

# Godrej Consumer

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	GCPL IN
Equity Shares (m)	1,022
M.Cap.(INRb)/(USDb)	813.3 / 10.5
52-Week Range (INR)	1139 / 660
1, 6, 12 Rel. Per (%)	9/-2/-9
12M Avg Val (INR M)	1316

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	122.8	136.6	151.5
Sales Gr. (%)	11.3	11.2	10.9
EBITDA	25.1	23.8	30.7
EBITDA mrg. (%)	20.5	17.4	20.3
Adj. PAT	18.1	16.7	22.1
Adj. EPS (INR)	17.7	16.3	21.6
EPS Gr. (%)	2.7	-8.1	32.6
BV/Sh.(INR)	113.0	121.4	131.0

## Ratios

RoE (%)	17.3	13.9	17.1
RoCE (%)	17.9	13.6	16.7
Payout (%)	0.0	49.1	55.5

## Valuations

P/E (x)	45.0	49.0	36.9
P/BV (x)	7.1	6.6	6.1
EV/EBITDA (x)	32.7	34.3	26.3
Div. Yield (%)	0.0	1.0	1.5

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	63.2	63.2	63.2
DII	5.9	5.0	3.1
FII	24.2	25.6	26.6
Others	6.7	6.1	7.1

FII Includes depository receipts

**CMP: INR795**
**TP: INR975 (+23%)**
**Buy**

## In line result; efforts underway to boost long-term revenue growth

- GCPL's 4QFY22 results were largely in line. While the management indicated a sequential gross margin pressure in 1QFY23, led by palm oil cost inflation, the repeal of the Indonesian palm oil ban from 23<sup>rd</sup> May'22 is potentially good news for subsequent quarters.
- The new senior management appointees from Unilever are a welcome move. Significant steps appear to have been taken to reduce complexity and SKUs, with the introduction of LUPs in HI and Hair Color to drive category growth.
- After the double-digit sales growth in FY21 and FY22, following a lull in the preceding five years, an incipient turnaround was evident, which will only be boosted in subsequent years by efforts as a part of the [strategic refresh](#) by the new CEO. While RM cost inflation (already part of our forecasts) can affect FY23 EPS, GCPL has the potential to deliver mid-to-high teens earnings growth beyond that. We maintain our **Buy** rating.

## Sales and gross profit in line

- **Consolidated net sales grew 6.8% YoY to INR29.2b** (in line). The two-year sales CAGR was healthy at 16.4%. Gross profit/EBITDA/PBT/adjusted PAT fell 5.3%/9%/13%/5.9% YoY to INR14.4b/INR5.2b/INR4.2b/INR4b (est. in line/INR5.6b/INR5.1b/INR3.8b). Adjusted PAT, as per the company press release, declined by 4% to INR3.6b.
- On a constant currency basis, consolidated sales grew 7% YoY in 4QFY22.
- **Gross margin contracted by 630bp YoY to 49.5% (est. 51%)**. As a percentage of sales, lower ad spends (-60bp YoY to 7%), staff costs (-190bp YoY to 8.6%), and flat other expenses (+10bp YoY to 16.4%), led to a 380bp YoY contraction in EBITDA margin to 17.2% (est. 19.3%).
- Sales/EBITDA/PAT grew 11.3%/5.2%/2.7% YoY in FY22.
- Owing to better capital allocation in recent years, GCPL has already reached a net cash level (excluding lease liabilities) of INR3.7b at the end of FY22.

## Highlights from the management commentary

- The management has guided at double-digit sales growth, with low single-digit volume growth in FY23.
- It expects elevated material costs (palm oil) to have a higher impact in 1QFY23. It sees a gradual improvement in margin in 2HFY22.
- GCPL has introduced several access packs in key categories. The process of SKU rationalization and reduction in complexity, as highlighted during the strategic refresh, is already underway.
- Mr. Rajesh Sethuraman, former VP of Digital Process Transformation at Unilever, was appointed as GCPL's CEO of ASEAN.
- Mr. Vijay Kannan, Global CIO and Digital Officer of Shell, was appointed as GCPL's Head of Business Transformation and Digital. He was previously the IT head at HUVR. Digital first will be a key focus area for GCPL.

