

Hindustan Unilever

Estimate changes



TP change



Rating change



	HUVR IN
Bloomberg Equity Shares (m)	2,350
M.Cap.(INRb)/(USDb)	5983.1 / 79.4
52-Week Range (INR)	2859 / 2044
1, 6, 12 Rel. Per (%)	-11/-24/-36
12M Avg Val (INR M)	4815

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	460.0	513.3	583.2
Sales Gr. (%)	18.6	11.6	13.6
EBITDA	113.2	127.9	154.6
EBITDA mrg. (%)	24.6	24.9	26.5
Adj. PAT	81.8	90.9	111.6
Adj. EPS (INR)	34.8	38.7	47.5
EPS Gr. (%)	11.5	11.1	22.8
BV/Sh.(INR)	201.8	202.0	202.0
Ratios			
RoE (%)	29.5	19.2	23.5
RoCE (%)	39.0	25.7	31.5
Payout (%)	116.3	99.5	100.0
Valuations			
P/E (x)	73.1	65.8	53.6
P/BV (x)	12.6	12.6	12.6
EV/EBITDA (x)	52.4	46.4	38.3
Div. Yield (%)	1.6	1.5	1.9

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: INR2,546
TP: INR3,200 (+26%)
Buy

In-line results; mix improvement on track

- Hindustan Unilever (HUVR)'s 2QFY22 results were in line with our estimates. While domestic volume growth was weaker than expected at 4% for the quarter, strong realization growth actually led to a small beat on sales.
- While commodity costs remain elevated, we believe mix improvement would lead to continued sequential margin improvement. HUVR's share of the Discretionary and Out-of-Home (OOH) portfolios (~15% of sales) is higher v/s peers. Moreover, these businesses have much higher margins than the rest of the portfolio. As a result, the earnings growth outlook from 2HFY22 is incrementally better v/s peers.
- We maintain our **BUY** rating on the stock.

Performance in line with estimates

- **Reported net sales grew 11.2% YoY to INR127.2b in 2QFY22** (est. INR125.9b). EBITDA/PBT/PAT (bei) increased 9.2%/7.7%/7.5% YoY to INR31.3b/INR29.5b/INR21.9b (est. INR31.1b/INR29.5b/INR21.8b).
- Sales in the domestic Consumer business grew 11% YoY, with underlying volume growth of 4% (est. 6%).
- **Segmental performance: Home Care** (30% of total sales for 2QFY22) revenues were up 15.7% YoY. **Personal Care sales** (39% of total sales) were up 10.3% YoY. **Foods & Refreshments** business sales (28% of total sales) were up 7.2% YoY.
- **Segmental EBIT margin: Home Care** margins contracted 150bp YoY to 19%. **Personal Care** margins contracted 150bp YoY to 27.8%. **Foods & Refreshments** margins expanded 180bp YoY to 18.3%.
- The overall gross margin contracted 140bp YoY to 51.6% in 2QFY22.
- As a percentage of sales, lower operating expenses (-20bp YoY to 12.9%), ad spends (-40bp YoY to 9.5%), and staff costs (-30bp YoY to 4.6%) led to EBITDA margin contraction of 50bp YoY to 24.6% (in-line).
- 1HFY22 sales/EBITDA/PAT (bei) grew 12%/8.5%/6.2% YoY.
- Cash and cash equivalents (incl. investments) stood at INR63.8b as of Sep'21, up 20.3% YoY and down 8.9% v/s Mar'21.
- The company has declared an interim dividend of INR15 per share for FY22.

Highlights from management commentary

- Like-to-like volume growth is improving sequentially. 1QFY22 was up 9% on an 8% decline (ex-GSKCH), and 2QFY22 volume growth was 4% on a 1% base.
- Discretionary, which reported just a 2% decline v/s 2QFY20 levels, is nearly back at pre-COVID levels. OOH is well ahead of 2QFY20 levels. Discretionary/OOH saw 24%/40% decline in 1QFY22 v/s 1QFY20 levels.
- Health Food Drinks (HFD) volumes grew in the double digits. Sachets (INR2 sachets now launched across South India) and access packs are doing very well. The benefits of higher penetration would be seen over the longer term.

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

- GSK Consumer Healthcare (GSKCH)'s cost synergies as well as cash generation are ahead of expectations. Moreover, double-digit volume growth offers promise for top-line growth, which was delayed by the COVID impact on market development plans.

