

# Tata Consumer Products

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR789**

**TP: INR945 (+20%)**

**Buy**

## Impact of tea cost inflation is now behind...

### ...but higher A&P spends to weigh

- Gross margin pressure eased off in 2QFY22 which has been impacting since the last four quarters due to tea cost inflation. The management expects gross margin to improve on a QoQ basis going forward. However, quarterly performance was impacted due to higher A&P spends (which is expected to continue) and other expenses.
- We maintain our earnings estimates and arrive at our SoTP-based TP of INR945/share. We maintain our **Buy** rating.

Bloomberg	TATACONS IN
Equity Shares (m)	922
M.Cap.(INRb)/(USDb)	726.9 / 9.7
52-Week Range (INR)	889 / 472
1, 6, 12 Rel. Per (%)	-7/-9/17
12M Avg Val (INR M)	2370
Free float (%)	65.3

### Financials & valuations (INR b)

Y/E Mar	2022E	2023E	2024E
Sales	123.6	138.2	151.7
EBITDA	17.5	21.9	24.8
PAT	9.9	13.3	15.7
EBITDA (%)	14.2	15.8	16.3
EPS (INR)	10.7	14.5	17.0
EPS Gr. (%)	13.2	35.1	17.7
BV/Sh. (INR)	164	173	185
<b>Ratios</b>			
Net D/E	(0.2)	(0.3)	(0.3)
RoE (%)	6.7	8.6	9.5
RoCE (%)	9.3	11.6	12.7
Payout (%)	42.7	34.6	32.3
<b>Valuations</b>			
P/E (x)	73.7	54.6	46.4
EV/EBITDA (x)	39.6	31.3	27.2
Div Yield (%)	0.6	0.6	0.7
FCF Yield (%)	1.4	1.7	2.0

### Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	34.7	34.7	34.7
DII	13.3	14.0	17.7
FII	26.0	25.1	21.7
Others	26.0	26.3	25.9

Note: FII includes depository receipts

### Performance broadly in line

- TCP reported a revenue of INR30.3b (est. INR30.7b), up 9% YoY. EBITDA margin contracted by 70bp YoY to 13.6% (est. 14.3%) due to higher A&P and other expense, but was offset by a 190bp YoY and 200bp QoQ improvement in gross margin to 42.8%. EBITDA grew 3% YoY to INR4.1b (est. INR4.4b). Adjusted PAT stood at INR2.8b (est. INR3b), up 3%.
- A&P/other expenses grew by 27%/23% in 2QFY22, which impacted EBITDA performance, driven by higher (up 75% YoY) A&P investments in the India business.
- Revenue in India Branded Beverages/Foods grew 13%/23% YoY to INR12.7b/INR7.1b. EBIT in India Beverages grew 14% YoY to INR1,697m, while the same in India Foods declined by 19% to INR748m.
- Volume in India Beverages/Foods grew 2%/16% YoY in 2QFY22. The strong growth trajectory in Salt continued, with a revenue growth of 20% in 2QFY22. The Tata Sampann portfolio grew 29% on a strong base of last year.
- The e-commerce channel recorded a growth of 39% YoY and contributed 7% to domestic sales.
- Revenue from Tata Starbucks grew 128% YoY on a relatively low base in 2QFY22. It grew 23% indexed to 2QFY20 (baseline). Same store sales, indexed to Sep'19, is back to 94% in Sep'21. It added 14 new stores in 2QFY22 and entered one new city (Jaipur).
- Revenue grew 10%, while EBITDA/adjusted PAT declined by 8%/13% YoY in 1HFY22. TCP generated a CFO of INR5.4b in 1HFY22 v/s INR5.3b YoY. The company has a net cash of INR22.5b as of Sep'21.

### Highlights from the management commentary

- **Distribution:** Direct coverage rose to 1.1m in Sep'21 (v/s 0.5m a year back). Going forward, TCP plans to raise its coverage to 1.3m by FY22-end. Total reach increased to 2.6m in Sep'21 (v/s 2m in Sep'20). TCP has more than 4,000 rural distributors currently, which will increase to 5,000 by FY22-end.

- **ATL (above-the-line) ad-spend** has increased across brands. Special efforts are being made to focus on premium products. TCP will maintain or increase ATL spends (as percentage of sales). Synergy benefits are being redeployed in building its brand and distribution network.
- TCP has reduced its working capital days by 16 days in 1HFY22 as it has moved towards a cash and carry model for the general trade channel.

### Valuation and view

- The unlocking of sales and distribution synergies from the merger of group companies has started to yield results. This is evident from the market share increase in Tea (+190bp YoY) and Salt (+160bp YoY) in FY21 (it also increased in 1HFY22) on the back of an increase in numeric distribution. TCP doubled its direct reach to 1.1m by Sep'21. The company is establishing a strong S&D channel, which would act as a key growth driver.
- TCP is targeting lower double-digit growth in the India business – Tata Tea and Tata Salt – driven by: a) cross-selling between the Foods business and TCP's Tea distribution channel, and b) expansion into newer geographies.
- TCP is building Tata Sampann, which deals in pulses and spices. This should grow in high double-digits. The market size for Pulses/Spices in India currently stands at INR1,500b/INR600b, with unorganized players constituting 99%/70% of the market. Growth is expected through the capture of market share from unorganized players via an increasing distribution reach and new product launches.
- We expect a sales/EBITDA/PAT CAGR of 9%/17%/22% over FY21-24E.
- We maintain our earnings estimates (as performance in 2QFY22 was broadly in line) and arrive at our SoTP-based TP of INR945/share. We maintain our **Buy** rating.