**Valuation and view**

- There is no material change to our EPS forecasts. We had already factored in a significant impact of increasing material costs as part of our [commodity cost inflation note](#) in early Mar'22.
- As highlighted in our detailed notes from [Jan'22](#) and [Jul'21](#), GCPL's domestic businesses had demonstrated a track record of strong sales growth in the first of the last decade, before losing their way in the second half.
- Better capital allocation, a moratorium on acquisitions, and improved GAUM performance were already being witnessed before the new CEO joined in Oct'22. Domestic and consolidated sales growth has crossed double-digits in the last two years, far better than the 4.1% sales CAGR between FY16 and FY20.
- With investments by the new CEO focused on boosting growth in the high margin, high RoCE domestic business, its medium-term earnings growth outlook is strong. Valuations at 36.9x FY24E EPS are inexpensive. We maintain our **Buy** rating with a TP of INR975/share (45x FY24E EPS).

**Consolidated quarterly performance**

(INR b)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
<b>Net Sales (including OOI)</b>	<b>23.3</b>	<b>29.2</b>	<b>30.6</b>	<b>27.3</b>	<b>28.9</b>	<b>31.6</b>	<b>33.0</b>	<b>29.2</b>	<b>110.3</b>	<b>122.8</b>	<b>28.9</b>	1.0%
YoY change (%)	-0.9	10.8	10.0	26.8	24.4	8.5	8.1	6.8	11.3	11.3	5.7	
<b>Gross Profit</b>	<b>12.6</b>	<b>16.3</b>	<b>16.8</b>	<b>15.2</b>	<b>15.1</b>	<b>15.8</b>	<b>16.7</b>	<b>14.4</b>	<b>61.0</b>	<b>62.0</b>	<b>14.7</b>	-2.1%
Margin (%)	54.3	56.0	55.1	55.7	52.2	49.8	50.7	49.5	55.3	50.5	51.0	
<b>EBITDA</b>	<b>4.7</b>	<b>6.8</b>	<b>7.1</b>	<b>5.7</b>	<b>6.1</b>	<b>6.8</b>	<b>7.0</b>	<b>5.2</b>	<b>23.9</b>	<b>25.1</b>	<b>5.6</b>	-6.3%
Margin (%)	20.3	23.5	23.3	21.0	21.1	21.5	21.2	17.9	21.7	20.5	19.3	
YoY growth (%)	3.0	18.7	12.6	20.6	29.3	-0.8	-1.7	-9.0	11.4	5.2	-3.0	
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0	2.1	0.6	
Interest	0.5	0.3	0.2	0.2	0.3	0.2	0.3	0.3	1.3	1.1	0.2	
Other Income	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.7	0.9	0.3	
<b>PBT</b>	<b>4.0</b>	<b>6.0</b>	<b>6.4</b>	<b>4.9</b>	<b>5.4</b>	<b>6.1</b>	<b>6.1</b>	<b>4.2</b>	<b>21.2</b>	<b>21.9</b>	<b>5.1</b>	-16.1%
Tax	0.1	1.5	1.4	0.6	1.3	1.3	1.0	0.2	3.6	3.7	1.3	
<b>Adj. PAT</b>	<b>3.8</b>	<b>4.6</b>	<b>5.0</b>	<b>4.3</b>	<b>4.2</b>	<b>4.8</b>	<b>5.1</b>	<b>4.0</b>	<b>17.7</b>	<b>18.1</b>	<b>3.8</b>	6.1%
YoY change (%)	31.4	9.8	10.2	50.8	8.8	4.8	3.7	-5.9	21.9	2.7	-11.4	