Valuation and view

- There is no material change in our forecasts following in-line results. The lower-than-expected volumes are likely to be mitigated by the ongoing mix improvement trend and higher-than-expected realization growth.
- HUVR's earnings have underperformed peers' earnings in recent quarters owing to (a) a higher proportion of the Discretionary/OOH portfolio at 15–20% of sales and (b) steep commodity cost inflation in its three largest categories – Soaps, Detergents, and Tea. With the gradual unlocking, HUVR stands to be the biggest beneficiary of urban recovery v/s staples peers. With mix improvement and price increases, incremental concerns on commodity costs also appear to be lower than before. Thus, the earnings outlook is likely to be better v/s staples peers going ahead.
- The company's earnings growth has gained further impetus in recent years (before COVID-19 affected FY21) – it reported a ~18% EPS CAGR in the four years ended FY20. This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years.
- We maintain a **Buy** rating, with TP of INR3,200 (60x Dec'23E EPS).

Quarterly performance (Standalone)

(INR b)

Y/E March	FY21				FY21				FY21	FY22E	FY22 2QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Domestic volume growth (%)	4.0	14.0	17.0	31.0	9.0	4.0	4.0	6.0	16.5	5.8	6.0	
Net sales	105.6	114.4	118.6	121.3	119.2	127.2	131.1	135.8	460.0	513.3	125.9	1.1
<i>YoY change (%)</i>	4.4	16.1	20.9	34.6	12.8	11.2	10.5	12.0	18.6	11.6	10.0	
Gross Profit	54.7	60.7	64.0	63.8	60.1	65.7	69.6	73.5	243.2	268.9	66.4	
<i>Margin %</i>	51.8	53.0	54.0	52.6	50.4	51.6	53.1	54.1	52.9	52.4	52.7	
EBITDA	26.4	28.7	28.5	29.6	28.5	31.3	33.1	35.1	113.2	127.9	31.1	0.6
<i>YoY change (%)</i>	-0.1	17.4	16.7	43.2	7.7	9.2	15.8	18.6	18.0	12.9	8.5	
<i>Margins (%)</i>	25.0	25.1	24.1	24.4	23.9	24.6	25.2	25.8	24.6	24.9	24.7	
Depreciation	2.4	2.5	2.7	2.5	2.4	2.7	2.8	2.9	10.1	10.8	2.6	
Interest	0.3	0.3	0.4	0.1	0.1	0.3	0.2	0.1	1.1	0.7	0.1	
Other income	1.6	1.5	1.0	1.1	0.7	1.1	1.5	1.6	5.1	4.9	1.1	
PBT	25.3	27.4	26.4	28.1	26.6	29.5	31.6	33.5	107.2	121.2	29.5	0.2
Tax	5.3	6.5	6.8	6.8	5.7	7.7	8.2	8.7	25.4	30.3	7.7	
<i>Rate (%)</i>	21.0	23.8	25.6	24.2	21.5	26.0	26.0	26.0	23.7	25.0	26.0	
PAT bei	18.7	20.4	19.5	21.0	19.6	21.9	23.4	25.1	81.8	90.9	21.8	0.2
<i>YoY change (%)</i>	7.0	11.1	15.4	43.2	4.8	7.5	19.7	28.6	21.3	11.1	7.2	
Reported Profit	18.8	20.1	19.2	21.4	20.6	21.9	23.4	25.1	79.5	90.9	21.8	

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	2Q	3QE	4QE
2Y average growth %								
Volumes	4.5	9.5	11.0	12.0	6.5	9.0	10.5	18.5
Sales	5.5	11.4	11.8	12.6	8.6	13.7	15.7	23.3
EBITDA	8.7	19.2	18.1	16.1	3.8	13.3	16.3	30.9
PAT	9.4	15.7	18.0	17.8	5.9	9.3	17.5	35.9
% sales								
COGS	48.2	47.0	46.0	47.4	49.6	48.4	46.9	45.9
Staff cost	5.6	4.9	4.7	4.3	5.2	4.6	4.6	5.1
Advertising and Promotion	7.5	10.0	11.7	11.6	8.6	9.5	10.8	13.0
Others	13.6	13.1	13.5	12.2	12.8	12.9	12.5	10.3
Depreciation	2.3	2.2	2.3	2.1	2.0	2.1	2.2	2.2
YoY change %								
COGS	9.4	19.8	21.6	38.0	16.1	14.6	12.5	8.3
Staff cost	1.1	0.5	0.1	0.4	-0.4	-0.3	-0.1	0.8
Advertising and Promotion	-3.9	-2.2	-0.2	-1.3	1.0	-0.4	-0.9	1.3
Others	1.7	0.0	0.7	-1.7	-0.9	-0.2	-1.0	-2.0
Other income	6.1	-16.1	-30.7	-59.0	-57.1	-25.2	55.0	44.4
EBIT	-1.3	18.8	16.7	49.6	8.4	9.4	17.1	18.6

