

Estimate changes

TP change

Rating change



	GCPL IN
Bloomberg Equity Shares (m)	1,022
M.Cap.(INRb)/(USD\$b)	974.2 / 13.1
52-Week Range (INR)	1139 / 644
1, 6, 12 Rel. Per (%)	-7/11/1
12M Avg Val (INR M)	1437

## Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	110.3	122.0	136.1
Sales Gr. (%)	11.3	10.6	11.5
EBITDA	23.9	25.6	29.5
EBITDA mrg. (%)	21.7	21.0	21.7
Adj. PAT	17.7	18.1	21.8
Adj. EPS (INR)	17.3	17.7	21.3
EPS Gr. (%)	21.9	2.8	20.3
BV/Sh.(INR)	92.3	95.7	100.2

## Ratios

RoE (%)	20.4	18.9	21.8
RoCE (%)	18.3	19.6	22.1
Payout (%)	57.9	67.6	65.6

## Valuations

P/E (x)	55.2	53.7	44.7
P/BV (x)	10.3	10.0	9.5
EV/EBITDA (x)	40.8	37.9	32.8
Div. Yield (%)	1.0	1.3	1.5

## Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	63.2	63.2	63.2
DII	4.6	1.2	3.1
FII	26.2	27.0	26.8
Others	6.0	8.6	6.9

FII Includes depository receipts

**CMP: INR952**

**TP: INR1,180 (+23%)**

**Buy**

## In line result, investment case remains strong

- GCPL's 2QFY22 result was in line with our expectations. While rising material costs could lead to a sequential EBITDA margin contraction in 3Q, the management is positive of a more normalized margin by 4QFY22, given the forthcoming price increases.
- The investment case as highlighted in our [upgrade note](#) in May'21 and a [detailed note](#) in Jun'21 is intact. The positive trend on double-digit domestic sales that was restarted in FY21 (after a lackluster second half in the previous decade) has continued in 1HFY22. The good work on the Balance Sheet front in recent years also continued in 1HFY22, with RoCE crossing 20%. The Africa business recovery, albeit at an early stage (only 1.5 years into its five-year plan), is also encouraging. All of this makes the task of the new CEO relatively easy, enabling him to focus on further driving domestic growth.
- With the stock retracing some of its gains, valuations at 44.7x FY23E EPS are attractive. GCPL remains our top pick in Staples. We maintain our **Buy** rating.

## Results in line; volumes in the India Branded business grew 4%

- Consolidated net sales grew 8.5% YoY to INR31.6b** (in line). Two-year sales CAGR was healthy at 9.7%. EBITDA/PBT was flat YoY at INR6.8b/INR6.1b (in line), while adjusted PAT grew 4.8% to INR4.8b (in line).
- Consolidated constant currency (cc) sales grew 9% YoY in 2QFY22.
- Home Care/Personal Care grew 5%/10% YoY.
- Gross margin contracted by 620bp YoY to 49.8%**. As a percentage of sales, lower ad spends (-120bp YoY to 6%), staff costs (-100bp to 8.1%), and other expenses (-200bp to 14.2%) led to an EBITDA margin contraction of 160bp to 21.5% (in line).
- Sales/EBITDA/PAT grew 15.6%/12.6%/6.6% YoY in 1HFY22.

## Highlights from the management commentary

- The management has taken calibrated price increases in the Soaps and non-Soaps portfolio, which will benefit GCPL in 3QFY22. The sales mix will also be better in 3QFY22, with liquid Detergent sales being higher in winter. Further price increases will come into effect in Dec'21. The management said these increases in Dec'21 will be 'bolder'.
- As the steep increases (over 50%) in palm oil prices will be difficult to completely pass on in Soaps, higher price increases in other segments could help mitigate the margin impact to some extent.
- EBITDA margin will be back to normalized levels by 4Q after a possible impact in 3QFY22. Gross margin though may have troughed in 2QFY22.

