

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|-----------------------|-------------|
| Bloomberg | HMN IN |
| Equity Shares (m) | 454 |
| M.Cap.(INRb)/(USDb) | 188.5 / 2.4 |
| 52-Week Range (INR) | 621 / 419 |
| 1, 6, 12 Rel. Per (%) | 1/-10/-21 |
| 12M Avg Val (INR M) | 324 |

Financials & Valuations (INR b)

| Y/E March | 2022 | 2023E | 2024E |
|-----------------|------|-------|-------|
| Sales | 31.9 | 36.1 | 39.4 |
| Sales Gr. (%) | 10.8 | 13.1 | 9.2 |
| EBITDA | 9.5 | 10.8 | 12.3 |
| EBIT Margin (%) | 29.8 | 30.0 | 31.2 |
| Adj. PAT | 8.5 | 8.7 | 9.9 |
| Adj. EPS (INR) | 19.1 | 19.5 | 22.2 |
| EPS Gr. (%) | 17.2 | 2.5 | 13.8 |
| BV/Sh.(INR) | 46.7 | 50.2 | 54.8 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 44.1 | 40.3 | 42.3 |
| RoCE (%) | 43.7 | 46.1 | 49.4 |
| Payout (%) | 42.0 | 61.5 | 58.5 |

Valuation

| | | | |
|----------------|------|------|------|
| P/E (x) | 22.4 | 21.9 | 19.2 |
| P/BV (x) | 9.1 | 8.5 | 7.8 |
| EV/EBITDA (x) | 19.7 | 16.9 | 14.7 |
| Div. Yield (%) | 1.9 | 2.8 | 3.0 |

Shareholding pattern (%)

| As On | Mar-22 | Dec-21 | Mar-21 |
|----------|--------|--------|--------|
| Promoter | 54.3 | 53.9 | 53.9 |
| DII | 24.3 | 25.5 | 26.4 |
| FII | 12.7 | 12.5 | 10.5 |
| Others | 8.7 | 8.1 | 9.2 |

FII Includes depository receipts

CMP: INR427 TP: INR510 (+19%) Buy

Revenue in line; EBITDA margin disappoints

- Emami's consolidated sales growth of 5.4% YoY (flat volume growth) was broadly in line with our expectation. However, higher-than-anticipated material costs and 10% absolute increase in ad-spends YoY (at a time when peers have been reducing the same to offset material cost-led pressures) resulted in an 18% miss on EBITDA for 4QFY22.
- It is heartening, though, that Emami is investing on growth. On a full-year basis, its ad-spends-to-sales ratio expanded 50bp YoY and its investments on Project Khoj (to augment rural distribution) also continued.
- While sales growth continued to be unimpressive for a company of its size (with a five-/three-/two-year CAGR of 5.1%/5.8%/9.7%, respectively), the trend is getting relatively better. **Maintain BUY with a TP of INR510.**

Volumes muted; margin disappoints

- Emami's consolidated net sales grew 5.4% YoY to INR7.7b** (in line). EBITDA remained flat YoY at INR1.6b (est. INR2b). PBT declined 6.2% YoY to INR1.7b (est. INR1.8b). Adj. PAT before amortization stood at INR4.3b (est. INR1.4b).
- Domestic volumes were flat YoY in 4QFY22.
- Gross margin contracted 30bp YoY to 62.4% (est. 66%).
- EBITDA margin contracted 100bp YoY to 21.3%** (est. 26.4%) due to lower employee costs as a percentage of sales (-20bp YoY), other expenses (-10bp YoY) and higher ad-spends (+90bp YoY).
- Absolute ad-spends grew 10.7% YoY to INR1.5b.
- Total MAT credit entitlement recognized including for earlier years was at INR2.9b in 4QFY22.
- FY22 sales/EBITDA/Adj. PAT before amortization grew 10.8%/7.9%/52.1% YoY, respectively.
- Overall domestic business** rose 3% YoY in 4QFY22 with a two-year CAGR of 22% (it grew 11% YoY in FY22).
- International sales** grew 8% YoY in 4QFY22 and posted a two-year CAGR of 18% (it rose 5% YoY in FY22).
- Institutional business** (4% of sales) grew 32% YoY in 4QFY22 and recorded a two-year CAGR of 13% (it increased 26% YoY in FY22).
- Domestic segmental performance YoY in 4QFY22:** Navratna (flat), Pain Management (+9%), BoroPlus (-18%), Kesh King (+7%), Male Grooming (4%), Healthcare (4%) and 7 Oils in One (+4%).