E: MOFSL Estimates

Exhibit 1: Segmental performance

	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Segment Revenue (INR b)								
Home Care	34.6	33.5	33.9	33.2	34.1	38.4	38.0	38.4
Personal Care	44.1	38.0	40.4	45.4	48.4	45.5	45.7	50.0
Foods and Refreshments	18.7	17.9	29.6	33.8	33.6	35.1	33.2	36.2
Others	0.8	0.7	1.7	2.1	2.6	2.3	2.3	2.6
Net Segment Revenue	98.1	90.1	105.6	114.4	118.6	121.3	119.2	127.2
Growth YoY (%)								
Home Care	9.8	-4.3	-2.1	-1.6	-1.4	14.6	11.9	15.7
Personal Care	-2.8	-13.5	-12.0	-0.2	9.7	19.7	13.2	10.3
Foods and Refreshments	7.9	-6.7	51.7	82.9	79.9	96.4	12.2	7.2
Others	-47.6	-46.3	55.5	130.8	241.3	222.2	32.2	25.7
Net Segment Revenue	2.6	-9.4	4.4	16.1	20.9	34.6	12.8	11.2
Saliency (%)								
Home Care	35	37	32	29	29	32	32	30
Personal Care	45	42	38	40	41	37	38	39
Foods and Refreshments	19	20	28	30	28	29	28	28
Others	1	1	2	2	2	2	2	2
Total Segment Revenue	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR b)								
Home Care	6.3	6.4	6.4	6.8	6.5	8.1	6.6	7.3
Personal Care	12.5	9.5	11.3	13.3	14.1	12.5	12.9	13.9
Foods and Refreshments	3.3	2.3	5.8	5.6	4.7	5.8	6.0	6.6
Others	0.0	0.0	0.5	0.6	0.5	0.7	0.5	0.9
Total Segment Results	22.1	18.1	24.0	26.2	25.8	27.1	26.0	28.7
PBT	22.3	19.9	24.1	26.6	26.0	28.2	26.3	29.5
Growth YoY (%)								
Home Care	41.0	2.7	-8.9	13.9	2.7	27.7	3.9	7.4
Personal Care	7.5	-22.5	-16.5	1.0	12.9	32.5	13.5	4.7
Foods and Refreshments	28.0	-35.0	53.6	90.1	41.6	155.6	3.1	18.8
Others	-33.3	100.0	#	#	L/P	#	10.2	54.5
Total Segment Results	18.4	-17.2	-1.5	18.8	16.7	49.6	8.4	9.4
Saliency (%)								
Home Care	28.2	31.9	26.4	25.5	24.9	28.8	25.1	24.6
Personal Care	56.2	47.4	47.0	49.9	54.4	44.4	48.9	47.1
Foods and Refreshments	15.0	11.3	24.1	21.0	18.2	20.4	22.8	22.5
Others	-0.1	0.2	2.0	2.1	1.9	2.4	2.1	2.9
Total segment results	99.3	90.9	99.6	98.5	99.5	96.0	98.9	97.1
PBT	100	100	100	100	100	100	100	100
Segmental EBIT margin (%)								
Home Care	18.2	19.0	18.8	20.4	18.9	21.1	17.4	19.0
Personal Care	28.4	24.9	28.1	29.3	29.2	27.5	28.1	27.8
Foods and Refreshments	17.9	12.6	19.7	16.5	14.1	16.4	18.1	18.3
Others	-2.7	5.6	28.7	26.2	19.5	29.7	23.9	32.2
Total	22.6	20.1	22.7	22.9	21.8	22.3	21.8	22.5
EBIT margin change YoY (bp)								
Home Care	403	131	-139	278	75	216	-134	-147
Personal Care	271	-291	-152	34	81	266	7	-148
Foods and Refreshments	280	-547	24	63	-381	379	-160	179
Others	-57	406	2,684	2,399	2,220	2,419	-476	601
Total	301	-190	-136	51	-80	223	-90	-37