E: MOFSL estimate

**Key performance indicators**

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Average growth over the last two-years (%)</b>								
Sales	-3.0	4.8	6.0	7.3	11.7	9.7	9.0	16.8
EBITDA	2.6	12.9	7.5	1.4	16.1	9.0	5.5	5.8
PAT	11.4	13.0	8.9	11.4	20.1	7.3	7.0	22.4
<b>As a percentage of sales</b>								
COGS	45.7	44.0	44.9	44.3	47.8	50.2	49.3	50.5
Other expenditure	34.0	32.5	31.8	34.7	31.0	28.3	29.5	31.5
Depreciation	2.1	1.7	1.6	2.0	1.8	1.6	1.6	1.9
<b>YoY change (%)</b>								
COGS	5.7	12.4	14.2	32.7	30.1	23.7	18.6	21.9
Other expenditure	-10.5	3.9	2.8	23.6	13.7	-5.3	0.3	-3.0
Other income	1.8	-47.5	-36.1	-66.3	-4.0	62.4	49.1	43.4
EBIT	2.9	19.8	13.7	22.9	32.3	-0.8	-2.6	-9.9

**Exhibit 1: Snapshot of 4QFY22 performance as reported by the company**

Growth (%)	Consolidated	India
Net sales	7	9
Net sales (constant currency)	7	-
EBITDA	(9)*	14
Net profit (reported)	(1)	67
Net profit (without exceptional and one-off items)	(4)	39

\*EBITDA adjusted for one time exception of inventory pilferage in South Africa

Source: Company, MOFSL

- Consolidated sales in constant currency terms (CC) grew 7% YoY in 4QFY22.
- As a percentage of sales, lower ad spends (-60bp YoY to 7%), staff costs (-190bp YoY to 8.6%), and flat other expenses (+10bp YoY to 16.4%) led to an EBITDA margin contraction of 380bp YoY to 17.2% (est. 19.3%).

**Standalone performance**

- Net sales (including OOI) grew 9% YoY to INR16.4b in 4QFY22.
- India branded business volumes declined 3% YoY. **Home care** was down 2% YoY with two-year CAGR of 15%. **Personal care** grew 20% YoY with a two-year CAGR of 27%. **Unbranded and export** sales grew 21% YoY with a two-year CAGR of 31%.
- The gross margin contracted 410bp YoY to 51.7%, while the EBITDA margin expanded 100bp YoY to 23.6%.
- EBITDA grew 14% YoY on a standalone basis to INR3.9b.
- Adj. PAT grew 83.6% to INR4.6b on account of a lower effective tax rate.

**International performance**

- Indonesia CC sales declined 16% YoY. Africa, the US, and the Middle East (GAUM) together grew 14% YoY on a CC basis. Others (LatAm, Europe, and SAARC) grew 26% YoY on a CC basis.

**Exhibit 2: Snapshot of sales by geography**

International business	4QFY22		
	Sales (INR m)	Growth (%)	CC growth (%)
India	16,040	9	-
Indonesia	4,010	(15)	(16)
GAUM	7,230	15	14
Others	2,100	19	26
<b>Total net sales</b>	<b>28,940</b>	<b>7</b>	<b>7</b>

Source: Company, MOFSL

**Highlights from conference call****Performance and outlook**

- Management guides for double-digit sales growth with low single-digit volume growth in FY23.
- The outlook for Indonesia is getting better. A revival in sales will take until 2HFY23. Media support has been elevated since Nov'21.
- GCPL gained market share in 85% of its businesses. Nearly the entire portfolio gained share, excluding Ezee, where share is measured vis-à-vis the broader liquid detergent market rather than liquid detergents used for woolen clothes.

**Costs and margins**

- Expect elevated material costs (primarily palm oil) to have a higher impact in 1QFY23. The management expects margins to gradually improve in 2HFY22.
- Africa is expected to witness YoY margin expansion in FY23 despite input cost increases. 100-150bp of annual operating improvements will continue.