### Consolidated - Quarterly Earning Model

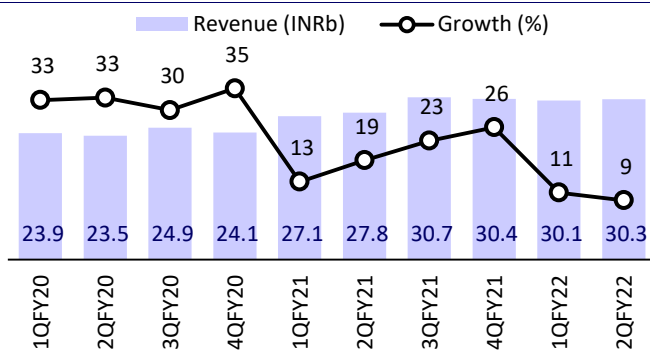
Y/E March	(INR M)											
	FY21				FY22				FY21	FY22	FY22	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Gross Sales</b>	<b>27,139</b>	<b>27,813</b>	<b>30,696</b>	<b>30,372</b>	<b>30,085</b>	<b>30,331</b>	<b>31,558</b>	<b>31,618</b>	<b>1,16,020</b>	<b>1,23,591</b>	<b>30,686</b>	<b>-1</b>
YoY Change (%)	13.4	18.5	23.1	26.3	10.9	9.1	2.8	4.1	20.4	6.5	10.3	
Total Expenditure	22,313	23,818	27,082	27,370	26,090	26,198	26,824	26,955	1,00,583	1,06,067	26,301	
<b>EBITDA</b>	<b>4,827</b>	<b>3,996</b>	<b>3,613</b>	<b>3,002</b>	<b>3,995</b>	<b>4,133</b>	<b>4,734</b>	<b>4,663</b>	<b>15,438</b>	<b>17,524</b>	<b>4,384</b>	<b>-6</b>
Margins (%)	17.8	14.4	11.8	9.9	13.3	13.6	15.0	14.7	13.3	14.2	14.3	
Depreciation	619	626	644	659	668	693	680	700	2,547	2,741	670	
Interest	173	179	181	155	204	198	160	140	687	702	180	
Other Income	327	262	195	430	280	396	224	494	1,214	1,394	302	
<b>PBT before EO expense</b>	<b>4,362</b>	<b>3,454</b>	<b>2,983</b>	<b>2,618</b>	<b>3,403</b>	<b>3,638</b>	<b>4,118</b>	<b>4,317</b>	<b>13,417</b>	<b>15,476</b>	<b>3,836</b>	
Extra-Ord expense	633	-239	-61	-639	-39	-163	0	0	-307	-202	0	
<b>PBT</b>	<b>4,995</b>	<b>3,215</b>	<b>2,922</b>	<b>1,979</b>	<b>3,364</b>	<b>3,475</b>	<b>4,118</b>	<b>4,317</b>	<b>13,111</b>	<b>15,274</b>	<b>3,836</b>	
Tax	1,104	871	552	646	957	861	1,112	1,166	3,173	4,096	1,036	
Rate (%)	25.3	25.2	18.5	24.7	28.1	23.7	27.0	27.0	23.6	26.5	27.0	
Minority Interest	180	161	192	205	151	178	202	215	738	745	169.3	
Profit/Loss of Asso. Cos.	-435	389	4	-590	-404	244	4	-560	-633	-717	330	
<b>Reported PAT</b>	<b>3,276</b>	<b>2,571</b>	<b>2,182</b>	<b>539</b>	<b>1,851</b>	<b>2,680</b>	<b>2,808</b>	<b>2,376</b>	<b>8,567</b>	<b>9,716</b>	<b>2,961</b>	
<b>Adj PAT</b>	<b>2,643</b>	<b>2,712</b>	<b>2,228</b>	<b>1,133</b>	<b>1,881</b>	<b>2,803</b>	<b>2,808</b>	<b>2,376</b>	<b>8,716</b>	<b>9,868</b>	<b>2,961</b>	<b>-5</b>
YoY Change (%)	47.0	39.6	31.1	-36.2	-28.8	3.3	26.0	109.6	20.8	13.2	9.2	
Margins (%)	9.7	9.8	7.3	3.7	6.3	9.2	8.9	7.5	7.5	8.0	9.6	

**Key Performance Indicators**

Y/E March	FY21				FY22				FY21	FY22
Consolidated	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
<b>Revenue Growth (%)</b>										
Standalone	9.7	21.6	34.1	38.5	22.5	14.5	4.1	5.8	25.7	11.2
Overseas Tea Biz	12.8	14.5	8.7	7.8	-2.1	-0.9	-1.0	2.0	10.7	-0.4
Tata Coffee Ltd (TCL) Consol	25.9	12.9	6.3	14.4	-9.3	0.9	2.1	1.0	14.7	0.0
TCL Standalone	-12.3	0.0	-5.0	30.1	2.2	2.3	12.0	1.0	2.4	0.0
Coffee Overseas	54.6	21.1	11.8	6.9	-14.3	0.2	-2.0	1.0	21.8	0.0
<b>EBITDA Margin (%)</b>										
Standalone	20.3	14.6	10.0	7.7	13.9	13.5	15.2	14.9	12.8	14.4
Overseas Tea Biz	8.9	11.4	11.8	10.7	6.9	8.5	11.1	11.4	0.0	0.0
TCL Consol	18.8	16.3	18.1	16.0	16.9	18.6	18.3	17.6	17.3	17.9
TCL Standalone	8.7	6.2	12.1	11.1	9.0	10.1	11.0	10.7	9.5	10.2
Coffee Overseas	23.2	21.6	20.6	18.8	21.0	23.2	21.9	21.6	21.1	21.9
<b>Cost Break-up</b>										
RM Cost (% of sales)	55.3	59.2	62.2	60.8	59.2	57.2	56.9	55.9	60.8	57.3
Staff Cost (% of sales)	8.4	8.3	7.9	8.9	8.8	8.4	8.2	8.6	8.4	8.5
Adv. and Sales (% of sales)	4.9	6.0	6.8	7.1	5.3	7.0	6.9	7.3	6.3	6.6
Other Cost (% of sales)	13.6	12.2	11.3	13.3	13.4	13.7	13.0	13.5	12.6	13.4
Gross Margins (%)	44.7	40.8	37.8	39.2	40.8	42.8	43.1	44.1	40.5	42.7
EBITDA Margins (%)	17.8	14.4	11.8	9.9	13.3	13.6	15.0	14.7	13.3	14.2
EBIT Margins (%)	15.5	12.1	9.7	7.7	11.1	11.3	12.8	12.5	11.1	12.0

