth. Its execution strategy for herbal products and recent acquisition of GSKCH has been remarkable feats.
- The focus on premiumization, particularly evident in Detergents and Tea, has meant that even these highly penetrated and large categories have grown smartly. In addition to a rigorous focus on cost savings, this 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, HUVR's sales/EBITDA/PAT CAGR stood at a healthy 8.1%/13.3%/12.4%, respectively. Performance over the last five and three years has been even more impressive on the EBITDA and PAT fronts at 13%/13.1% CAGR and 16.7%/16.6% CAGR, respectively, given the weak earnings growth posted by peers in recent years.

Our investment case for HUVR

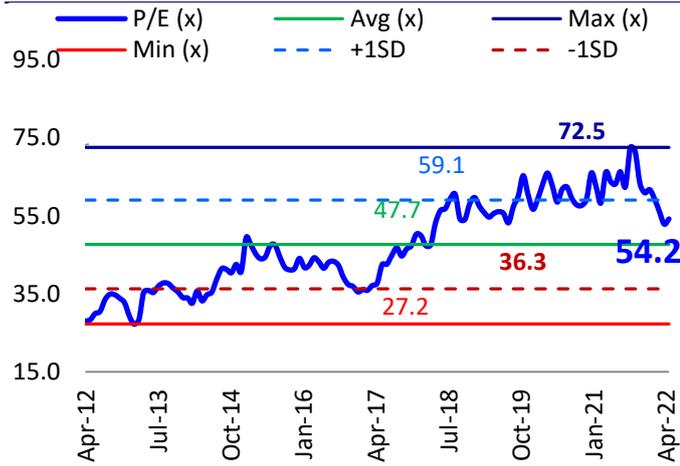
- We have kept our EPS forecasts for FY23/FY24 broadly unchanged.
- HUVR's pre-COVID earnings had been extremely strong and it reported ~18% EPS CAGR in the four years ending FY20, before steeper commodity cost inflation (v/s peers) and the over-indexed discretionary portfolio adversely impacted its earnings in FY21 and FY22. The company's pre-COVID earnings growth was particularly impressive given the weak mid-single-digit growth posted by its (much smaller) Staples peers over the same period. We expect HUVR to return to the mid-teens earnings growth range going ahead.
- We also believe that HUVR is the best prepared among peers, both on the technology front as well as on the e-commerce strategy level, to deal with the potentially significant disruptions going forward.
- Given all these factors, HUVR's valuations at 47.7x FY24E EPS still leave room for further upside. We maintain our **BUY** rating on the stock with a TP of INR2,500 (premised on 55x FY24E EPS), implying 17% potential upside.

Exhibit 10: Model changes led to a 0.6%/-0.6% change in our FY23E/FY24E EPS

(INR b)	New estimate		Old estimate		Change	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	566.4	630.1	561.7	625.7	0.8%	0.7%
EBITDA	130.4	149.8	128.9	149.7	1.1%	0.1%
PAT	91.5	105.6	91.0	106.3	0.6%	-0.6%