**Driving accessibility through smaller packs, new launches**

- The company launched Godrej Expert Rich Crème sachets at INR15 in Apr'22 in addition to the existing INR30 packs to drive accessibility and upgrade powder users.
- Jumbo Fast Card saw a price reduction from INR15 to INR10 in an effort to drive category growth. This is also a part of GCPL's strategy to claw back share from illegal incense sticks (13-14% of the overall HI category in India).
- Good Knight Active plus was also launched at INR80 as a flanker brand in a few markets.
- New launches in HI are expected to be announced soon right before the monsoon season begins in Jun'22.
- Reducing complexity in the product portfolio via SKU reduction is a process that had already begun. The complexity in marketing strategy across markets is also being addressed.

**Exceptional items**

- There was one-off hit to the P&L on account of inventory pilferage in South Africa. The management estimates that this incident had a ~300bp impact on GAUM margins.

**New recruitments**

- Mr. Rajesh Sethuraman, former Vice President of Digital Process Transformation at Unilever was appointed as GCPL's CEO of ASEAN. He is ex-HUVR and Unilever (parent). Mr. Akhil Chandra has left GCPL to pursue other opportunities.
- Mr. Vijay Kannan, Global Chief Information and Digital Officer of Shell's Global Lubricants business, was appointed as GCPL's Head of Business Transformation and Digital. He was previously the IT head at HUVR. Digital first will be a key focus area for GCPL.

## Key exhibits

### Exhibit 3: Segmental quarterly sales growth and EBIT margin

Segment revenue (INR m)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
India	14,997	16,607	18,381	18,174	16,353
Indonesia	4,711	4,115	4,449	4,472	4,016
Africa (including SON)	6,304	6,942	7,485	8,842	7,228
Others	1,787	1,597	1,737	2,002	2,116
Less: Inter-segment eliminations	(492)	(316)	-417	-465	-554
<b>Net Sales from operations</b>	<b>27,307</b>	<b>28,945</b>	<b>31,637</b>	<b>33,026</b>	<b>29,158</b>
Segment revenue growth (%)					
India	34.6	20.3	9.5	7.2	9.0
Indonesia	4.8	1.4	(0.2)	(0.0)	(14.8)
Africa (including SON)	30.2	58.7	14.8	13.5	14.7
Others	31.5	25.5	(4.2)	11.2	18.4
Less: Inter-segment eliminations	67.2	34.2	(3.9)	2.2	12.7
<b>Net Sales from operations</b>	<b>26.8</b>	<b>24.4</b>	<b>8.5</b>	<b>8.1</b>	<b>6.8</b>
Segment EBIT (INR m)					
India	3,277	4,271	4,485	4,543	3,822
Indonesia	1,641	930	1,148	919	854
Africa (including SON)	220	324	462	732	-461
Others	47	214	277	210	191
Less: Inter-segment eliminations	(74)	(38)	(58)	(41)	(32)
<b>Net EBIT from operations</b>	<b>5,111</b>	<b>5,700</b>	<b>6,314</b>	<b>6,362</b>	<b>4,373</b>
Less: Interest	(229)	(273)	(245)	(256)	(328)
Less: Exceptional Items	(638)	(16)	(14)	138	(205)
<b>Total Profit Before Tax</b>	<b>4,244</b>	<b>5,412</b>	<b>6,054</b>	<b>6,244</b>	<b>3,840</b>
Segment EBIT growth (%)					
India	7.0	12.9	(3.6)	(1.9)	16.6
Indonesia	6.3	(5.4)	4.2	(15.2)	(47.9)
Africa (including SON)	81.4	L/P	11.4	1.1	(309.2)
Others	(24.5)	66.6	(16.0)	(0.6)	309.7
<b>Net EBIT from operations</b>	<b>8.2</b>	<b>28.0</b>	<b>(0.7)</b>	<b>(3.5)</b>	<b>(56.6)</b>
<b>Total Profit Before Tax</b>	<b>25.7</b>	<b>32.0</b>	<b>0.2</b>	<b>(2.7)</b>	<b>(9.5)</b>
Segment EBIT mix (%)					
India	64	75	71	71	87
Indonesia	32	16	18	14	20
Africa (including SON)	4	6	7	12	-11
Others	1	4	4	3	4
Less: Inter-segment eliminations	(1)	(1)	(1)	(1)	-1
<b>Net EBIT from operations</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Segment EBIT margin (%)					
India	21.8	25.7	24.4	25.0	23.4
Indonesia	34.8	22.6	25.8	20.5	21.3
Africa (including SON)	3.5	4.7	6.2	8.3	(6.4)
Others	2.6	13.4	15.9	10.5	9.0
<b>Net EBIT margin from operations</b>	<b>18.7</b>	<b>19.7</b>	<b>20.0</b>	<b>19.3</b>	<b>15.0</b>
Segment EBIT margin change (%)					
India	(5.6)	(1.7)	(3.3)	(2.3)	1.5
Indonesia	0.5	(1.6)	1.1	(3.7)	(13.6)
Africa (including SON)	1.0	11.4	(0.2)	(1.0)	(9.9)
Others	(1.9)	3.3	(2.2)	(1.2)	6.4
<b>Overall EBIT change</b>	<b>(3.2)</b>	<b>0.6</b>	<b>(1.9)</b>	<b>(2.3)</b>	<b>(3.7)</b>