Highlights from the management commentary

- Rural demand was weak during 4QFY22 and it is still subdued in 1QFY23. Good traction was visible on summer portfolio in Apr'22, thereby offsetting some weakness in the pain management portfolio. Management expects demand to bounce back in 2QFY23 led by potential improvement in rural demand.
- There could be a 200bp pressure on gross margin in 1QFY23E, even after taking price hikes of ~4.5%.

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- FY23E amortization would be around INR1.2b.
- Tax rate for FY23E should be in the range of 18-19%; however, the effective tax rate can decline 100-200bp because of MAT credit utilization.
- Currently, pledge is at 34%. However, it has increased a bit recently due to the stock price correction (stock price is down 34% from the peak).

Valuation and view

- The ongoing material cost pressure and near-term rural weakness lead to a 5.1% cut in our FY23E EPS, while there is no major change to our FY24E EPS forecast.
- Emami's sales CAGR of 9.7% over FY20-FY22 was far better than the 3.7% sales CAGR over FY16-20. If this trajectory leads sustainable and strong double-digit sales growth continues, a further re-rating is possible.
- We maintain our BUY rating on the stock, encouraged by its: a) inexpensive valuations at 19.2x FY24E EPS, and b) increase in ad-spends along with expansion in rural distribution reach.
- We arrive at our TP of INR510 (valuing the company at 23x FY24E EPS, at a 40% discount to its peers on a pre-amortization basis).

Quarterly performance

(INR m)

| Y/E MARCH | FY21 | | | | FY22 | | | | FY21 | FY22 | FY22 | Var. (%) |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Domestic volume growth (%) | -28.0 | 10.0 | 13.0 | 39.0 | 38.0 | 6.2 | 0.0 | 0.0 | 8.5 | 11.1 | -3.0 | |
| Net Sales | 4,813 | 7,348 | 9,336 | 7,308 | 6,610 | 7,888 | 9,719 | 7,704 | 28,805 | 31,920 | 7,526 | 2.4% |
| YoY change (%) | -25.8 | 11.3 | 14.9 | 37.2 | 37.3 | 7.4 | 4.1 | 5.4 | 8.5 | 10.8 | 3.0 | |
| COGS | 1,613 | 2,185 | 2,766 | 2,728 | 2,246 | 2,464 | 3,170 | 2,899 | 9,292 | 10,779 | 2,555 | |
| Gross Profit | 3,200 | 5,163 | 6,570 | 4,580 | 4,363 | 5,425 | 6,549 | 4,805 | 19,513 | 21,142 | 4,971 | -3.3% |
| Gross margin (%) | 66.5 | 70.3 | 70.4 | 62.7 | 66.0 | 68.8 | 67.4 | 62.4 | 67.7 | 66.2 | 66.0 | |
| EBITDA | 1,230 | 2,571 | 3,402 | 1,628 | 1,697 | 2,772 | 3,415 | 1,639 | 8,831 | 9,524 | 1,988 | -17.5% |
| Margins (%) | 25.5 | 35.0 | 36.4 | 22.3 | 25.7 | 35.1 | 35.1 | 21.3 | 30.7 | 29.8 | 26.4 | |
| YoY change | -8.3 | 33.2 | 28.9 | 65.2 | 38.0 | 7.8 | 0.4 | 0.7 | 27.9 | 7.9 | 22.1 | |
| Depreciation | 194 | 216 | 341 | 240 | 234 | 236 | 242 | 230 | 991 | 942 | 258 | |
| Interest | 47 | 25 | 14 | 47 | 6 | 8 | 18 | 18 | 133 | 51 | 10 | |
| Other Income | 67 | 79 | 92 | 465 | 107 | 376 | 166 | 303 | 703 | 953 | 128 | |
| PBT | 1,056 | 2,409 | 3,139 | 1,806 | 1,564 | 2,904 | 3,322 | 1,694 | 8,410 | 9,483 | 1,848 | -8.3% |
| Tax | 95 | 284 | 438 | 326 | 175 | 410 | 491 | -259 | 1,142 | 817 | 370 | |
| Rate (%) | 9.0 | 11.8 | 13.9 | 18.0 | 11.2 | 14.1 | 14.8 | -15.3 | 13.6 | 8.6 | 20.0 | |
| PAT before Amortization | 973 | 2,133 | 2,710 | 1,493 | 1,404 | 2,532 | 2,864 | 2,013 | 7,309 | 8,813 | 1,392 | 44.6% |
| YoY change (%) | -6.4 | 31.6 | 26.3 | 52.4 | 44.4 | 18.7 | 5.7 | 34.8 | 25.3 | 20.6 | -6.8 | |