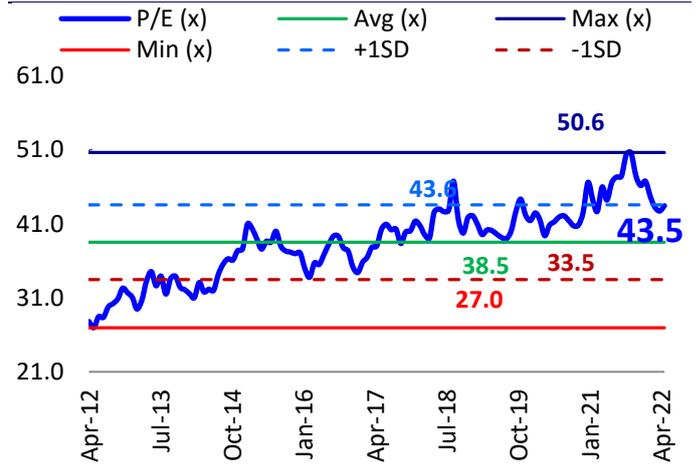
Source: MOFSL

Exhibit 11: P/E (x) for HUVR



Source: Bloomberg, MOFSL

Exhibit 12: P/E (x) for the Consumer sector



Source: Bloomberg, MOFSL

Financials and valuations

Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	313.0	339.3	376.6	382.7	453.1	503.4	557.4	620.7
Other Oper. Income	5.9	6.0	5.6	5.1	6.9	8.6	9.0	9.4
Total Revenue	318.9	345.3	382.2	387.9	460.0	511.9	566.4	630.1
Change (%)	2.7	8.3	10.7	1.5	18.6	11.3	10.6	11.2
COGS	156.9	162.3	179.6	177.9	216.8	251.2	283.1	307.2
Gross Profit	162.1	182.9	202.6	209.9	243.2	260.7	283.3	322.9
Gross Margin (%)	50.8	53.0	53.0	54.1	52.9	50.9	50.0	51.3
Operating Exp.	101.6	110.2	116.3	113.9	130.0	135.7	153.0	173.1
As a percentage of sales	31.9	31.9	30.4	29.4	28.3	26.5	27.0	27.5
EBITDA	60.5	72.8	86.4	96.0	113.2	125.0	130.4	149.8
Change (%)	5.2	20.3	18.7	11.1	18.0	10.4	4.3	14.9
Margin (%)	19.0	21.1	22.6	24.8	24.6	24.4	23.0	23.8
Depreciation	4.0	4.8	5.2	9.4	10.1	10.3	11.5	11.8
Int. and Fin. Charges	0.2	0.2	0.3	1.1	1.1	1.0	1.2	1.4
Other Income - Recurring	5.3	5.7	6.6	7.3	5.1	3.9	4.7	4.6
Profit before Taxes	61.6	73.5	87.5	92.9	107.2	117.7	122.3	141.2
Change (%)	3.0	19.4	19.1	6.2	15.4	9.9	3.9	15.4
Margin (%)	19.7	21.7	23.2	24.3	23.7	23.4	21.9	22.7
Tax	18.7	21.5	27.5	23.9	24.6	27.8	30.8	35.5
Deferred Tax	0.4	-1.0	-0.8	1.5	0.8	1.4	0.0	0.0
Tax Rate (%)	31.0	27.9	30.5	27.4	23.7	24.8	25.2	25.2
Profit after Taxes	42.5	53.0	60.8	67.4	81.8	88.5	91.5	105.6
Change (%)	1.9	24.7	14.7	10.9	21.3	8.2	3.4	15.4
Margin (%)	13.6	15.6	16.1	17.6	18.1	17.6	16.4	17.0
Non-rec. (Exp.)/Income	2.4	-0.6	-0.4	-0.1	-2.3	-0.3	0.0	0.0
Reported PAT	44.9	52.4	60.4	67.4	79.5	88.2	91.5	105.6

Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	2.2	2.2	2.2	2.2	2.4	2.4	2.4	2.4
Reserves	62.7	68.6	74.4	78.2	472.0	485.3	460.2	438.9
Net Worth	64.9	70.8	76.6	80.3	474.3	487.6	462.5	441.3
Loans	0.0	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	487.6	462.5	441.3
Gross Block	65.8	71.8	79.0	95.5	565.4	575.7	582.9	589.9
Less: Accum. Depn.	-25.6	-30.4	-35.6	-45.0	-55.1	-65.4	-76.9	-88.7
Net Fixed Assets incl. Goodwill	40.2	41.4	43.4	50.6	510.3	510.3	506.0	501.1
Capital WIP	2.0	4.3	3.7	5.1	6.2	9.0	9.0	9.0
Investment in Subsidiaries	2.5	2.5	2.5	2.5	3.1	6.1	6.1	6.1
Current Investments	35.3	28.6	27.0	12.5	26.9	35.1	39.1	40.1
Deferred Charges	1.6	2.6	3.4	2.6	-59.9	-61.4	-61.4	-61.4
Curr. Assets, L&A	65.9	92.1	98.6	122.7	134.7	136.8	134.1	133.3
Inventory	23.6	23.6	24.2	26.4	33.8	38.9	42.9	47.7
Account Receivables	9.3	11.5	16.7	10.5	16.5	19.3	21.4	23.8
Cash and Bank Balance	16.7	33.7	36.9	50.2	43.2	36.2	23.5	11.1
Others	16.2	23.3	20.8	35.7	41.2	42.4	46.3	50.7
Curr. Liab. and Prov.	82.6	100.7	102.1	115.7	147.0	148.4	170.4	187.0
Account Payables	60.1	70.1	70.7	74.0	86.3	88.6	107.6	121.1
Other Liabilities	13.8	16.4	15.9	25.6	40.3	40.9	42.9	45.0
Provisions	8.7	14.2	15.5	16.2	20.4	18.9	19.9	20.9
Net Current Assets	-16.8	-8.6	-3.4	7.0	-12.3	-11.6	-36.3	-53.7
Application of Funds	64.9	70.8	76.6	80.3	474.3	487.6	462.5	441.3