Source: Company, MOFSL

## Valuation and view

### What has happened from a business perspective in the last decade?

- In the last decade, the company added a host of businesses in Indonesia, Africa, and LatAm to its relatively small international portfolio. The international business now contributes to nearly half of GCPL's total sales. Most acquisitions have been EPS-accretive since the company's 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 a tale of two halves

- Over the course of the last decade, the company posted a sales/EBITDA/PAT CAGR of 17.1%/18%/15.6%.
- During FY10–15, it posted a strong performance with a 32.3%/27.3%/21.7% CAGR in sales/EBITDA/PAT. This was followed by a weak performance over the next five years (FY15–20) with a much slower sales/EBITDA/PAT CAGR of 3.7%/9.4%/9.8%.
- The sales slowdown in recent years in the domestic business, the continued inability to scale up margins, and weak RoCE in the international business has adversely impacted the pace of earnings growth.

### Valuation and view

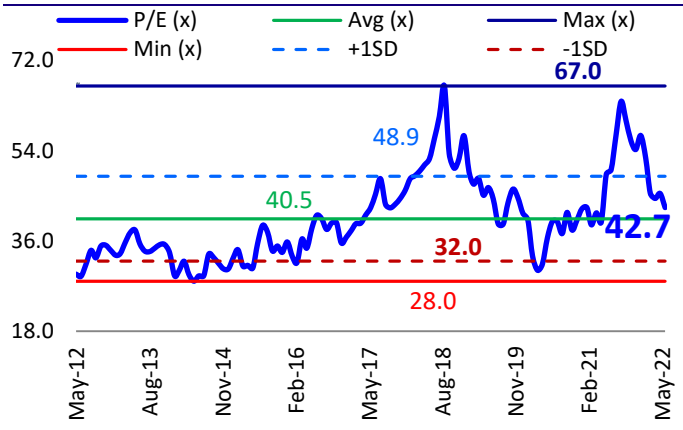
- There is no material change to our EPS forecasts. We had already factored the significant impact of increasing material costs as part of our [commodity cost inflation note](#) in early Mar'22.
- As highlighted in our detailed notes from [Jan'22](#) and [Jul'21](#), GCPL's domestic businesses had demonstrated a track record of strong sales growth in the first of the last decade before losing their way in the second half.
- Better capital allocation, moratorium on acquisitions, and improved GAUM performance were already being witnessed before the new CEO came in in Oct'22. Domestic and consolidated sales growth has crossed double-digits in the last two years, far better than the 4.1% sales CAGR between FY16-FY20.
- With investments by the new CEO focused on boosting growth in the high margin, high RoCE domestic business, earnings growth outlook beyond the near term is strong. Valuations of 36.9x FY24E EPS are inexpensive. We maintain our **BUY** rating with a target price of INR975 (45x FY24E EPS).