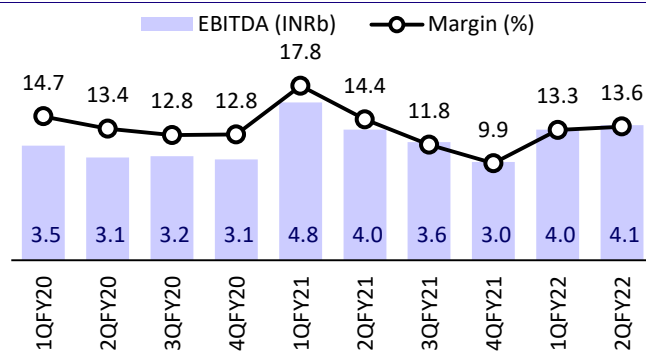
## Key exhibits

**Exhibit 1: Consolidated revenue trend**



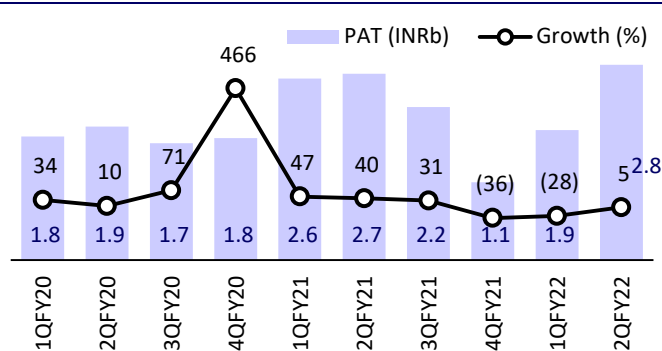
Source: Company, MOFSL

**Exhibit 2: Consolidated EBITDA trend**



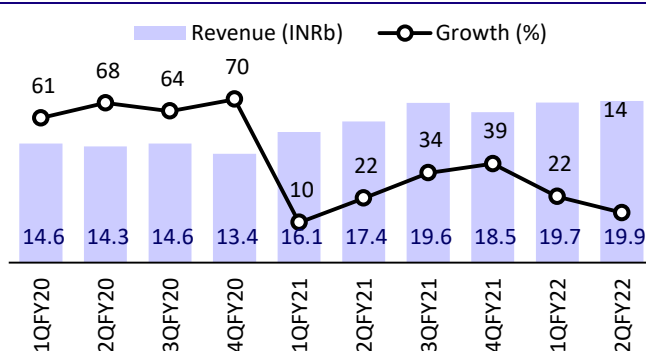
Source: Company, MOFSL

**Exhibit 3: Consolidated adjusted PAT trend**



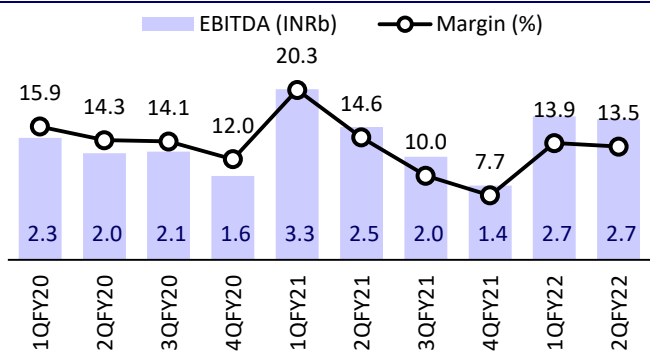
Source: Company, MOFSL

**Exhibit 4: Standalone revenue trend**



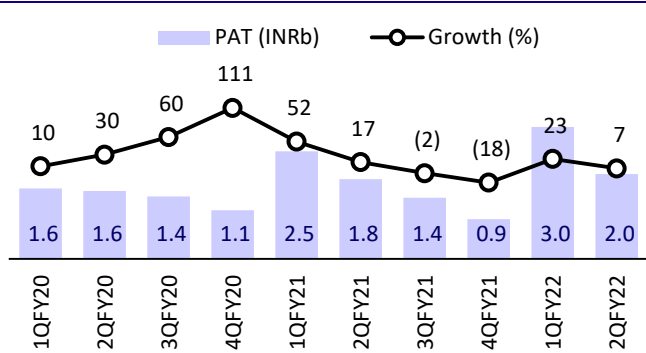
Source: Company, MOFSL

**Exhibit 5: Standalone EBITDA trend**



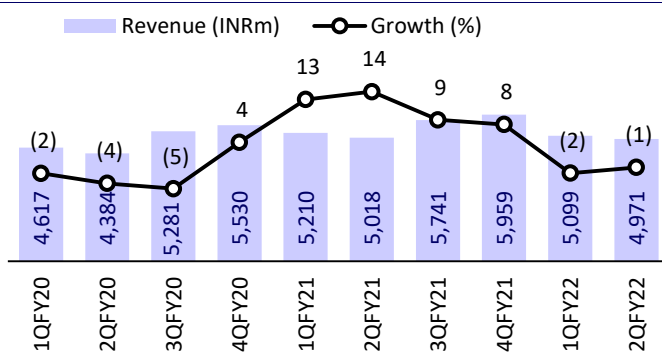
Source: Company, MOFSL

**Exhibit 6: Standalone adjusted PAT trend**



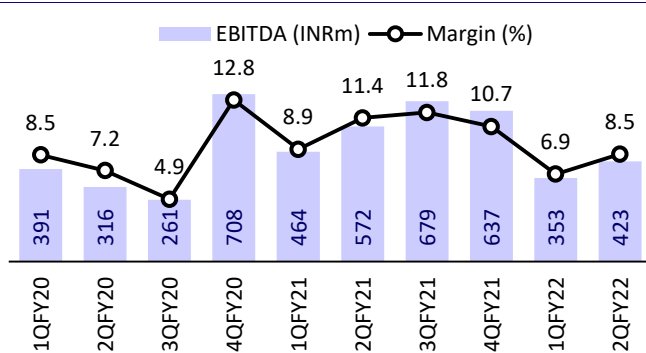
Source: Company, MOFSL

**Exhibit 7: Revenue trend in TCP's overseas Tea business**



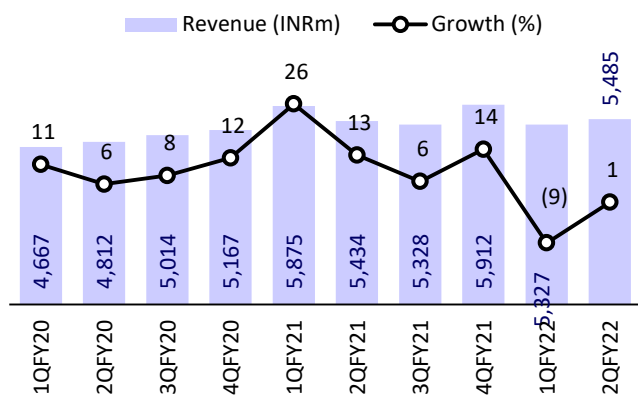
Source: Company, MOFSL

**Exhibit 8: EBITDA trend in TCP's overseas Tea business**



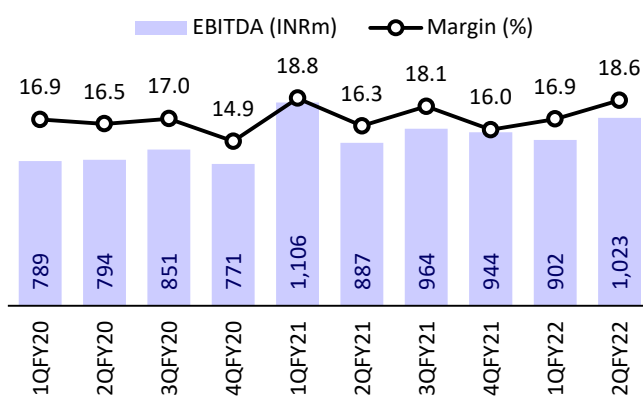
Source: Company, MOFSL

**Exhibit 9: Tata Coffee's consolidated revenue trend**



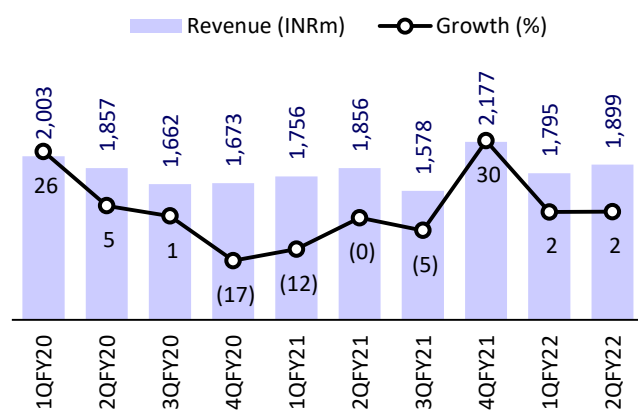
Source: Company, MOFSL

**Exhibit 10: Tata Coffee's consolidated EBITDA trend**



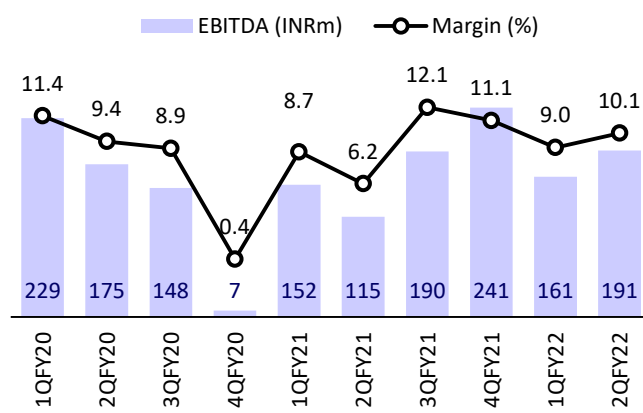
Source: Company, MOFSL

**Exhibit 11: Tata Coffee's standalone revenue trend**



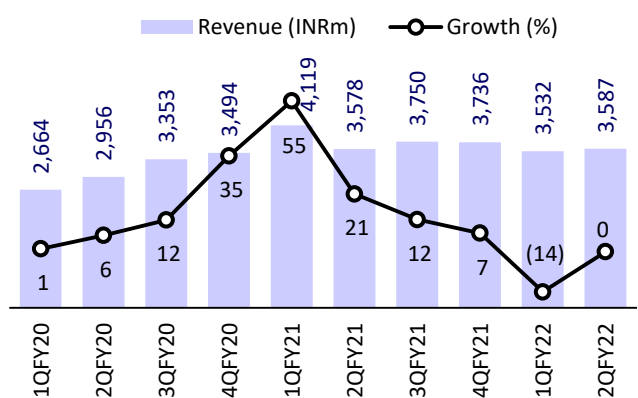
Source: Company, MOFSL