### Initial comments by CEO Mr. Sudhir Sitapati less than a month into his tenure

- All categories and countries that GCPL is present in offers immense room for growth. HI, in particular, offers large scope for growth.
- He said it is too early to comment on any planned expansion into new categories.
- In Indonesia, the macro situation has been weak, but he admitted that GCPL could have performed better. He hopes to execute on plans better.

### Valuation and view

- While its 2Q result was in line, likely pressure on margin, especially in 3QFY22, has led to a 5-6% decline in our FY22E/FY23E EPS forecast.
- As highlighted in our [upgrade note](#), Mr. Sudhir Sitapati's appointment as MD and CEO for a period of five years could have a transformational change in GCPL's fortunes.
- In another [detailed note](#) in Jun'21, we highlighted that Mr. Sitapati's appointment fills an important piece of the puzzle, unlocking the path to strong earnings growth for GCPL, along with: a) better capital allocation efforts in recent years, b) appointment of a new head in (the erstwhile significantly underperforming) GAUM (largely Africa) business, with good initial results in the 18 months of his tenure, and c) potential tailwinds in Soaps and Personal Wash products, led by frequent usage post COVID-19 and a sharp increase in penetration levels in the Hand Wash category.
- While the stock has rallied by ~35% post the announcement of Mr. Sitapati's appointment, this spurt is just the first step of what could be a potentially massive revitalization of both earnings and RoCE over the next few years, leading to a sustained re-rating as well. We have seen transformative changes on all these fronts in the past with companies like BRIT, NEST, JUBI, and HUVR.
- Valuing GCPL at 45x Dec'23E EPS, we arrive at our TP of INR1,180, a 23% upside to its CMP.

### Consolidated quarterly performance

Y/E March	FY21				FY22				FY21	FY22E	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	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>33.5</b>	<b>28.0</b>	<b>110.3</b>	<b>122.0</b>	<b>31.8</b>	-0.4%
YoY change (%)	-0.9	10.8	10.0	26.8	24.4	8.5	9.5	2.5	11.3	10.6	9.0	
<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>17.0</b>	<b>14.3</b>	<b>61.0</b>	<b>62.2</b>	<b>17.2</b>	
Margin (%)	54.3	56.0	55.1	55.7	52.2	49.8	51.0	51.1	55.3	51.0	54.0	
<b>EBITDA</b>	<b>4.7</b>	<b>6.7</b>	<b>6.9</b>	<b>5.5</b>	<b>6.1</b>	<b>6.8</b>	<b>6.9</b>	<b>5.9</b>	<b>23.9</b>	<b>25.6</b>	<b>6.8</b>	0.0%
Margin (%)	20.3	23.1	22.7	20.1	21.1	21.5	20.5	20.9	21.7	21.0	21.4	
YoY growth (%)	3.0	16.7	9.8	15.2	29.3	0.9	-1.1	6.7	11.4	7.3	1.0	
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	2.0	2.1	0.5	
Interest	0.5	0.3	0.2	0.2	0.3	0.2	0.2	0.2	1.3	0.9	0.2	
Other Income	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.7	1.0	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>6.4</b>	<b>5.4</b>	<b>21.2</b>	<b>23.3</b>	<b>6.3</b>	-4.1%
Tax	0.1	1.5	1.4	0.6	1.3	1.3	1.4	1.2	3.6	5.2	1.4	
<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>5.0</b>	<b>4.2</b>	<b>17.7</b>	<b>18.1</b>	<b>4.9</b>	-2.6%
YoY change (%)	31.4	9.8	10.2	50.8	8.8	4.8	0.8	-2.4	21.9	2.8	7.6	