### Exhibit 4: Model revisions led to a -3%/-3.2% change in our FY23/FY24 EPS estimate

INR b	Old		New		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	136.6	151.5	136.6	151.5	0.0	0.0
EBITDA	23.8	30.7	23.8	30.7	0.0	0.0
PAT	17.2	22.8	16.7	22.1	-3.0	-3.2

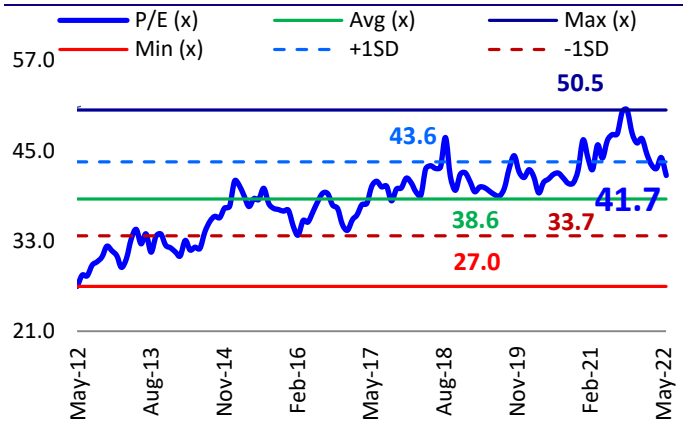
Source: Company, MOFSL

Exhibit 5: P/E ratio (x) for GCPL



Source: Company, MOFSL

Exhibit 6: P/E ratio (x) for the Consumer sector



Source: Company, MOFSL

## Financials and valuations

Income Statement							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>98.5</b>	<b>103.1</b>	<b>99.1</b>	<b>110.3</b>	<b>122.8</b>	<b>136.6</b>	<b>151.5</b>
Change (%)	6.3	4.7	-3.9	11.3	11.3	11.2	10.9
<b>Gross Profit</b>	<b>55.7</b>	<b>58.1</b>	<b>56.5</b>	<b>61.0</b>	<b>62.0</b>	<b>67.6</b>	<b>79.3</b>
Margin (%)	56.6	56.3	57.0	55.3	50.5	49.5	52.4
Total Expenditure	77.8	81.5	77.7	86.4	97.6	112.8	120.8
<b>EBITDA</b>	<b>20.7</b>	<b>21.7</b>	<b>21.4</b>	<b>23.9</b>	<b>25.1</b>	<b>23.8</b>	<b>30.7</b>
Change (%)	8.9	4.9	-1.2	11.4	5.2	-5.4	29.3
Margin (%)	21.0	21.0	21.6	21.7	20.5	17.4	20.3
Depreciation	1.6	1.7	2.0	2.0	2.1	2.3	2.3
Int. and Fin. Charges	1.6	2.2	2.2	1.3	1.1	1.3	1.3
Interest Income	0.7	0.9	0.8	0.4	0.5	0.7	0.7
Other Income-rec.	0.4	0.2	0.4	0.3	0.4	0.4	0.5
<b>PBT</b>	<b>18.6</b>	<b>18.8</b>	<b>18.4</b>	<b>21.2</b>	<b>21.9</b>	<b>21.4</b>	<b>28.3</b>
Change (%)	10.2	1.4	-2.3	15.4	2.8	-2.3	32.6
Margin (%)	18.9	18.3	18.6	19.3	17.8	15.6	18.7
Tax	4.0	4.2	3.8	4.1	4.0	4.5	6.0
Deferred Tax	0.0	0.2	-0.1	0.5	0.3	-0.2	-0.2
Tax Rate (%)	21.8	20.9	21.4	16.9	17.0	21.9	21.9
<b>PAT</b>	<b>14.5</b>	<b>14.9</b>	<b>14.5</b>	<b>17.7</b>	<b>18.1</b>	<b>16.7</b>	<b>22.1</b>
Change (%)	11.2	2.5	-2.9	22.0	2.7	-8.1	32.6
Margin (%)	14.8	14.4	14.6	16.0	14.8	12.2	14.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Group Adjusted PAT</b>	<b>14.4</b>	<b>14.9</b>	<b>14.5</b>	<b>17.7</b>	<b>18.1</b>	<b>16.7</b>	<b>22.1</b>
Non-rec. (Exp.)/Income	1.8	8.5	0.5	-0.4	0.1	0.0	0.0
<b>Reported PAT</b>	<b>16.3</b>	<b>23.4</b>	<b>15.0</b>	<b>17.2</b>	<b>18.2</b>	<b>16.7</b>	<b>22.1</b>