**Exhibit 12: Tata Coffee's standalone EBITDA trend**



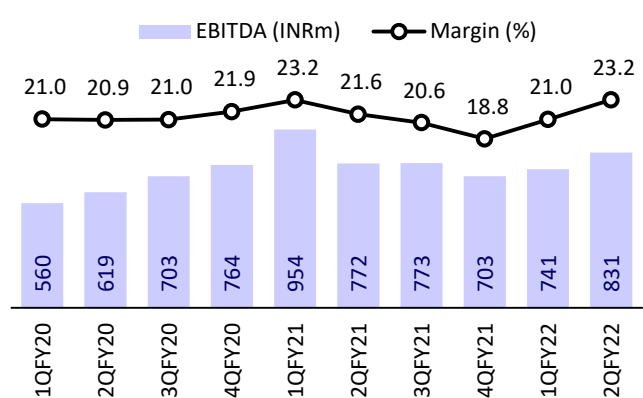
Source: Company, MOFSL

**Exhibit 13: Tata Coffee's overseas revenue trend**



Source: Company, MOFSL

**Exhibit 14: Tata Coffee's overseas EBITDA trend**



Source: Company, MOFSL

Exhibit 15: Revenue at a glance (2QFY22)

In ₹ Cr (unless specified)	International Beverages					Consolidated
	India Beverages	India Foods	US Coffee	International Tea	Tata Coffee (incl. Vietnam)	
Revenue	1,266 <sup>a</sup>	712	301	480 <sup>b</sup>	242 <sup>c</sup>	3,033 <sup>d</sup>
Revenue Growth Constant currency growth	14%	23%	0% 1%	5% 0%	-0% 0%	9% [11%] <sup>e</sup> 8% [11%]
Volume Growth	2% <sup>a</sup>	16%	Flat	1%	2%	

Key Brands: TATA TEA, TATA GLACCO, GRAND, Himalayan, TATA SOULFULL, TATA sampann, EIGHT REGION, Tetley, teapigs, GOOD EARTH

## Note:

- a) India Beverages revenue includes India Packaged Beverages + NourishCo (subsidiary effective May'2020), but volume doesn't include NourishCo volumes  
b) International tea business includes UK, Canada, USA, Australia, Europe and Middle East (Middle East has been regrouped from India Beverages in FY21 to International tea from FY22)  
c) Tata Coffee incl. Vietnam and excl. US Coffee (EOC)  
d) Consolidated revenue includes other non-branded business and Inter-segment eliminations  
e) Reported growth, [Like for like growth, adjusted for International Food service business exits]