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	19.6	24.5	28.1	31.2	34.8	37.7	39.0	44.9
Cash EPS	21.5	26.7	30.5	35.6	39.1	42.0	43.9	50.0
BV/Share	30.0	32.7	35.4	37.2	201.8	207.5	196.8	187.8
DPS	17.0	20.0	22.0	25.0	40.5	34.0	47.5	54.0
Payout (%)	97.9	98.9	94.8	96.2	116.3	90.3	121.9	120.1
Valuation (x)								
P/E	109.2	87.6	76.3	68.7	61.6	56.9	55.0	47.7
Cash P/E	99.9	80.3	70.3	60.3	54.8	51.0	48.9	42.9
EV/Sales	14.8	13.6	12.2	12.0	11.0	9.9	9.0	8.1
EV/EBITDA	76.4	63.3	53.3	47.7	44.1	40.0	38.4	33.5
P/BV	71.5	65.6	60.6	57.7	10.6	10.3	10.9	11.4
Dividend Yield (%)	0.8	0.9	1.0	1.2	1.9	1.6	2.2	2.5
Return Ratios (%)								
RoE incl. Goodwill	66.5	78.1	82.5	86.0	29.5	18.4	19.3	23.4
RoCE incl. Goodwill	96.7	108.6	119.1	119.8	39.0	24.7	26.0	31.5
Working Capital Ratios								
Debtor (Days)	10.8	12.3	16.2	10.0	13.3	14.0	14.0	14.0
Asset Turnover (x)	4.8	4.8	4.9	4.8	1.0	1.0	1.2	1.4
Leverage Ratio								
Debt/Equity (x)	0.0	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	FY22	FY23E	FY24E
OP/(loss) before Tax	61.6	72.9	85.2	90.9	104.9	117.4	122.3	141.2
Other income	-0.9	-2.8	-0.8	-1.6	0.6	-2.0	-4.7	-4.6
Depreciation	4.0	4.8	5.2	9.4	10.7	10.4	11.5	11.8
Net Interest Paid	-2.4	-2.5	-3.0	-3.9	-2.4	-1.1	1.2	1.4
Direct Taxes Paid	-18.0	-21.9	-26.9	-24.7	-23.7	-27.2	-30.8	-35.5
(Incr.)/Decr. in WC	5.4	8.6	-2.6	3.0	-0.6	-7.9	12.1	5.0
CF from Operations	49.5	59.1	57.3	73.1	89.6	89.6	111.6	119.3
Other Items	0.5	4.9	4.5	-8.5	11.9	-1.5	2.4	7.1
(Incr.)/Decr. in FA	-8.5	-8.3	-7.2	-7.0	-39.5	-7.4	-7.2	-7.0
Free Cash Flow	41.0	50.9	50.0	66.0	50.0	82.2	104.4	112.3
(Pur.)/Sale of Investments	-9.7	7.8	3.3	22.5	23.9	-7.9	-4.0	-1.0
CF from Invest.	-17.8	4.4	0.5	7.0	-3.7	-16.8	-8.8	-0.9
Dividend Paid	-35.6	-39.0	-45.5	-62.4	-88.1	-75.2	-111.6	-126.9
Others	-7.0	-7.6	-9.2	-4.3	-4.7	-4.7	-3.9	-3.9
CF from Fin. Activity	-42.6	-46.5	-54.6	-66.8	-92.8	-79.8	-115.5	-130.8
Incr./Decr. in Cash	-10.9	17.0	3.2	13.3	-7.0	-7.0	-12.7	-12.4
Add: Opening Balance	27.6	16.7	33.7	36.9	50.2	43.2	36.2	23.5
Closing Balance	16.7	33.7	36.9	50.2	43.2	36.2	23.5	11.1

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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