Key Performance Indicators

| Y/E March | FY21 | | | | FY22 | | | |
|----------------------------|-------|-------|-------|-------|------|-------|------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| 2Y average growth % | | | | | | | | |
| Volumes | -14.0 | 5.5 | 5.5 | 9.5 | 5.0 | 8.1 | 6.5 | 19.5 |
| Sales | -10.1 | 8.2 | 7.5 | 10.2 | 5.8 | 9.3 | 9.5 | 21.3 |
| EBITDA | 1.5 | 18.1 | 14.5 | 14.3 | 14.8 | 20.5 | 14.6 | 33.0 |
| PAT | 5.9 | 22.1 | 14.6 | 16.2 | 19.0 | 25.1 | 16.0 | 120.7 |
| % sales | | | | | | | | |
| COGS | 33.5 | 29.7 | 29.6 | 37.3 | 34.0 | 31.2 | 32.6 | 37.6 |
| A&P | 12.4 | 14.7 | 16.6 | 18.5 | 16.6 | 13.4 | 16.3 | 19.4 |
| Other expenditure | 40.9 | 35.3 | 33.9 | 40.4 | 40.3 | 33.6 | 32.2 | 41.1 |
| Employee cost | 16.2 | 10.7 | 8.2 | 10.4 | 12.8 | 10.4 | 7.4 | 10.2 |
| Depreciation | 4.0 | 2.9 | 3.7 | 3.3 | 3.5 | 3.0 | 2.5 | 3.0 |
| YoY change % | | | | | | | | |
| COGS | -30.6 | 9.3 | 7.1 | 47.0 | 39.2 | 12.8 | 14.6 | 6.3 |
| Other expenditure | -30.2 | -3.0 | 9.1 | 18.7 | 35.3 | 2.3 | -1.1 | 7.3 |
| Other income | -41.7 | -51.8 | -41.1 | 220.9 | 60.0 | 376.7 | 81.2 | -34.9 |
| EBIT | -8.9 | 34.4 | 26.2 | 81.2 | 41.2 | 7.7 | 3.7 | 1.5 |



Highlights from the management commentary

Environment is challenging

- Management highlighted that consumption trends remained subdued given weak sentiment and high inflation.
- Rural demand was weak during 4QFY22 and it is still subdued in 1QFY23. Good traction was visible on summer portfolio in Apr'22, thereby offsetting some weakness in the pain management portfolio. Management expects demand to bounce back in 2QFY23 led by potential improvement in rural demand.
- Management expects demand to bounce back in 2QFY23 led by potential improvement in rural demand.
- Modern trade/E-commerce grew 9%/90% YoY and both are around 6-7% of overall sales.
- Emami has increased market leadership and household penetration in many of its categories.

Costs and margins

- Raw material cost inflation remains a near-term concern. There could be 200bp pressure on gross margin in 1QFY23 even after taking price increases of ~4.5%.
- Ad-spends rose YoY but were at normalized levels for the full year.
- Management indicated that it needs to invest in advertising for summer portfolio (including Dermicool, which was acquired in 4QFY22).

Product highlights

- Management is not worried about Kesh King. The 7% decline in sales in 4QFY22 was attributed to high base. Even the premium product sales are also slower due to tightening of the consumer wallet.
- While sales of Navratna cooling oil were weak in the Mar'22 quarter, it is showing good traction in 1QFY23.
- Dermicool revenue will accrue from 1QFY23 onwards.