E: MOFSL estimate

**Key Performance Indicators**

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE
<b>2Y average growth %</b>								
Sales	-3.0	4.8	6.0	7.3	11.7	9.7	9.7	14.6
EBITDA	2.6	11.9	6.1	-1.3	16.1	8.8	4.4	11.0
PAT	11.4	13.0	8.9	11.4	20.1	7.3	5.5	24.2
<b>% sales</b>								
COGS	45.7	44.0	44.9	44.3	47.8	50.2	49.0	48.9
Other expenditure	34.0	32.9	32.4	35.6	31.0	28.3	30.5	30.2
Depreciation	2.1	1.7	1.6	2.0	1.8	1.6	1.6	2.0
<b>YoY change %</b>								
COGS	5.7	12.4	14.2	32.7	30.1	23.7	19.5	13.2
Other expenditure	-10.5	5.2	4.7	26.9	13.7	-6.5	3.1	-13.2
Other income	1.8	-47.5	-36.1	-66.3	-4.0	62.4	80.0	54.7
EBIT	2.9	17.6	10.7	16.8	32.3	1.0	-1.8	7.3

E: MOFSL Estimate

**Exhibit 1: Snapshot of 2QFY22 performance**

Growth (%)	Consolidated	India
Net Sales	9	10
Comparable Net Sales in Constant Currency	9	-
Comparable EBITDA*	(1)	(3)
Net Profit	5	2

Source: Company, MOFSL

- Consolidated sales in comparable constant currency (CC) grew 9% YoY in 2QFY22.
- As a percentage of sales, lower ad spends (-120bp YoY to 6%), staff costs (-100bp YoY to 8.1%), and other expenses (-200bp YoY to 14.2%) led to EBITDA margin contraction of 160bp YoY to 21.5% (in line).

**Standalone performance**

- Net sales (including OOI) grew 9.5% YoY to INR18.4b in 2QFY22.
- India branded business volumes grew 4%. Home care/Personal care was up 7%/12% YoY. Unbranded and Exports sales grew 21% YoY.
- Gross/EBITDA margin contracted 820bp/320bp YoY to 48.9%/ 24.6%.
- EBITDA declined 3.1% YoY on standalone basis to INR4.5b.
- Adj. PAT grew 1.6% to INR3.6b.

**International performance**

- Indonesia CC sales declined 2% YoY. Africa, USA, and Middle East (GAUM) together grew 16% YoY on a CC basis. Others (LatAm, Europe, and SAARC) grew 11% YoY on a CC basis.

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

International business	2QFY22		
	Sales (INR m)	Growth (%)	CC growth (%)
India	18,090	10	-
Indonesia	4,450	0	(2)
GUAM	7,490	15	16
Others	1,750	(3)	11
<b>Total net sales</b>	<b>31,440</b>	<b>9</b>	<b>9</b>

Source: Company, MOFSL

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

- Most domestic businesses grew in double-digits or close to double-digits YoY barring Household insecticides (HI) due to seasonality. While dengue was prevalent in some areas, heavy rains and droughts in others prevented mosquito breeding.
- In 1HFY22, HI sales continue to be close to double-digits. Management expects sales growth in the segment to remain in high single-digits to low double-digits.
- Among discretionary categories, Hair Colour is back ahead of pre-Covid levels in terms of sales while Air Fresheners are not yet.
- There doesn't seem to be any material slowdown in rural when adjusted for the base. Rural is a little less than 30% of GCPL's sales but will be an incremental driver of growth in HI and Hair Colour.
- Africa (GUAM) – Topline growth and margin improvement is happening satisfactorily according to management's five-year plan.
- HI – the salience of incense sticks remains flat. Good Knight Jumbo Fast card (national launch last month) will be a big driver of category growth. Good Knight Gold Flash will also contribute to growth.
- Handwash – GCPL is now the second largest player in terms of volumes.