#an inordinately high number; Source: Company, MOFSL



Highlights from management commentary

Operating environment

- The demand environment improved sequentially, especially given the significantly lower COVID cases.
- Mobility stood at ~85% of pre-COVID levels as of end-Sep'21.
- **Challenges** – Nielsen data shows some demand moderation in rural in Aug and Sep'21. Urban is likely to do well.
- HUVR did well on the rural front in the Sep'21 quarter, with no material downtrading observed.
- The management believes its 2QFY22 performance, especially the 11% sales growth, was robust given the environment.
- Like-to-like volume growth is improving sequentially. 1QFY22 was up 9% on an 8% decline (ex GSKCH), and 2QFY22 volume growth was 4% on a 1% base.
- The management remains cautiously optimistic.
- Over 75% of HUVR's categories saw market share and penetration gains.

Costs and margins

- Tea prices have softened, but remain higher v/s 2019 levels. Crude and palm oil costs remain high.
- Global freight rates have also gone up significantly.
- The sequential EBITDA margin improvement of 70bp was noteworthy as it translated to just 50bp YoY EBITDA margin contraction.
- High RMs may continue to pressure gross margins. HUVR aims to partially offset this through cost savings and a better sales mix.
- The mix is improving significantly.

E-commerce and tech initiatives

- The e-commerce portfolio is growing sharply with digitally native customers.
- Four beauty brands now have direct-to-customer (D2C) portals. The Lakmé portal sees 2m monthly visitors, with 30% of the brand's e-commerce sales coming from its own portal.
- E-commerce and D2C now account for over 10% of sales.
- The digital demand capture now stands at 15% (v/s 10% in Jun'21). The Shikhar app is now available at 650,000 outlets.

Nutrition (GSKCH) update

- Double-digit volume growth is seen in HFD. Sachets (INR2 sachets now launched across South India) and access packs are doing very well. The benefits of higher penetration would be observed over the longer term.
- Horlicks launched the Diabetes Plus product.
- **Nutrition** – HUVR undertook 5m consumer connects in geographies where it has a lower penetration.
- 85% of the Nutrition business is now integrated (v/s 50% in Jun'21). The effective coverage levels are 1.9x pre-integration levels.
- GSKCH's cost synergies and cash generation are ahead of expectations. Moreover, double-digit volume growth offers the promise of top-line growth, which was delayed by the COVID impact on market development plans.

Key segments and brands

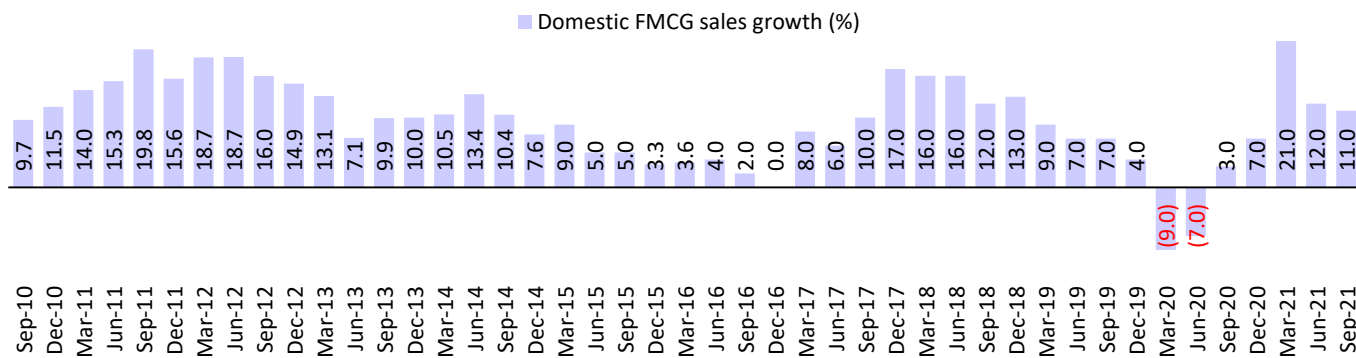
- On a two-year basis, all segments have accelerated v/s 1QFY22 levels.
- Foods grew 7% despite high-teen growth in the base. Tea performed very well. Coffee grew in the mid-single digits.
- Discretionary, at just 2% decline v/s 2QFY20 levels, is nearly back at pre-COVID levels. OOH is well ahead of 2QFY20 levels. Discretionary/OOH saw 24%/40% decline in 1QFY22 v/s 1QFY20 levels.
- Vim grew in the double digits.
- Fabric Wash achieved high teens growth, albeit on a low base, and premiumization has also been healthy.
- Soaps continued to do well YoY as well as sequentially.
- Demand for Hand Hygiene remains higher v/s pre-COVID levels.
- Skin Care is doing well, as is Colour Cosmetics.
- Close-up continued to do well. Pepsodent has been relaunched with a new-and-improved formula.