Expansion

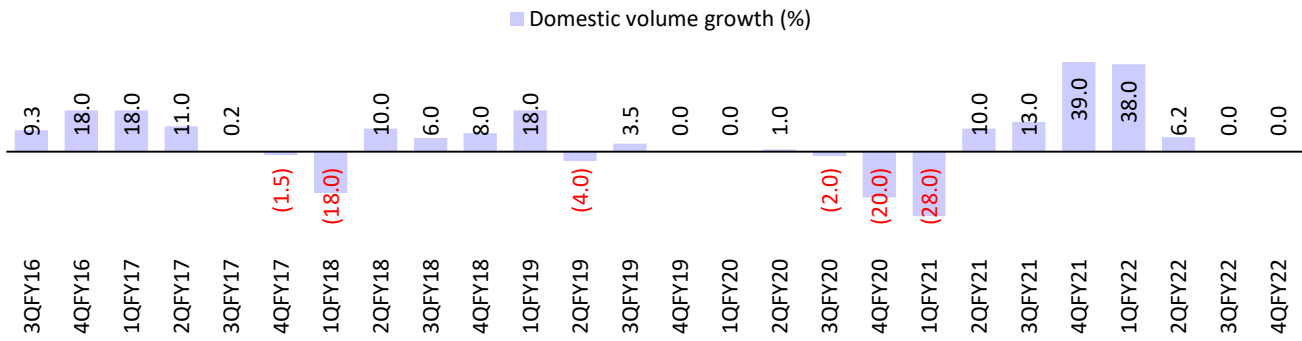
- Total rural towns added during the year were 8,000 taking the total count to 40,000.
- The company also added 32,000 rural outlets on healthcare portfolio.
- LUPs stood at 23-24% of the portfolio.

Amortization, taxation and pledge

- FY23E amortization would be around INR1.2b. It will reduce to INR850m after Kesh King amortization ends in 1QFY23. The remaining Goodwill is on Dermicool, Crème 21 and others.
- Tax rate for FY23E should be in the range of 18-19%; however, the effective tax rate can decline 100-200bp because of MAT credit utilization.
- Currently, pledge is at 34%. However, it has increased a bit recently due to the stock price correction (stock price is down 34% from the peak).