**Costs and margins**

- Inflationary impact on HI is lower than other segments where RM inflation has been steeper.
- The lag between input cost increases and price increases affected gross margin in 2QFY22.
- The management has taken calibrated price increases in Soaps and non-soaps portfolio which will benefit GCPL in 3QFY22. The sales mix will also be better in 3QFY22 with liquid detergents sales being higher in the winter season. Further price increases will come into effective in Dec'21. Management called out that these increases in Dec'21 will be 'bolder'.
- Given that steep increases of over 50% in palm oil prices will be difficult to completely pass on in Soaps, higher price increases in other segments could help mitigate the margin impact to some extent.
- EBITDA margin will be back to normalized levels by 4QFY22 after a possible impact in 3QFY22. Gross margin though may have troughed in 2QFY22.

**Sudhir Sitapati's initial comments (less than a month into his tenure)**

- All categories and countries that GCPL is present in offer immense room for growth – HI in particular offers large scope for growth.

- He mentioned that it is too early to comment on any planned expansion into new categories.
- In Indonesia, the macro situation is weak but he admitted that they could have done better and hopes to execute on plans better.
- The brands, Magic in India and Saniter in Indonesia hold promise beyond Covid.

**Channels and launches**

- E-commerce now accounts for 4% of sales.

## Key exhibits

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

Segment revenue (INR m)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
India	16,792	16,948	14,997	16,607	18,381
Indonesia	4,460	4,473	4,711	4,115	4,449
Africa (including SON)	6,520	7,788	6,304	6,942	7,485
Others	1,813	1,800	1,787	1,597	1,737
Less: Inter-segment eliminations	(434)	(455)	(492)	(316)	-417
<b>Net Sales from operations</b>	<b>29,151</b>	<b>30,554</b>	<b>27,307</b>	<b>28,945</b>	<b>31,637</b>
<b>Segment revenue growth (%)</b>					
India	10.4	11.2	34.6	20.3	9.5
Indonesia	4.6	(0.2)	4.8	1.4	(0.2)
Africa (including SON)	10.3	14.8	30.2	58.7	14.8
Others	42.0	11.7	31.5	25.5	(4.2)
Less: Inter-segment eliminations	19.8	34.3	67.2	34.2	(3.9)
<b>Net Sales from operations</b>	<b>10.8</b>	<b>10.0</b>	<b>26.8</b>	<b>24.4</b>	<b>8.5</b>
<b>Segment EBIT (INR m)</b>					
India	4,653	4,629	3,277	4,271	4,485
Indonesia	1,101	1,084	1,641	930	1,148
Africa (including SON)	415	724	220	324	462
Others	330	211	47	214	277
Less: Inter-segment eliminations	(141)	(54)	(74)	(38)	(58)
<b>Net EBIT from operations</b>	<b>6,359</b>	<b>6,594</b>	<b>5,111</b>	<b>5,700</b>	<b>6,314</b>
Less: Interest	(313)	(241)	(229)	(273)	(245)
Less: Exceptional Items	(3)	65	(638)	(16)	(14)
<b>Total Profit Before Tax</b>	<b>6,042</b>	<b>6,419</b>	<b>4,244</b>	<b>5,412</b>	<b>6,054</b>
<b>Segment EBIT growth (%)</b>					
India	15.9	4.6	7.0	12.9	(3.6)
Indonesia	4.2	(3.6)	6.3	(5.4)	4.2
Africa (including SON)	(17.8)	20.7	81.4	L/P	11.4
Others	786.8	2,833.3	(24.5)	66.6	(16.0)
<b>Net EBIT from operations</b>	<b>15.5</b>	<b>9.0</b>	<b>8.2</b>	<b>28.0</b>	<b>(0.7)</b>
<b>Total Profit Before Tax</b>	<b>22.3</b>	<b>16.1</b>	<b>25.7</b>	<b>32.0</b>	<b>0.2</b>
<b>Segment EBIT mix (%)</b>					
India	73	70	64	75	71
Indonesia	17	16	32	16	18
Africa (including SON)	7	11	4	6	7
Others	5	3	1	4	4
Less: Inter-segment eliminations	(2)	(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>
<b>Segment EBIT margin (%)</b>					
India	27.7	27.3	21.8	25.7	24.4
Indonesia	24.7	24.2	34.8	22.6	25.8
Africa (including SON)	6.4	9.3	3.5	4.7	6.2
Others	18.2	11.7	2.6	13.4	15.9
<b>Net EBIT margin from operations</b>	<b>21.8</b>	<b>21.6</b>	<b>18.7</b>	<b>19.7</b>	<b>20.0</b>
<b>Segment EBIT margin change (%)</b>					
India	1.3	(1.7)	(5.6)	(1.7)	(3.3)
Indonesia	(0.1)	(0.8)	0.5	(1.6)	1.1
Africa (including SON)	(2.2)	0.5	1.0	11.4	(0.2)
Others	15.3	11.3	(1.9)	3.3	(2.2)
<b>Overall EBIT change</b>	<b>0.9</b>	<b>(0.2)</b>	<b>(3.2)</b>	<b>0.6</b>	<b>(1.9)</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 latter now contributes close to half of GCPL's total sales. Most acquisitions have been EPS accretive since its 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, however, has been clearly a tale of two halves