Other points

- The effective tax rate for FY22 is likely to be ~25%.
- The company has declared an interim dividend of INR15 per share for FY22.

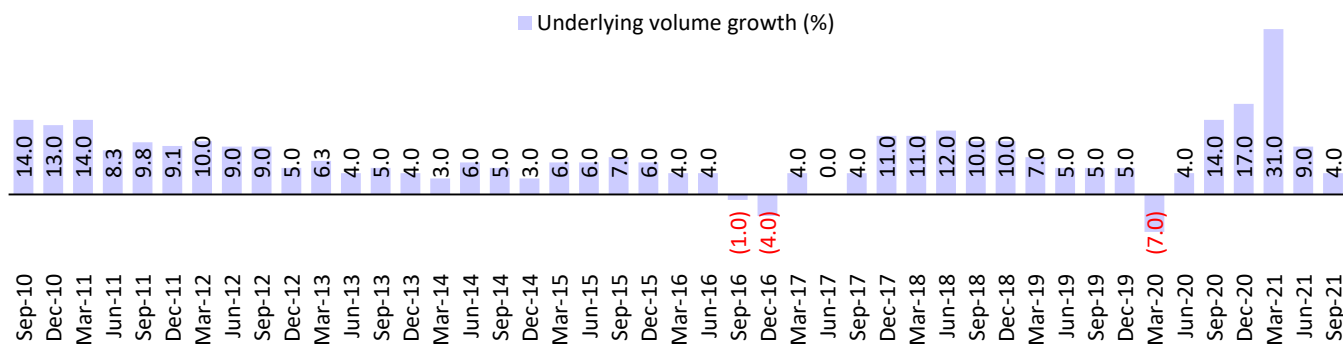
Key exhibits

Exhibit 2: Domestic sales up 11% in 2QFY22...



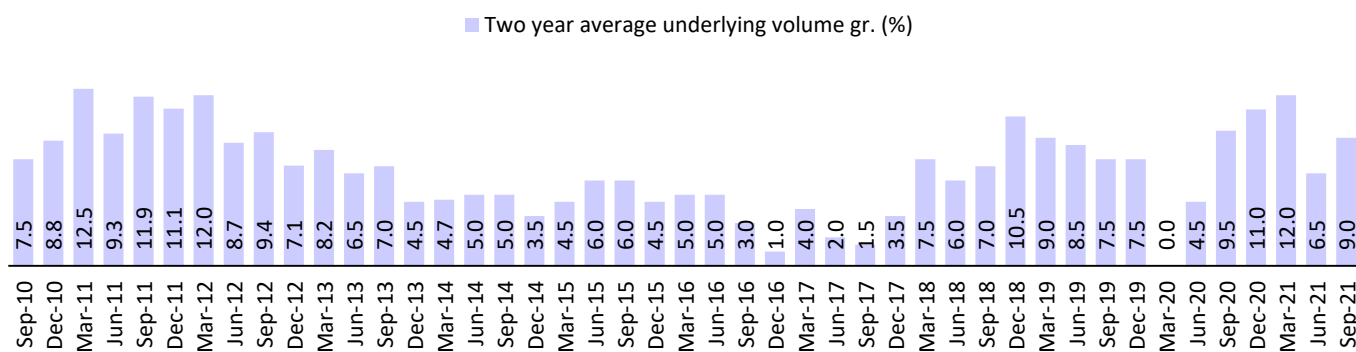
Source: Company, MOFSL

Exhibit 3: ...led by underlying volume growth of 4% YoY



Source: Company, MOFSL

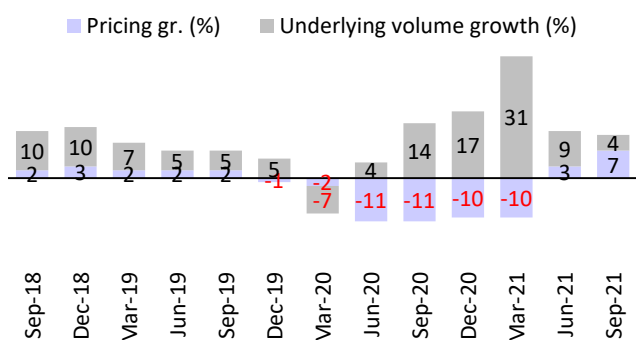
Exhibit 4: On two-year average basis, underlying volumes up 9%