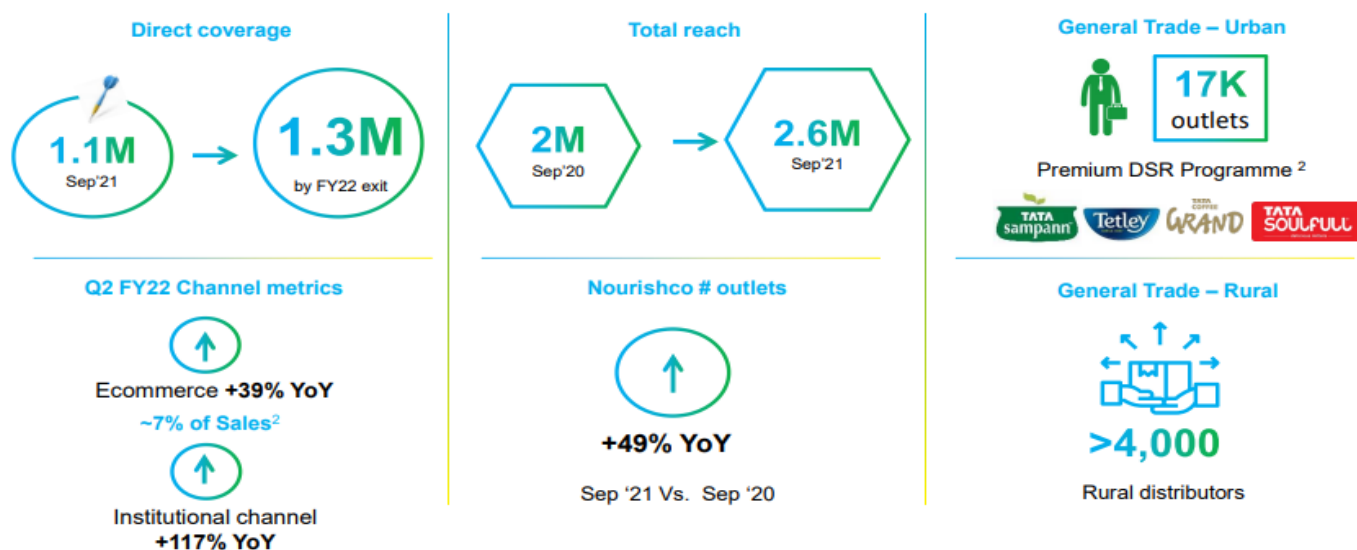
Source: Company, MOFSL

Exhibit 16: Consolidated segmental results

INR m	2QFY21	1QFY22	2QFY22	%/bp ch YoY	%/bp ch QoQ
<b>Segmental revenue</b>					
<b>Branded Business</b>					
India - Beverages	11,200	12,671	12,659	13.0%	-0.1%
India - Foods	5,803	7,047	7,122	22.7%	1.1%
International - Beverages	8,005	7,676	7,813	-2.4%	1.8%
<b>Total Branded Business</b>	<b>25,008</b>	<b>27,393</b>	<b>27,594</b>	<b>10.3%</b>	<b>0.7%</b>
Non-Branded Business	2,876	2,776	2,799	-2.7%	0.8%
<b>Total Segment Revenue</b>	<b>27,885</b>	<b>30,170</b>	<b>30,393</b>	<b>9.0%</b>	<b>0.7%</b>
Others	32	27	63		
Inter segment sales	-104	-113	-124		
<b>Revenue from Operations</b>	<b>27,813</b>	<b>30,085</b>	<b>30,331</b>	<b>9.1%</b>	<b>0.8%</b>
<b>Segment Results</b>					
<b>Branded Business</b>					
India - Beverages	1,493	1,507	1,697	13.6%	12.6%
India - Foods	930	960	748	-19.5%	-22.0%
International - Beverages	1,007	960	1,097	8.9%	14.3%
<b>Total Branded Business</b>	<b>3,430</b>	<b>3,427</b>	<b>3,542</b>	<b>3.3%</b>	<b>3.3%</b>
<b>Non-Branded Business</b>	<b>181</b>	<b>186</b>	<b>215</b>	<b>18.9%</b>	<b>15.6%</b>
<b>Total Segment Results</b>	<b>3,611</b>	<b>3,614</b>	<b>3,758</b>	<b>4.1%</b>	<b>4.0%</b>
<b>EBIT margins</b>					
India - Beverages	13.3%	11.9%	13.4%	7	151
India - Foods	16.0%	13.6%	10.5%	(551)	(312)
International - Beverages	12.6%	12.5%	14.0%	146	153
<b>Total Branded Business</b>	<b>13.7%</b>	<b>12.5%</b>	<b>12.8%</b>	<b>(88)</b>	<b>33</b>
Non-Branded Business	6.3%	6.7%	7.7%	140	99

Source: Company, MOFSL

## Exhibit 17: Status on reach and premiumization



Source: Company, MOFSL

## Highlights from the management commentary

### India Packed Beverages

- **Tea prices:** Initial surge in prices was due to demand-supply mismatch, which was due to drought-like conditions in Assam and second lockdown related restrictions. Hence, tea prices remained at elevated levels. Going forward, tea prices are expected to correct and the segment is expected to grow at mid-single digit.
- EBIT margin for the segment has been on an upward trajectory since last quarter, led by tea inflation tapering off and despite significantly higher A&P. During the quarter, company also nationally rolled out Tata Tea Gold Care.

### India Food business

- TCP plans to grow in the domestic food business, and company is looking for opportunities, both organically as well as inorganically, and aims to transform TCP into a complete FMCG company.
- Revenue from the segment saw 23% YoY growth, with a strong volume growth of 16% YoY.
- Salt segment continued its strong growth trajectory with revenue growth of 20% YoY.
- Tata Sampann portfolio grew 29% YoY, on a strong base last year.
- EBIT margin for the quarter was impacted by portfolio mix, Soulfull, increased A&P & other expenses.

### India Salt

- In the salt segment TCP saw robust growth which was primarily due to (a) increase in distribution network, and (b) increase in number of outlets, with improvement in execution at retail shop levels.

### Tata Coffee

- Revenue for the quarter was flat as extractions business growth was offset by decline in plantations.

- Overall extraction business grew 16% YoY, primarily led by domestic instant coffee business despite a challenging operating environment.
- Vietnam plant operated with 98% capacity utilization during the quarter.

#### **NourishCo**

- Revenue for the quarter grew 121% YoY taking the 2-year CAGR to 35%, whereas, revenue grew 81% as compared to 2QFY20 (pre-COVID levels).
- Pilot launch of Fruski brand saw strong response; company aims to launch the products into the new markets.