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

## Valuation and view

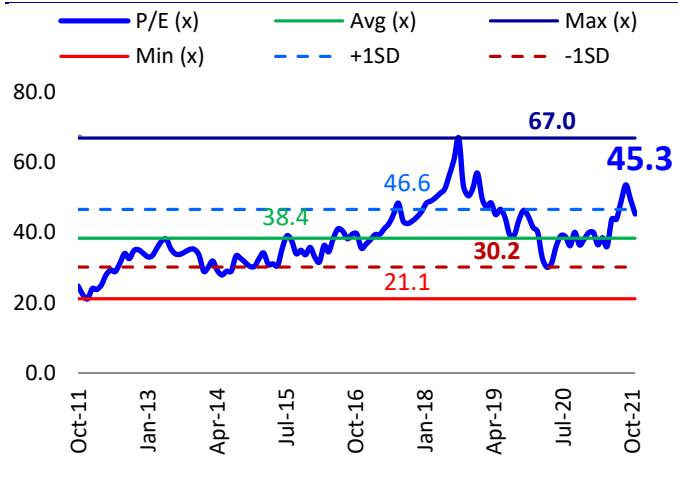
- While its 2Q result was in line, likely pressure on margin, especially in 3QFY22, has led to a 5-6% decline in our FY22E/FY23E EPS forecast.
- As highlighted in our [upgrade note](#), Mr. Sudhir Sitapati's appointment as MD and CEO for a period of five years could have a transformational change in GCPL's fortunes.
- In another [detailed note](#) in Jun'21, we highlighted that Mr. Sitapati's appointment fills an important piece of the puzzle, unlocking the path to strong earnings growth for GCPL, along with: a) better capital allocation efforts in recent years, b) appointment of a new head in (the erstwhile significantly underperforming) GAUM (largely Africa) business, with good initial results in the 18 months of his tenure, and c) potential tailwinds in Soaps and Personal Wash products, led by frequent usage post COVID-19 and a sharp increase in penetration levels in the Hand Wash category.
- While the stock has rallied by ~35% post the announcement of Mr. Sitapati's appointment, this spurt is just the first step of what could be a potentially massive revitalization of both earnings and RoCE over the next few years, leading to a sustained re-rating as well. We have seen transformative changes on all these fronts in the past with companies like BRIT, NEST, JUBI, and HUVR. Valuing GCPL at 45x Dec'23E EPS, we arrive at our TP of INR1,180, a 23% upside to its CMP.