Balance Sheet							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	0.7	1.0	1.0	1.0	1.0	1.0	1.0
Reserves	61.9	71.6	78.0	93.4	114.5	123.1	132.9
Minority Int.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net worth</b>	<b>62.6</b>	<b>72.7</b>	<b>79.0</b>	<b>94.4</b>	<b>115.6</b>	<b>124.1</b>	<b>133.9</b>
Loans	35.1	33.8	35.2	7.6	17.0	16.2	15.4
Deferred Liability	1.9	-4.7	-5.7	-6.4	-6.8	-6.4	-6.4
<b>Capital Employed</b>	<b>99.6</b>	<b>101.8</b>	<b>108.5</b>	<b>95.6</b>	<b>125.8</b>	<b>133.9</b>	<b>142.9</b>
Gross Block	39.6	42.1	45.2	46.3	49.1	52.6	55.8
Less: Accum. Depn.	3.6	4.6	6.3	8.6	10.7	12.9	15.3
<b>Net Fixed Assets</b>	<b>36.0</b>	<b>37.5</b>	<b>38.9</b>	<b>37.7</b>	<b>38.4</b>	<b>39.7</b>	<b>40.6</b>
Capital WIP	0.8	0.5	0.6	0.6	1.2	1.2	1.2
Goodwill	47.2	49.2	53.4	51.3	53.8	53.8	53.8
Non-Curr. Investments	1.4	0.3	0.3	0.2	1.7	1.5	1.4
Current Investments	8.6	4.8	6.4	6.6	8.4	9.3	10.2
<b>Currents Assets</b>	<b>44.7</b>	<b>43.8</b>	<b>43.5</b>	<b>39.6</b>	<b>50.5</b>	<b>60.2</b>	<b>70.9</b>
Inventory	15.8	15.6	17.0	17.2	21.3	21.3	23.7
Account Receivables	12.5	12.9	11.6	10.0	11.2	12.3	13.7
Cash and Bank Balance	9.6	8.9	7.7	6.7	11.1	15.1	20.9
Loans and Advances	6.8	6.3	7.1	5.6	2.1	5.6	5.6
Other Current Assets	0.1	0.1	0.1	0.1	4.9	5.9	7.0
<b>Curr. Liab. and Prov.</b>	<b>39.0</b>	<b>34.4</b>	<b>34.6</b>	<b>40.5</b>	<b>28.2</b>	<b>31.7</b>	<b>35.1</b>
Account Payables	23.5	25.4	24.8	21.6	21.6	26.2	29.1
Other Liabilities	15.3	8.7	9.3	18.3	4.8	5.0	5.5
<b>Net Current Assets</b>	<b>5.6</b>	<b>9.4</b>	<b>8.9</b>	<b>-0.8</b>	<b>22.3</b>	<b>28.5</b>	<b>35.8</b>
<b>Net Assets</b>	<b>99.6</b>	<b>101.8</b>	<b>108.5</b>	<b>95.6</b>	<b>125.8</b>	<b>133.9</b>	<b>142.9</b>