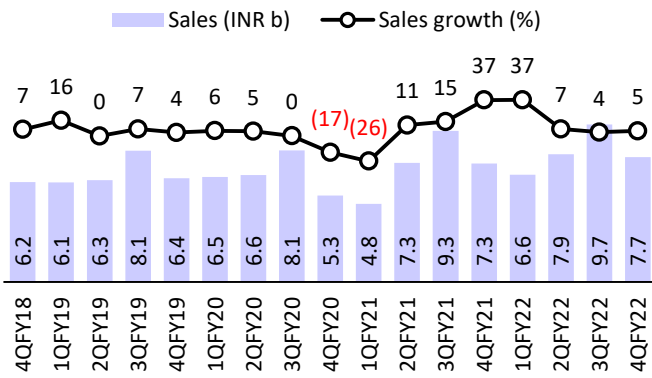
Key exhibits

Exhibit 1: Domestic volumes were flat YoY in 4QFY22



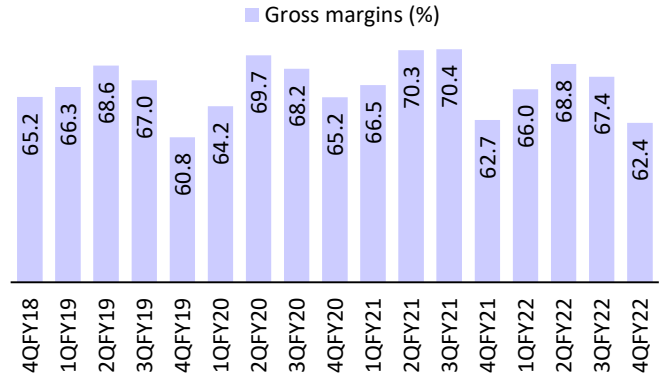
Source: Company, MOFSL

Exhibit 2: Consolidated net sales grew 5.4% YoY to INR7.7b



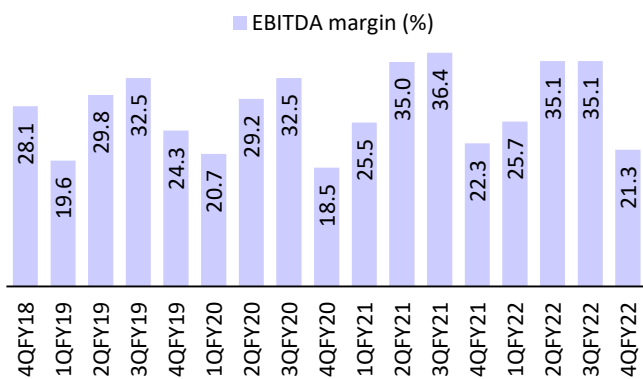
Source: Company, MOFSL

Exhibit 3: Gross margin contracted 300bp YoY to 62.4%



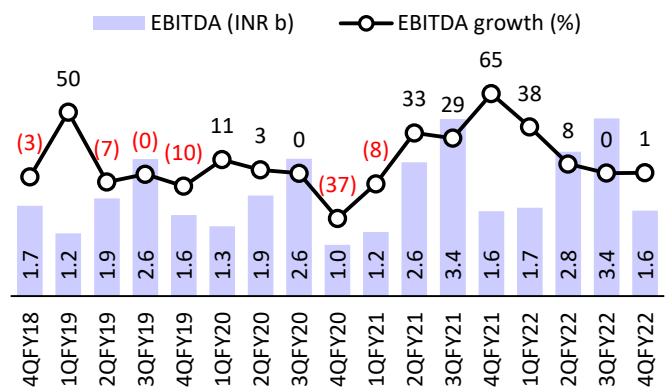
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracted 100bp YoY to 21.3%



Source: Company, MOFSL

Exhibit 5: EBITDA was flat YoY at INR1.6b in 4QFY22



Source: Company, MOFSL

Domestic business (78% of sales in 4QFY22) grew 3% YoY; 22% on a two-year CAGR basis

- Domestic segmental performance was as follows:

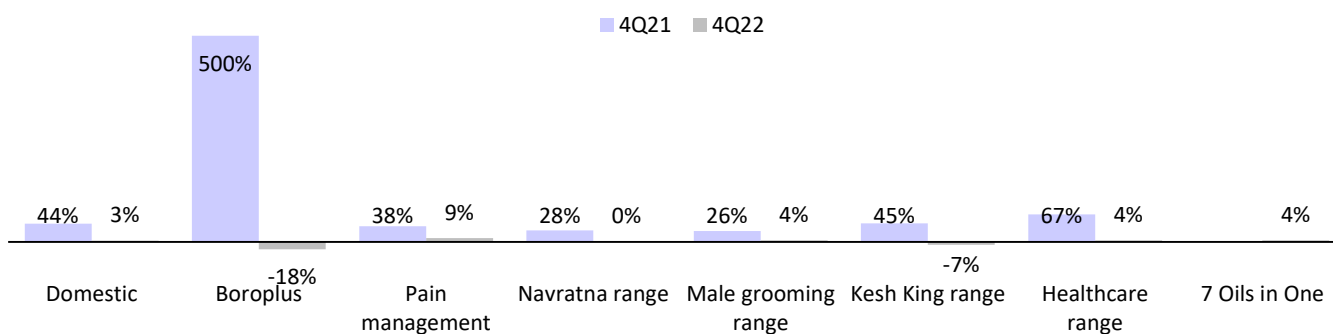
Exhibit 6: Healthcare, Pain Management, Male Grooming and 7 Oils in One posted YoY growth in 4QFY22; the Navratna portfolio was flat while Kesh King, and Boro Plus saw a YoY decline

| (% growth) | YoY | Two-year CAGR | FY22 |
|-----------------|------|---------------|------|
| Healthcare | 4% | 32% | 9% |
| Pain Management | 9% | 22% | 18% |
| Navratna | Flat | 0.13 | 5% |
| Kesh King | -7% | 16% | 11% |
| Boro Plus | -18% | 97% | 5% |
| Male Grooming | 4% | 14% | 16% |
| 7 Oils in One | 4% | 32% | 9% |