**Exhibit 4: Changes to our model have led to an EPS change of -6.1%/6% in FY22E/ FY23E**

INR b	Old		New		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Sales	122.0	136.1	122.0	136.1	0.0	0.0
EBITDA	26.8	31.1	25.6	29.5	-4.3	-5.1
PAT	19.3	23.2	18.1	21.8	-6.1	-6.0

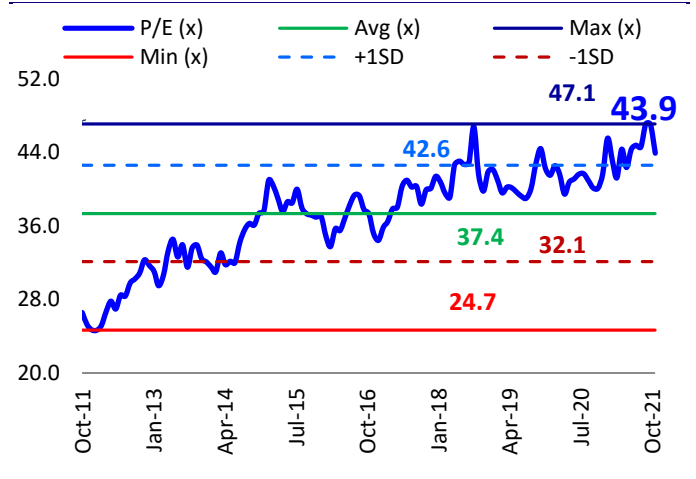
Source: Company, MOFSL

**Exhibit 5: GCPL's P/E (x)**



Source: Company, MOFSL

**Exhibit 6: Consumer sector P/E**



Source: Company, MOFSL



## Financials and valuations

Income Statement							(INR b)
Y/E March	2017	2018	2019	2020	2021	2022E	2023E
<b>Net Sales</b>	<b>92.7</b>	<b>98.5</b>	<b>103.1</b>	<b>99.1</b>	<b>110.3</b>	<b>122.0</b>	<b>136.1</b>
Change (%)	10.0	6.3	4.7	-3.9	11.3	10.6	11.5
<b>Gross Profit</b>	<b>51.4</b>	<b>55.7</b>	<b>58.1</b>	<b>56.5</b>	<b>61.0</b>	<b>62.2</b>	<b>74.3</b>
Margin (%)	55.4	56.6	56.3	57.0	55.3	51.0	54.6
Total Expenditure	73.7	77.8	81.5	77.7	86.4	96.4	106.6
<b>EBITDA</b>	<b>19.0</b>	<b>20.7</b>	<b>21.7</b>	<b>21.4</b>	<b>23.9</b>	<b>25.6</b>	<b>29.5</b>
Change (%)	16.0	8.9	4.9	-1.2	11.4	7.3	15.0
Margin (%)	20.5	21.0	21.0	21.6	21.7	21.0	21.7
Depreciation	1.4	1.6	1.7	2.0	2.0	2.1	2.2
Int. and Fin. Charges	1.5	1.6	2.2	2.2	1.3	0.9	0.6
Interest Income	0.4	0.7	0.9	0.8	0.4	0.5	0.7
Other Income-rec.	0.3	0.4	0.2	0.4	0.3	0.4	0.5
<b>PBT</b>	<b>16.9</b>	<b>18.6</b>	<b>18.8</b>	<b>18.4</b>	<b>21.2</b>	<b>23.3</b>	<b>27.9</b>
Change (%)	12.4	10.2	1.4	-2.3	15.4	9.7	19.8
Margin (%)	18.2	18.9	18.3	18.6	19.3	19.1	20.5
Tax	3.7	4.0	4.2	3.8	4.1	5.0	5.9
Deferred Tax	-0.1	0.0	0.2	-0.1	0.5	-0.2	-0.2
Tax Rate (%)	22.5	21.8	20.9	21.4	16.9	22.2	21.8
<b>PAT</b>	<b>13.1</b>	<b>14.5</b>	<b>14.9</b>	<b>14.5</b>	<b>17.7</b>	<b>18.1</b>	<b>21.8</b>
Change (%)	12.3	11.2	2.5	-2.9	22.0	2.8	20.3
Margin (%)	14.1	14.8	14.4	14.6	16.0	14.9	16.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Group Adjusted PAT</b>	<b>12.9</b>	<b>14.4</b>	<b>14.9</b>	<b>14.5</b>	<b>17.7</b>	<b>18.1</b>	<b>21.8</b>
Non-rec. (Exp.)/Income	0.0	1.8	8.5	0.5	-0.4	0.0	0.0
<b>Reported PAT</b>	<b>13.1</b>	<b>16.3</b>	<b>23.4</b>	<b>15.0</b>	<b>17.2</b>	<b>18.1</b>	<b>21.8</b>