Source: Company, MOFSL

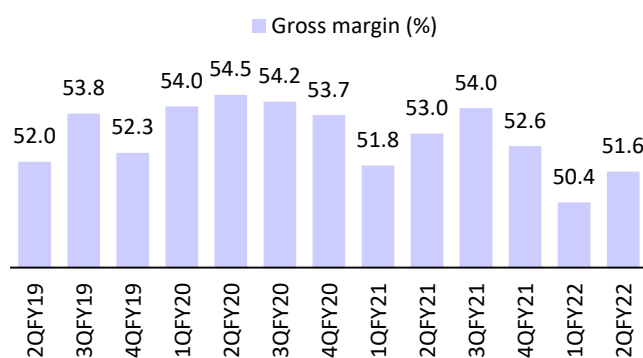
- **As a percentage of sales**, lower operating expenses (-20bp YoY to 12.9%), ad spends (-40bp YoY to 9.5%), and staff costs (-30bp YoY to 4.6%) led to EBITDA margin contraction of 50bp YoY to 24.6%.

Exhibit 5: Realization up 7% in 2QFY22



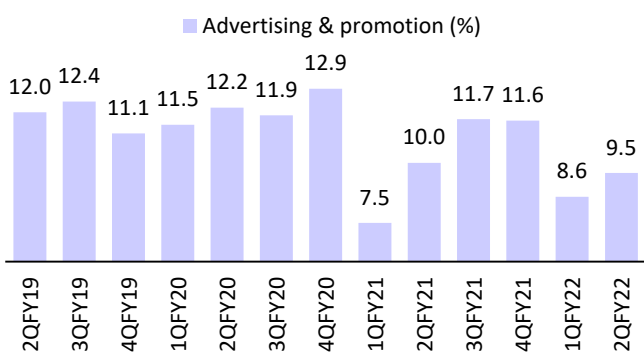
Source: Company, MOFSL

Exhibit 6: Gross margin down 140bp YoY to 51.6%



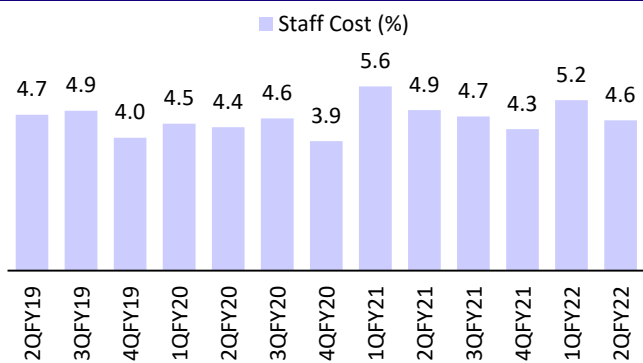
Source: Company, MOFSL

Exhibit 7: A&P spends fall 40bp YoY to 9.5% of sales



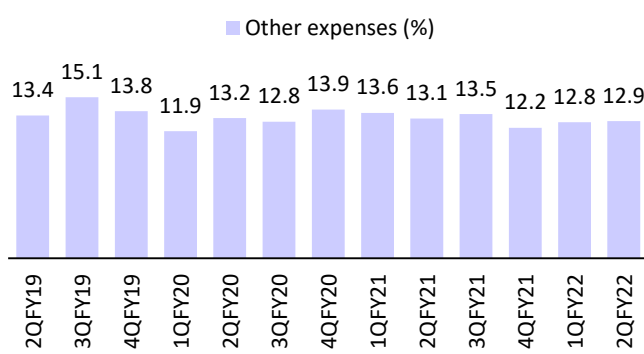
Source: Company, MOFSL

Exhibit 8: Employee expenses decline 30bp YoY to 4.6%



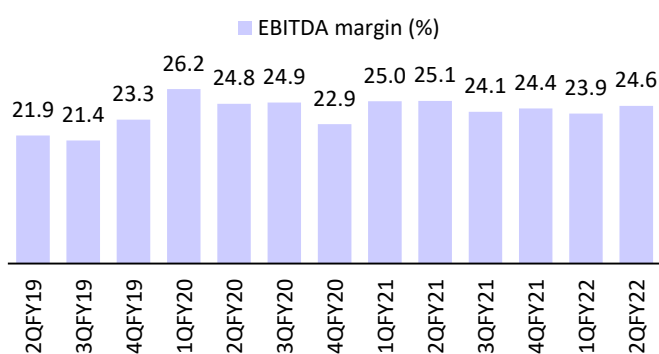
Source: Company, MOFSL

Exhibit 9: Other expenses down 20bp YoY to 12.9%...