Source: Company, MOFSL

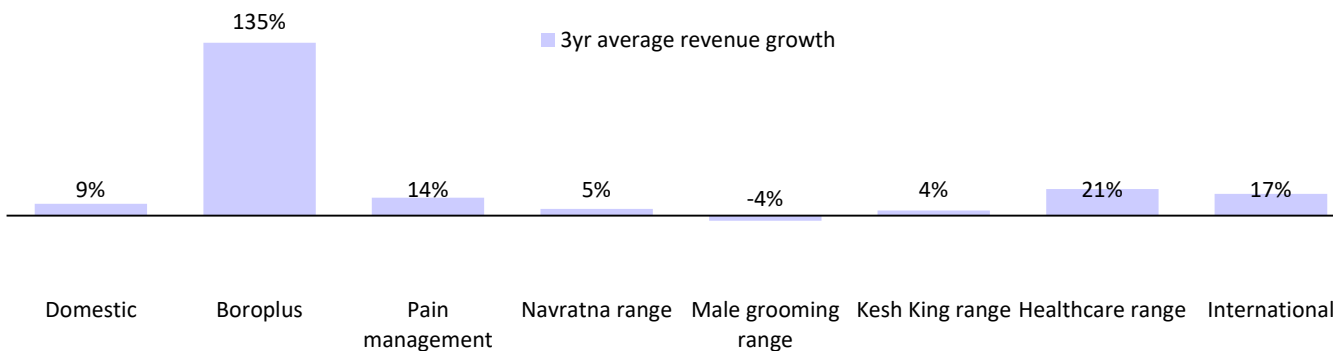
- International sales (18% of total sales) grew 8% YoY and 18% on a two-year CAGR basis.** Growth in FY22 stood at 5% YoY.
- The Institutional business contributed 4% to sales in 4QFY22.** It grew 32% YoY and registered a 13% growth on a two-year CAGR basis. Growth in FY22 stood at 26% YoY.

Exhibit 7: In the domestic business, the Navratna, Pain Management and Boroplus portfolios saw YoY growth



Source: Company, MOFSL

Exhibit 8: On a three-year basis, the International business, Healthcare, Pain Management, and Boro Plus showed strong performance



Source: Company, MOFSL

Valuation and view

What has happened over the last 10 years?

- The company delivered ~17% sales and EBITDA CAGR each and ~22% PAT CAGR in the first half of the decade gone by. However, over the past five years ended FY20, it reported a massive slowdown in key financial metrics (~4%/~5%/3% sales/ EBITDA/PAT CAGR, respectively). This was attributable to the absence of sales growth in most of its key categories.

Key challenges

- The lack of significant traction in products launched in recent years and failed acquisitions, such as ‘She’, have contributed to the weak sales growth in recent years. Kesh King’s scale-up so far has certainly not lived up to our expectation. The overseas business has also underperformed.
- Compared with peers, Emami has the largest exposure to rural and, even more crucially, to the wholesale trade. While the management has expanded its direct reach in recent years, wholesale and rural dependence remains high – albeit, still lower than that seen in the past.

Our view on the stock

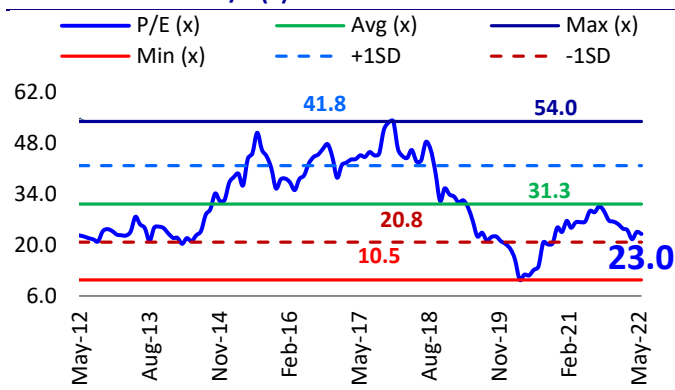
- The ongoing material cost pressure and near-term rural weakness lead to a 5.1% cut in our FY23E EPS, while there is no major change to our FY24E EPS forecast.
- Emami’s sales CAGR of 9.7% over FY20-FY22 was far better than the 3.7% sales CAGR over FY16-20. If this trajectory leads sustainable and strong double-digit sales growth continues, a further re-rating is possible.
- We maintain our BUY rating on the stock, encouraged by its: a) inexpensive valuations at 19.2x FY24E EPS, and b) increase in ad-spends along with expansion in rural distribution reach.
- We arrive at our TP of INR510 (valuing the company at 23x FY24E EPS, at a 40% discount to its peers on a pre-amortization basis).