#### **JV: Starbucks**

- Revenue for the quarter grew 128% YoY on a relatively low base; it grew 23% as compared 2QFY20.
- Revenue has been on an upward trajectory each month since the opening-up post second wave of COVID-19 in India.
- As on Sept'21, Same Store Sales was back to 94% as compared to Sept'19.
- Company added 14 new stores during the quarter and entered one new city – Jaipur.
- Easing of restrictions is leading to growth across store formats with high street and highway formats seeing fastest recovery. Delivery channel salience higher than pre-COVID.

#### **US business**

- **Coffee:** Revenue for the quarter grew 1% YoY (constant currency), in line with overall category growth.
- **Tea (ex-Empirical):** Revenue for the quarter declined 12% YoY (constant currency) due to pantry stocking that led to 11% YoY growth in the base quarter.

#### **UK business**

- Revenue for the quarter grew 1% YoY (ex-Teapigs, constant currency) lapping a strong base quarter that saw 4% YoY revenue growth last year.
- Specialty OOH (out-of-home) and Specialty grocery channels seeing strong growth with the normalization of activity.

#### **Other highlights**

- **E-com:** E-commerce revenue grew 39% YoY, taking the revenue contribution to ~7% of India business.
- **Distribution:** Direct coverage increased to 1.1m as on Sept'21 (v/s 0.5m one year back). Going forward, TCP plans to take the coverage to 1.3m by end of FY22. Total reach increased to 2.6m in Sept'21 (v/s 2m in Sept'20). TCP has >4,000 rural distributors currently which will be increased to 5,000 by the end of FY22.
- **ATL (Above-the-line) ad-spend:** ATL ad-spend has increased across brands. Special efforts are made to focus on premium products. TCP will maintain or increase ATL spending (as percentage of sales). Synergy benefits are being re-deployed in building brand and distribution networks.
- TCP has reduced working capital days by 16 days in H1FY22 as it has moved towards cash and carry model for general trade channel



## Valuation and view

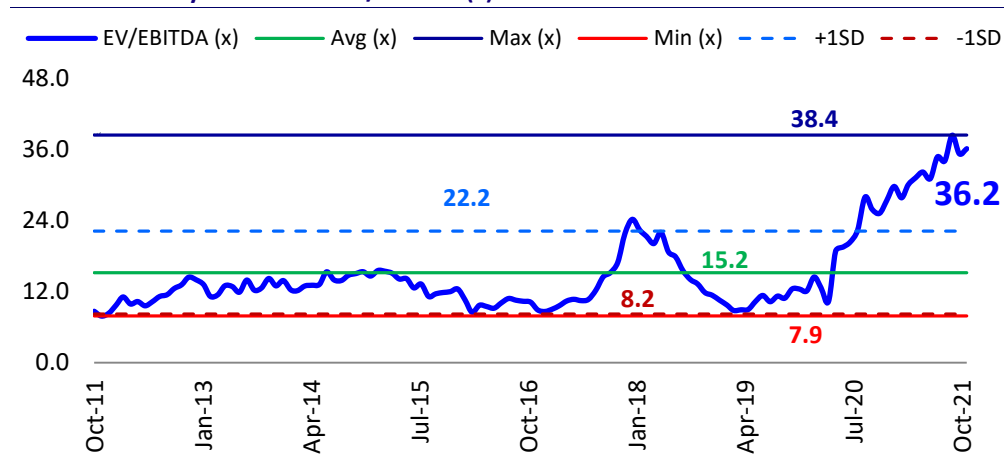
- The unlocking of sales and distribution synergies from the merger of group companies has started to yield results. This is evident from the market share increase in Tea (+190bp YoY) and Salt (+160bp YoY) in FY21 (it also increased in 1HFY22) on the back of an increase in numeric distribution. TCP doubled its direct reach to 1.1m by Sep'21. The company is establishing a strong S&D channel, which would act as a key growth driver.
- TCP is targeting lower double-digit growth in the India business – Tata Tea and Tata Salt – driven by: a) cross-selling between the Foods business and TCP's Tea distribution channel, and b) expansion into newer geographies.
- TCP is building Tata Sampann, which deals in pulses and spices. This should grow in high double-digits. The market size for Pulses/Spices in India currently stands at INR1,500b/INR600b, with unorganized players constituting 99%/70% of the market. Growth is expected through the capture of market share from unorganized players via an increasing distribution reach and new product launches.
- We expect a sales/EBITDA/PAT CAGR of 9%/17%/22% over FY21-24E.
- We maintain our earnings estimates (as performance in 2QFY22 was broadly in line) and arrive at our SoTP-based TP of INR945/share. We maintain our **Buy** rating.

### Exhibit 18: Valuation methodology

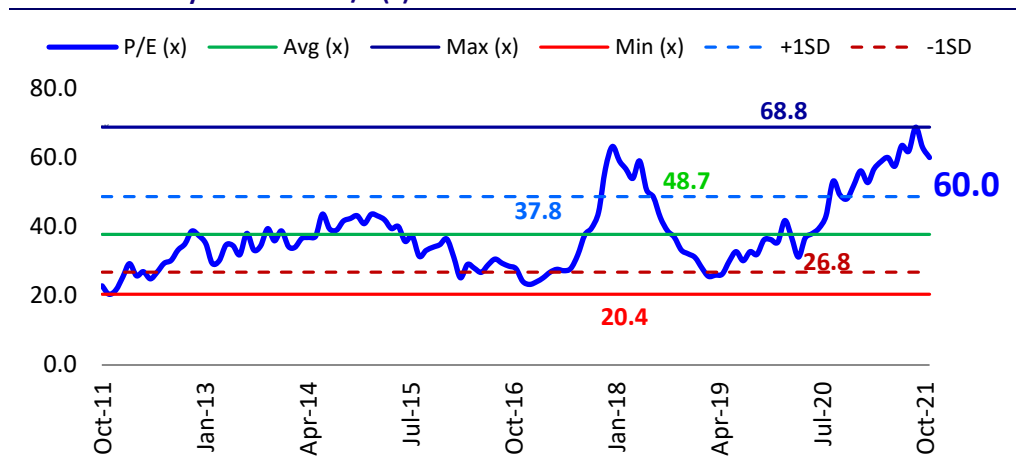
EV/EBITDA	FY24 EBITDA	Multiple (x)	EV
India Tea (TCP Standalone)	9,009	41	3,69,377
Coffee India (ex-Starbucks) @57%	567	10	5,923
Coffee Overseas	3,029	12	36,343
Consumer (Salt & others)	8,333	41	3,41,637
Overseas tea (Tetley UK)	2,594	13	33,722
<b>DCF</b>			
Starbucks JV			30,312
<b>Enterprise value</b>			<b>8,17,313</b>
<b>Less: Net debt</b>			<b>-53,708</b>
<b>Market value (INRm)</b>			<b>8,71,022</b>
<b>No. of shares (m)</b>			<b>922</b>
<b>Target price (INR)</b>			<b>945</b>