Source: Company, MOFSL

Exhibit 10: ...leading to 50bp YoY contraction in EBITDA margin to 24.6%



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 the earnings momentum to the 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 the base growth. The execution strategy for herbal products and the recent acquisition of GSKCH have also 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%. Performance over the last five and three years has been even more impressive on the EBITDA and PAT fronts – 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

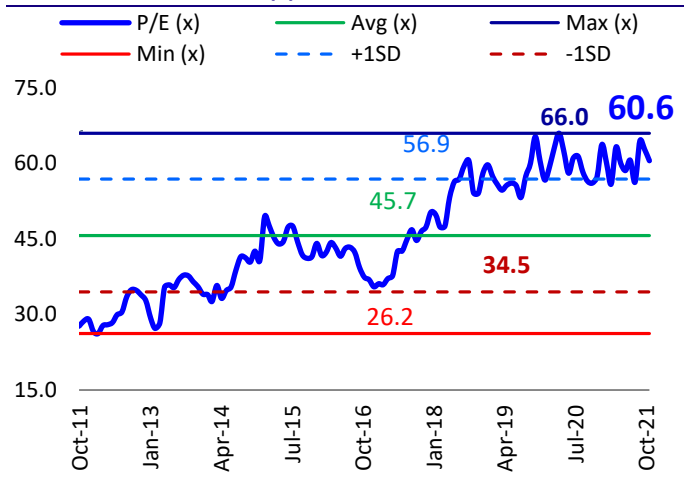
- There is no material change in our forecasts following in-line results. The lower-than-expected volumes are likely to be mitigated by the ongoing mix improvement trend and higher-than-expected realization growth.
- HUVR's earnings have underperformed peers' earnings in recent quarters owing to (a) a higher proportion of the Discretionary/OOH portfolio at 15–20% of sales and (b) steep commodity cost inflation in its three largest categories – Soaps, Detergents, and Tea. With the gradual unlocking, HUVR stands to be the biggest beneficiary of urban recovery v/s staples peers. With mix improvement and price increases, incremental concerns on commodity costs also appear to be lower than before. Thus, the earnings outlook is likely to be better v/s staples peers going ahead.
- The company's earnings growth has gained further impetus in recent years (before COVID-19 affected FY21) – it reported a ~18% EPS CAGR in the four years ended FY20. This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years.
- We maintain a **Buy** rating, with TP of INR3,200 (60x Dec'23E EPS).

Exhibit 11: Model changes lead to 0.7%/-0.1% change in our FY22E/FY23E EPS estimate

(INR b)	New		Old		Change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Sales	513.3	583.2	507.4	581.5	1.2%	0.3%
EBITDA	127.9	154.6	128.2	153.9	-0.2%	0.4%
PAT	90.9	111.6	90.3	111.7	0.7%	-0.1%