Exhibit 9: We change our FY23E EPS by -5.1% while maintaining our FY24E EPS

| (INR m) | New | | Old | | Change (%) | |
|---------|----------|----------|----------|----------|------------|-------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| Sales | 36,089.6 | 39,391.8 | 36,089.6 | 39,391.8 | 0.0 | 0.0 |
| EBITDA | 10,813.8 | 12,293.7 | 11,112.1 | 12,212.3 | -2.7 | 0.7 |
| PAT | 8,678.5 | 9,876.9 | 9,145.7 | 9,863.3 | -5.1 | 0.1 |

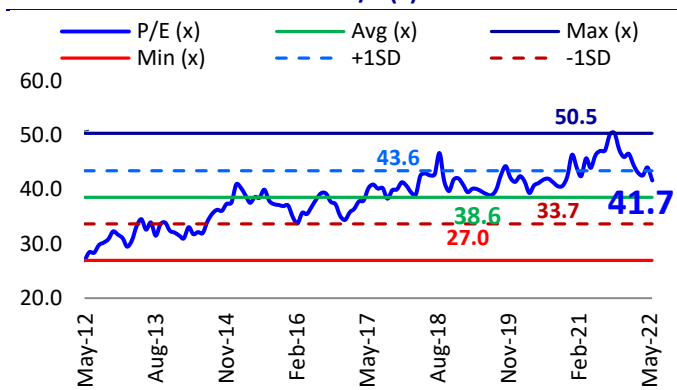
Source: Company, MOFSL

Exhibit 10: HMN’s P/E (x)



Source: Company, MOFSL

Exhibit 11: Consumer sector’s P/E (x)



Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | (INR m) | |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
| Net Sales | 24,882 | 25,305 | 26,946 | 26,549 | 28,805 | 31,920 | 36,090 | 39,392 |
| Change (%) | 5.5 | 1.7 | 6.5 | -1.5 | 8.5 | 10.8 | 13.1 | 9.2 |
| COGS | 7,910 | 8,098 | 9,230 | 8,761 | 9,292 | 10,779 | 12,395 | 13,084 |
| Gross Profit | 16,972 | 17,207 | 17,716 | 17,788 | 19,513 | 21,142 | 23,695 | 26,308 |
| Gross Margin (%) | 68.2 | 68.0 | 65.7 | 67.0 | 67.7 | 66.2 | 65.7 | 66.8 |
| Operating expenses | 9,380 | 10,013 | 10,444 | 10,882 | 10,682 | 11,618 | 12,881 | 14,014 |
| EBITDA | 7,591 | 7,194 | 7,272 | 6,906 | 8,831 | 9,524 | 10,814 | 12,294 |
| Change (%) | 10.5 | -5.2 | 1.1 | -5.0 | 27.9 | 7.9 | 13.5 | 13.7 |
| Margin (%) | 30.5 | 28.4 | 27.0 | 26.0 | 30.7 | 29.8 | 30.0 | 31.2 |
| Depreciation | 469 | 673 | 768 | 774 | 991 | 942 | 1,077 | 1,114 |
| Int. and Fin. Charges | 580 | 343 | 214 | 210 | 133 | 51 | 47 | 21 |
| Financial Other Income | 311 | 195 | 349 | 571 | 703 | 953 | 830 | 886 |
| Profit before Taxes | 6,853 | 6,374 | 6,639 | 6,492 | 8,410 | 9,483 | 10,519 | 12,045 |
| Change (%) | 7.9 | -7.0 | 4.2 | -2.2 | 29.5 | 12.8 | 10.9 | 14.5 |
| Margin (%) | 27.5 | 25.2 | 24.6 | 24.5 | 29.2 | 29.7 | 29.1 | 30.6 |
| Tax | 836 | 863 | 1,024 | 713 | 1,142 | 817 | 1,841 | 2,168 |
| Deferred Tax | 130 | -5 | 37 | -86 | -5 | 40 | 0 | 0 |
| Tax Rate (%) | 14.1 | 13.5 | 16.0 | 9.7 | 13.5 | 9.0 | 17.5 | 18.0 |
| Adjusted PAT | 6,021 | 5,507 | 5,517 | 5,618 | 7,226 | 8,469 | 8,679 | 9,877 |
| Change (%) | 4.5 | -8.5 | 0.2 | 1.8 | 28.6 | 17.2 | 2.5 | 13.8 |
| Margin (%) | 24.2 | 21.8 | 20.5 | 21.2 | 25.1 | 26.5 | 24.0 | 25.1 |
| Amortization | 2,617 | 2,436 | 2,485 | 2,589 | 2,679 | 2,406 | 1,200 | 850 |
| Reported PAT | 3,404 | 3,071 | 3,032 | 3,029 | 4,547 | 6,063 | 7,479 | 9,027 |