Source: MOFSL

### Exhibit 19: One-year forward EV/EBITDA (x)



Source: MOFSL

**Exhibit 20: One-year forward P/E (x)**

Source: MOFSL

**Exhibit 21: Change in estimates**

Earnings Change (INR m)	Old			New			Change		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	1,24,427	1,40,591	1,55,157	1,23,591	1,38,161	1,51,715	-1%	-2%	-2%
EBITDA	17,747	22,533	25,411	17,524	21,891	24,770	-1%	-3%	-3%
Adj. PAT	10,005	13,805	16,144	9,868	13,329	15,684	-1%	-3%	-3%

Source: MOFSL

## Financials and valuations

Consolidated Income Statement							(INR Million)		
Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Net Sales</b>	<b>66,365</b>	<b>67,796</b>	<b>68,154</b>	<b>72,515</b>	<b>96,374</b>	<b>1,16,020</b>	<b>1,23,591</b>	<b>1,38,161</b>	<b>1,51,715</b>
Change (%)	-17.0	2.2	0.5	6.4	32.9	20.4	6.5	11.8	9.8
<b>Gross Profit</b>	<b>30,149</b>	<b>32,180</b>	<b>31,160</b>	<b>32,439</b>	<b>42,267</b>	<b>46,997</b>	<b>52,770</b>	<b>59,528</b>	<b>65,537</b>
Margin (%)	45.4	47.5	45.7	44.7	43.9	40.5	42.7	43.1	43.2
Other operating exp.	23,606	24,269	22,771	24,579	29,346	31,560	35,245	37,638	40,767
<b>EBITDA</b>	<b>6,543</b>	<b>7,911</b>	<b>8,389</b>	<b>7,859</b>	<b>12,921</b>	<b>15,438</b>	<b>17,524</b>	<b>21,891</b>	<b>24,770</b>
Margin (%)	9.9	11.7	12.3	10.8	13.4	13.3	14.2	15.8	16.3
Depreciation	1,168	1,260	1,160	1,226	2,417	2,547	2,741	2,801	2,887
Net Interest	1,169	915	428	525	779	687	702	578	488
Other income	820	831	942	1,571	1,116	1,214	1,394	1,604	1,764
<b>PBT before EO</b>	<b>5,026</b>	<b>6,566</b>	<b>7,743</b>	<b>7,680</b>	<b>10,842</b>	<b>13,417</b>	<b>15,476</b>	<b>20,116</b>	<b>23,159</b>
EO income/(exp.)	-3,329	53	-211	-333	-2,748	-307	-202	0	0
<b>PBT after EO</b>	<b>1,698</b>	<b>6,619</b>	<b>7,531</b>	<b>7,347</b>	<b>8,094</b>	<b>13,111</b>	<b>15,274</b>	<b>20,116</b>	<b>23,159</b>
Tax	2,000	1,983	1,859	2,609	2,742	3,173	4,096	5,431	6,253
Rate (%)	117.8	30.0	24.7	35.5	33.9	24.2	26.8	27.0	27.0
Minority and Associates	-247	742	717	656	754	1,371	1,462	1,356	1,222
<b>Reported PAT</b>	<b>-55</b>	<b>3,894</b>	<b>4,956</b>	<b>4,082</b>	<b>4,598</b>	<b>8,567</b>	<b>9,716</b>	<b>13,329</b>	<b>15,684</b>
<b>Adjusted PAT</b>	<b>3,274</b>	<b>3,841</b>	<b>5,167</b>	<b>4,415</b>	<b>7,216</b>	<b>8,716</b>	<b>9,868</b>	<b>13,329</b>	<b>15,684</b>
Change (%)	-13.3	17.3	34.5	-14.6	63.5	20.8	13.2	35.1	17.7

Balance Sheet							(INR Million)		
Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Share Capital	631	631	631	631	922	922	922	922	922
Reserves	61,841	62,024	69,685	72,686	1,37,227	1,44,424	1,49,992	1,58,713	1,69,328
<b>Net Worth</b>	<b>62,472</b>	<b>62,655</b>	<b>70,316</b>	<b>73,317</b>	<b>1,38,149</b>	<b>1,45,345</b>	<b>1,50,914</b>	<b>1,59,635</b>	<b>1,70,250</b>
Minority Interest	8,618	9,195	10,090	10,277	10,925	10,925	11,670	12,490	13,391
Loans	13,541	7,866	10,676	11,283	11,825	7,206	7,423	6,423	5,423
<b>Capital Employed</b>	<b>84,630</b>	<b>79,716</b>	<b>91,082</b>	<b>94,877</b>	<b>1,60,898</b>	<b>1,63,476</b>	<b>1,70,007</b>	<b>1,78,547</b>	<b>1,89,064</b>
Gross Block	24,033	23,711	25,424	27,689	59,111	61,773	63,773	65,773	67,773
Less: Accum. Deprn.	14,511	13,650	15,181	16,407	18,824	21,371	24,112	26,913	29,799
<b>Net Fixed Assets</b>	<b>9,523</b>	<b>10,060</b>	<b>10,244</b>	<b>11,282</b>	<b>40,288</b>	<b>40,402</b>	<b>39,661</b>	<b>38,860</b>	<b>37,973</b>
Capital WIP	394	632	1,352	4,244	954	1,129	1,129	1,129	1,129
Goodwill & Intangibles	37,096	34,979	37,235	37,851	73,338	75,966	75,966	75,966	75,966
Investments	11,926	13,534	6,431	6,045	4,893	4,827	4,110	3,574	3,253
<b>Curr. Assets</b>	<b>40,009</b>	<b>36,309</b>	<b>49,343</b>	<b>49,385</b>	<b>65,258</b>	<b>79,855</b>	<b>88,519</b>	<b>1,00,392</b>	<b>1,13,973</b>
Inventories	16,290	14,530	14,483	16,099	17,120	22,492	23,702	26,497	29,096
Account Receivables	5,924	5,925	6,483	6,806	9,224	7,613	8,127	9,085	9,976
Cash and Bank Balance	6,744	7,412	18,067	16,168	24,550	33,980	40,920	49,041	59,131
Others	11,051	8,444	10,310	10,313	14,364	15,770	15,770	15,770	15,770
<b>Curr. Liability &amp; Prov.</b>	<b>13,532</b>	<b>14,345</b>	<b>13,525</b>	<b>12,887</b>	<b>20,799</b>	<b>33,232</b>	<b>33,908</b>	<b>35,904</b>	<b>37,760</b>
Account Payables	6,773	7,378	7,057	6,649	9,440	16,255	16,930	18,926	20,783
Other liabilities	2,776	3,389	3,562	4,221	8,603	14,036	14,036	14,036	14,036
Provisions	3,983	3,578	2,906	2,017	2,756	2,942	2,942	2,942	2,942
<b>Net Curr. Assets</b>	<b>26,477</b>	<b>21,965</b>	<b>35,818</b>	<b>36,498</b>	<b>44,459</b>	<b>46,623</b>	<b>54,611</b>	<b>64,488</b>	<b>76,213</b>
Def. tax liability	786	1,454	-3	1,043	3,033	5,470	5,470	5,470	5,470
<b>Appl. of Funds</b>	<b>84,630</b>	<b>79,716</b>	<b>91,082</b>	<b>94,877</b>	<b>1,60,898</b>	<b>1,63,476</b>	<b>1,70,007</b>	<b>1,78,547</b>	<b>1,89,064</b>