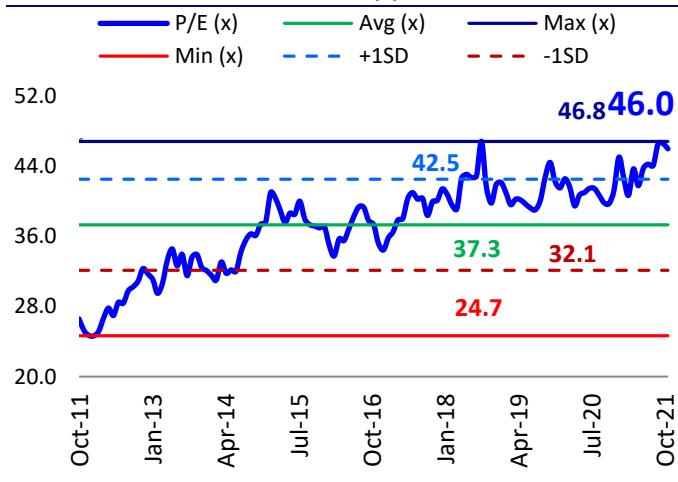
Source: MOFSL

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	506.1	575.7
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	513.3	583.2
Change (%)	2.7	8.3	10.7	1.5	18.6	11.6	13.6
COGS	156.9	162.3	179.6	177.9	216.8	244.4	271.4
Gross Profit	162.1	182.9	202.6	209.9	243.2	268.9	311.8
Gross Margin (%)	50.8	53.0	53.0	54.1	52.9	52.4	53.5
Operating Exp	101.6	110.2	116.3	113.9	130.0	141.0	157.2
% of sales	31.9	31.9	30.4	29.4	28.3	27.5	27.0
EBITDA	60.5	72.8	86.4	96.0	113.2	127.9	154.6
Change (%)	5.2	20.3	18.7	11.1	18.0	12.9	20.8
Margin (%)	19.0	21.1	22.6	24.8	24.6	24.9	26.5
Depreciation	4.0	4.8	5.2	9.4	10.1	10.8	11.5
Int. and Fin. Charges	0.2	0.2	0.3	1.1	1.1	0.7	0.4
Other Income - Recurring	5.3	5.7	6.6	7.3	5.1	4.9	6.5
Profit before Taxes	61.6	73.5	87.5	92.9	107.2	121.2	149.2
Change (%)	3.0	19.4	19.1	6.2	15.4	13.1	23.0
Margin (%)	19.7	21.7	23.2	24.3	23.7	24.0	25.9
Tax	18.7	21.5	27.5	23.9	24.6	30.3	37.5
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	25.0	25.2
Profit after Taxes	42.5	53.0	60.8	67.4	81.8	90.9	111.6
Change (%)	1.9	24.7	14.7	10.9	21.3	11.1	22.8
Margin (%)	13.6	15.6	16.1	17.6	18.1	18.0	19.4
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	90.9	111.6

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	472.4	472.4
Net Worth	64.9	70.8	76.6	80.3	474.3	474.8	474.8
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	474.8	474.8
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	-66.0	-77.4
Net Fixed Assets incl Goodwill	40.2	41.4	43.4	50.6	510.3	504.4	498.0
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	154.2	172.9
Inventory	23.6	23.6	24.2	26.4	33.8	40.1	44.3
Account Receivables	9.3	11.5	16.7	10.5	16.5	21.6	22.1
Cash and Bank Balance	16.7	33.7	36.9	50.2	43.2	50.2	58.8
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	163.2	179.4
Account Payables	60.1	70.1	70.7	74.0	86.3	98.5	111.6
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	-9.0	-6.5
Application of Funds	64.9	70.8	76.6	80.3	474.3	474.8	474.8

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	38.7	47.5
Cash EPS	21.5	26.7	30.5	35.6	39.1	43.3	52.4
BV/Share	30.0	32.7	35.4	37.2	201.8	202.0	202.0
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	99.5	100.0
Valuation (x)							
P/E	129.7	104.0	90.7	81.6	73.1	65.8	53.6
Cash P/E	118.6	95.4	83.5	71.6	65.1	58.8	48.6
EV/Sales	17.5	16.1	14.5	14.2	13.1	11.7	10.3
EV/EBITDA	90.8	75.2	63.4	56.7	52.4	46.4	38.3
P/BV	84.9	77.9	72.0	68.5	12.6	12.6	12.6
Dividend Yield (%)	0.7	0.8	0.9	1.0	1.6	1.5	1.9
Return Ratios (%)							
RoE incl. Goodwill	66.5	78.1	82.5	86.0	29.5	19.2	23.5
RoCE incl. Goodwill	96.7	108.6	119.1	119.8	39.0	25.7	31.5
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	121.2	149.2
Financial other income	-0.9	-2.8	-0.8	-1.6	0.6	-4.9	-6.5
Depreciation	4.0	4.8	5.2	9.4	10.7	10.8	11.5
Net Interest Paid	-2.4	-2.5	-3.0	-3.9	-2.4	0.7	0.4
Direct Taxes Paid	-18.0	-21.9	-26.9	-24.7	-23.7	-30.3	-37.5
(Incr)/Decr in WC	5.4	8.6	-2.6	3.0	-0.6	3.6	6.2
CF from Operations	49.5	59.1	57.3	73.1	89.6	101.2	123.3
Other Items	0.5	4.9	4.5	-8.5	11.9	8.0	9.9
(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	96.2	118.3
(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	0.0	0.9
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 of Cash	-10.9	17.0	3.2	13.3	-7.0	6.9	8.7
Add: Opening Balance	27.6	16.7	33.7	36.9	50.2	43.2	50.2
Closing Balance	16.7	33.7	36.9	50.2	43.2	50.2	58.8

E: MOFSL Estimates

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

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