Balance Sheet							(INR b)
Y/E March	2017	2018	2019	2020	2021	2022E	2023E
Share Capital	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Reserves	52.0	61.6	71.6	78.0	93.4	96.8	101.4
Minority Int	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Networth</b>	<b>53.0</b>	<b>62.6</b>	<b>72.7</b>	<b>79.0</b>	<b>94.4</b>	<b>97.8</b>	<b>102.5</b>
Loans	40.0	35.1	33.8	35.2	7.6	7.2	6.9
Deferred Liability	1.9	1.9	-4.7	-5.7	-6.4	-6.4	-6.4
<b>Capital Employed</b>	<b>94.9</b>	<b>99.6</b>	<b>101.8</b>	<b>108.5</b>	<b>95.6</b>	<b>98.7</b>	<b>102.9</b>
Gross Block	36.3	39.6	42.1	45.2	46.3	49.6	52.8
Less: Accum. Depn.	2.1	3.6	4.6	6.3	8.6	10.7	12.9
<b>Net Fixed Assets</b>	<b>34.2</b>	<b>36.0</b>	<b>37.5</b>	<b>38.9</b>	<b>37.7</b>	<b>38.9</b>	<b>39.9</b>
Capital WIP	1.0	0.8	0.5	0.6	0.6	0.6	0.6
Goodwill	46.6	47.2	49.2	53.4	51.3	51.3	51.3
Non Curr Investments	2.5	1.4	0.3	0.3	0.2	0.2	0.2
Current Investments	6.8	8.6	4.8	6.4	6.6	7.2	6.5
<b>Currents Assets</b>	<b>38.3</b>	<b>44.7</b>	<b>43.8</b>	<b>43.5</b>	<b>39.6</b>	<b>44.0</b>	<b>51.7</b>
Inventory	14.1	15.8	15.6	17.0	17.2	17.7	19.8
Account Receivables	10.3	12.5	12.9	11.6	10.0	11.0	12.3
Cash and Bank Balance	9.1	9.6	8.9	7.7	6.7	9.5	13.9
Loans and Advances	4.5	6.8	6.3	7.1	5.7	5.7	5.7
Other Current Assets	0.2	0.1	0.1	0.1	0.0	0.0	0.0
<b>Curr. Liab. &amp; Prov.</b>	<b>34.5</b>	<b>39.0</b>	<b>34.4</b>	<b>34.6</b>	<b>40.5</b>	<b>43.5</b>	<b>47.2</b>
Account Payables	17.2	23.5	25.4	24.8	21.6	23.7	26.5
Other Liabilities	17.2	15.3	8.7	9.3	18.3	19.2	20.2
<b>Net Current Assets</b>	<b>3.8</b>	<b>5.6</b>	<b>9.4</b>	<b>8.9</b>	<b>-0.8</b>	<b>0.5</b>	<b>4.5</b>
<b>Net Assets</b>	<b>94.9</b>	<b>99.6</b>	<b>101.8</b>	<b>108.5</b>	<b>95.6</b>	<b>98.7</b>	<b>102.9</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2017	2018	2019	2020	2021	2022E	2023E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>12.6</b>	<b>14.1</b>	<b>14.6</b>	<b>14.2</b>	<b>17.3</b>	<b>17.7</b>	<b>21.3</b>
Cash EPS	14.0	15.6	16.2	16.1	19.3	19.8	23.5
BV/Share	51.9	61.2	71.1	77.3	92.3	95.7	100.2
DPS	4.0	4.7	6.7	8.0	10.0	12.0	14.0
Payout (%)	31.6	33.2	45.7	56.5	57.9	67.6	65.6
<b>Valuation (x)</b>							
P/E	75.4	67.7	65.3	67.3	55.2	53.7	44.7
Cash P/E	67.9	61.1	58.7	59.2	49.5	48.1	40.5
EV/Sales	10.8	10.1	9.7	10.1	8.8	8.0	7.1
EV/EBITDA	52.8	48.3	46.0	46.7	40.8	37.9	32.8
P/BV	18.4	15.6	13.4	12.3	10.3	10.0	9.5
Dividend Yield	0.4	0.5	0.7	0.8	1.0	1.3	1.5
<b>Return Ratios (%)</b>							
RoE	24.6	24.9	22.0	19.1	20.4	18.9	21.8
RoCE (Post-tax)	16.2	16.2	16.6	15.4	18.3	19.6	22.1
RoIC	18.6	19.3	19.0	16.9	20.7	22.5	26.1
<b>Working Capital Ratios</b>							
Debtor (Days)	41	46	46	43	33	33	33
Asset Turnover (x)	2.6	2.7	2.7	2.5	2.9	3.1	3.4
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.8	0.6	0.5	0.4	0.1	0.1	0.1