## Financials and valuations

### Cash flow statement

Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>EBITDA</b>	<b>6,543</b>	<b>7,911</b>	<b>8,389</b>	<b>7,859</b>	<b>12,921</b>	<b>15,438</b>	<b>17,524</b>	<b>21,891</b>	<b>24,770</b>
Prov. & FX	-132	22	-14	22	-72	41	0	0	0
WC	-2,719	1,485	-1,389	-2,347	-649	3,054	-1,049	-1,756	-1,634
Others	-190	100	-438	-827	1,364	1,203	-202	0	0
Direct taxes (net)	-2,342	-2,106	-2,992	-2,609	-2,742	-3,173	-4,096	-5,431	-6,253
<b>CF from Op. Activity</b>	<b>1,160</b>	<b>7,412</b>	<b>3,556</b>	<b>2,099</b>	<b>10,822</b>	<b>16,564</b>	<b>12,178</b>	<b>14,703</b>	<b>16,883</b>
Capex	-1,545	-1,382	-3,588	-2,823	-1,596	-2,107	-2,000	-2,000	-2,000
<b>FCFF</b>	<b>-385</b>	<b>6,030</b>	<b>-32</b>	<b>-724</b>	<b>9,227</b>	<b>14,457</b>	<b>10,178</b>	<b>12,703</b>	<b>14,883</b>
Interest/dividend	697	574	485	539	564	731	1,394	1,604	1,764
Investments in subs/assoc.	-509	-280	-132	-358	-226	-2,241	0	0	0
Others	4,273	2,503	10,209	3,374	-5,470	-467	0	0	0
<b>CF from Inv. Activity</b>	<b>2,917</b>	<b>1,415</b>	<b>6,973</b>	<b>733</b>	<b>-6,728</b>	<b>-4,084</b>	<b>-606</b>	<b>-396</b>	<b>-236</b>
Borrowings	-796	-4,848	2,160	358	321	-573	0	-1,000	-1,000
Finance cost	-663	-615	-282	-437	-703	-654	-702	-578	-488
Dividend	-1,871	-1,890	-2,118	-2,158	-2,216	-2,673	-4,147	-4,608	-5,069
Others	512	-805	365	-2,493	6,886	851	217	0	0
<b>CF from Fin. Activity</b>	<b>-2,818</b>	<b>-8,158</b>	<b>126</b>	<b>-4,731</b>	<b>4,288</b>	<b>-3,049</b>	<b>-4,633</b>	<b>-6,186</b>	<b>-6,557</b>
<b>(Inc)/Dec in Cash</b>	<b>1,259</b>	<b>668</b>	<b>10,655</b>	<b>-1,899</b>	<b>8,382</b>	<b>9,430</b>	<b>6,939</b>	<b>8,121</b>	<b>10,090</b>
Opening balance	5,485	6,744	7,412	18,067	16,168	24,550	33,980	40,920	49,041
<b>Closing balance (as per B/S)</b>	<b>6,744</b>	<b>7,412</b>	<b>18,067</b>	<b>16,168</b>	<b>24,550</b>	<b>33,980</b>	<b>40,920</b>	<b>49,041</b>	<b>59,131</b>

### Ratios

Y/E March	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>3.6</b>	<b>4.2</b>	<b>5.6</b>	<b>4.8</b>	<b>7.8</b>	<b>9.5</b>	<b>10.7</b>	<b>14.5</b>	<b>17.0</b>
Cash EPS	4.8	5.5	6.9	6.1	10.5	12.2	13.7	17.5	20.2
BV/Share	67.8	68.0	76.3	79.6	149.9	157.7	163.8	173.2	184.7
DPS	2.3	2.3	2.4	2.5	2.7	4.1	4.5	5.0	5.5
Payout (%)	NA	36.5	29.9	38.7	54.1	43.6	42.7	34.6	32.3
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3	0.5	0.6	0.6	0.7
<b>Valuation (x)</b>									
P/E				164.7	100.8	83.4	73.7	54.6	46.4
Cash P/E				128.9	75.5	64.6	57.7	45.1	39.2
P/BV				9.9	5.3	5.0	4.8	4.6	4.3
EV/Sales				10.0	7.4	6.0	5.6	5.0	4.4
EV/EBITDA				91.9	55.3	45.4	39.6	31.3	27.2
Dividend Yield (%)				0.3	0.3	0.5	0.6	0.6	0.7
FCF per share				-1.1	10.0	15.7	11.0	13.8	16.1
<b>Return Ratios (%)</b>									
RoE	5.6	6.1	7.8	6.1	6.8	6.1	6.7	8.6	9.5
RoCE	7.6	9.0	9.4	8.6	8.5	8.3	9.3	11.6	12.7
RoIC	8.2	10.6	11.7	9.8	11.5	11.1	11.5	15.2	17.7
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	7.0	6.7	6.7	6.4	2.4	2.9	3.1	3.6	4.0
Asset Turnover (x)	0.8	0.9	0.7	0.8	0.6	0.7	0.7	0.8	0.8
Debtor (Days)	33	32	35	34	35	24	24	24	24
Creditor (Days)	37	40	38	33	36	51	50	50	50
Inventory (Days)	90	78	78	81	65	71	70	70	70
<b>Leverage Ratio (x)</b>									
Debt/Equity	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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