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>14.1</b>	<b>14.6</b>	<b>14.2</b>	<b>17.3</b>	<b>17.7</b>	<b>16.3</b>	<b>21.6</b>
Cash EPS	23.4	16.2	16.1	19.3	19.8	18.5	23.9
BV/Share	91.9	71.1	77.3	92.3	113.0	121.4	131.0
DPS	9.0	12.0	8.0	0.0	0.0	8.0	12.0
Payout (%)	64.0	82.3	56.5	0.0	0.0	49.1	55.5
<b>Valuation (x)</b>							
P/E	56.7	54.7	56.3	46.2	45.0	49.0	36.9
Cash P/E	34.1	49.1	49.6	41.4	40.3	43.1	33.4
EV/Sales	5.8	8.1	8.5	7.4	6.7	6.0	5.3
EV/EBITDA	27.5	38.7	39.3	34.2	32.7	34.3	26.3
P/BV	8.7	11.2	10.3	8.6	7.1	6.6	6.1
Dividend Yield	1.1	1.5	1.0	0.0	0.0	1.0	1.5
<b>Return Ratios (%)</b>							
RoE	24.9	22.0	19.1	20.4	17.3	13.9	17.1
RoCE (Post-tax)	16.2	16.6	15.4	18.3	17.9	13.6	16.7
RoIC	19.3	19.0	16.9	20.7	20.7	16.0	20.5
<b>Working Capital Ratios</b>							
Debtor (Days)	46	46	43	33	33	33	33
Asset Turnover (x)	2.7	2.7	2.5	2.9	3.1	3.3	3.6
<b>Leverage Ratio</b>							
Debt/Equity ratio (x)	0.6	0.5	0.4	0.1	0.1	0.1	0.1

### Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	20.5	20.4	20.6	23.8	23.8	23.2	30.2
Net interest	0.9	1.4	1.4	0.9	0.5	0.6	0.6
Direct Taxes Paid	-4.1	-4.5	-3.6	-4.0	-4.5	-4.5	-6.0
(Inc.)/Dec. in WC	-0.2	0.0	-2.6	-0.5	-5.4	-0.9	-1.5
<b>CF from Operations</b>	<b>17.2</b>	<b>17.3</b>	<b>15.9</b>	<b>20.3</b>	<b>14.5</b>	<b>18.3</b>	<b>23.3</b>
Inc. in FA	-3.1	-2.1	-1.5	-1.6	-2.8	-3.5	-3.3
<b>Free Cash Flow</b>	<b>14.1</b>	<b>15.2</b>	<b>14.4</b>	<b>18.7</b>	<b>11.7</b>	<b>14.8</b>	<b>20.0</b>
Pur. of Investments	0.4	2.9	-2.6	-0.1	-5.5	-0.7	-0.8
Others	-0.2	1.6	0.0	-1.3	1.9	-0.2	0.5
<b>CF from Investments</b>	<b>-2.9</b>	<b>2.4</b>	<b>-4.2</b>	<b>-3.1</b>	<b>-6.4</b>	<b>-4.4</b>	<b>-3.5</b>
Inc. in Debt	0.0	0.0	-1.3	-16.2	-2.2	-0.9	-0.8
Dividend Paid	-6.1	-12.3	-8.2	0.0	0.0	-8.2	-12.3
Interest Paid	-1.6	-2.1	-1.5	-1.6	-1.1	-1.3	-1.3
Other Item	-6.1	-6.0	-2.0	-0.4	-0.5	0.4	0.5
<b>CF from Fin. Activity</b>	<b>-13.8</b>	<b>-20.4</b>	<b>-13.0</b>	<b>-18.2</b>	<b>-3.8</b>	<b>-9.9</b>	<b>-13.9</b>
<b>Inc./Dec. in Cash</b>	<b>0.5</b>	<b>-0.7</b>	<b>-1.2</b>	<b>-1.0</b>	<b>4.4</b>	<b>4.0</b>	<b>5.8</b>
Add: Beginning Balance	9.1	9.6	8.9	7.7	6.7	11.1	15.1
<b>Closing Balance</b>	<b>9.6</b>	<b>8.9</b>	<b>7.7</b>	<b>6.7</b>	<b>11.1</b>	<b>15.1</b>	<b>20.9</b>

E: MOFSL estimates

NOTES

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

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