### Cash Flow Statement

Y/E March	2017	2018	2019	2020	2021	2022E	2023E
<b>(INR b)</b>							
OP/(Loss) before Tax	18.4	20.5	20.4	20.6	23.8	25.0	29.7
Net interest	1.0	0.9	1.4	1.4	0.9	0.3	-0.2
Direct Taxes Paid	-4.3	-4.1	-4.5	-3.6	-4.0	-5.0	-5.9
(Inc)/Dec in WC	3.4	-0.2	0.0	-2.6	-0.5	1.5	0.4
<b>CF from Operations</b>	<b>18.6</b>	<b>17.2</b>	<b>17.3</b>	<b>15.9</b>	<b>20.3</b>	<b>21.8</b>	<b>23.9</b>
Inc in FA	-1.8	-3.1	-2.1	-1.5	-1.6	-3.3	-3.3
<b>Free Cash Flow</b>	<b>16.8</b>	<b>14.1</b>	<b>15.2</b>	<b>14.4</b>	<b>18.7</b>	<b>18.6</b>	<b>20.7</b>
Pur of Investments	-5.7	0.4	2.9	-2.6	-0.1	-0.6	0.7
Others	-16.0	-0.2	1.6	0.0	-1.3	0.4	0.6
<b>CF from Investments</b>	<b>-23.6</b>	<b>-2.9</b>	<b>2.4</b>	<b>-4.2</b>	<b>-3.1</b>	<b>-3.5</b>	<b>-1.9</b>
Inc in Debt	0.0	0.0	0.0	-1.3	-16.2	-0.4	-0.4
Dividend Paid	-2.0	-6.1	-12.3	-8.2	0.0	-14.7	-17.2
Interest Paid	-1.2	-1.6	-2.1	-1.5	-1.6	-0.9	-0.6
Other Item	9.8	-6.1	-6.0	-2.0	-0.4	0.4	0.5
<b>CF from Fin. Activity</b>	<b>6.6</b>	<b>-13.8</b>	<b>-20.4</b>	<b>-13.0</b>	<b>-18.2</b>	<b>-15.5</b>	<b>-17.6</b>
<b>Inc/Dec of Cash</b>	<b>1.7</b>	<b>0.5</b>	<b>-0.7</b>	<b>-1.2</b>	<b>-1.0</b>	<b>2.8</b>	<b>4.4</b>
Add: Beginning Balance	7.5	9.1	9.6	8.9	7.7	6.7	9.5
<b>Closing Balance</b>	<b>9.1</b>	<b>9.6</b>	<b>8.9</b>	<b>7.7</b>	<b>6.7</b>	<b>9.5</b>	<b>13.9</b>

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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