| Balance Sheet | | | | | | | (INR m) | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
| Share Capital | 454 | 454 | 454 | 453 | 445 | 445 | 445 | 445 |
| Reserves | 17,093 | 19,682 | 20,307 | 17,784 | 17,182 | 20,325 | 21,847 | 23,908 |
| Net Worth | 17,547 | 20,136 | 20,761 | 18,238 | 17,627 | 20,769 | 22,292 | 24,353 |
| Minority Interest | 14 | 6 | -2 | -9 | -9 | -23 | -23 | -23 |
| Loans | 4,846 | 3,343 | 1,168 | 2,257 | 1,028 | 2,637 | 2,109 | 2,109 |
| Deferred Liability | 282 | 118 | 122 | 35 | 42 | -2,763 | -2,763 | -2,763 |
| Capital Employed | 22,689 | 23,602 | 22,048 | 20,520 | 18,687 | 20,621 | 21,615 | 23,676 |
| Goodwill on consolidation | 41 | 41 | 41 | 0 | 0 | 242 | -373 | -987 |
| Gross Block | 25,600 | 26,825 | 28,738 | 29,933 | 27,108 | 29,921 | 29,108 | 30,108 |
| Less: Accum. Depn. | 5,616 | 8,767 | 11,967 | 15,329 | 16,320 | 17,262 | 18,339 | 19,453 |
| Net Fixed Assets | 19,983 | 18,058 | 16,771 | 14,604 | 10,788 | 12,659 | 10,769 | 10,655 |
| Capital WIP | 129 | 226 | 352 | 69 | 64 | 31 | 31 | 31 |
| Investments | 1,277 | 3,136 | 1,870 | 1,564 | 3,084 | 3,568 | 3,568 | 3,568 |
| Curr. Assets, L&A | 4,602 | 6,517 | 9,151 | 10,548 | 11,261 | 11,240 | 15,816 | 19,237 |
| Inventory | 1,792 | 1,940 | 2,217 | 2,446 | 3,005 | 3,576 | 4,060 | 4,293 |
| Account Receivables | 970 | 1,559 | 2,164 | 3,080 | 2,318 | 3,209 | 3,560 | 3,777 |
| Cash and cash equivalents | 501 | 795 | 2,034 | 1,191 | 3,604 | 1,160 | 5,221 | 8,182 |
| Others | 1,340 | 2,224 | 2,737 | 3,831 | 2,335 | 3,295 | 2,976 | 2,985 |
| Curr. Liab. and Prov. | 3,343 | 4,376 | 6,137 | 6,265 | 6,510 | 7,119 | 8,196 | 8,828 |
| Account Payables | 1,847 | 2,420 | 2,914 | 3,245 | 3,507 | 4,087 | 4,800 | 5,024 |
| Other Liabilities | 622 | 1,077 | 1,808 | 1,222 | 1,147 | 1,257 | 1,390 | 1,538 |
| Provisions | 873 | 879 | 1,416 | 1,798 | 1,856 | 1,775 | 2,006 | 2,266 |
| Net Current Assets | 1,259 | 2,141 | 3,014 | 4,284 | 4,751 | 4,121 | 7,620 | 10,409 |
| Application of Funds | 22,689 | 23,602 | 22,048 | 20,520 | 18,687 | 20,621 | 21,615 | 23,676 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS | 13.3 | 12.1 | 12.2 | 12.4 | 16.3 | 19.1 | 19.5 | 22.2 |
| Cash EPS | 14.3 | 13.6 | 13.8 | 14.1 | 18.5 | 21.2 | 21.9 | 24.7 |
| BV/Share | 38.7 | 44.4 | 45.7 | 40.2 | 39.7 | 46.7 | 50.2 | 54.8 |
| DPS | 4.4 | 3.5 | 4.0 | 8.0 | 8.0 | 8.0 | 12.0 | 13.0 |
| Payout % | 33.0 | 28.8 | 32.9 | 64.6 | 49.2 | 42.0 | 61.5 | 58.5 |
| Valuation (x) | | | | | | | | |
| P/E | 32.2 | 35.2 | 35.2 | 34.5 | 26.3 | 22.4 | 21.9 | 19.2 |
| Cash P/E | 29.9 | 31.4 | 30.9 | 30.3 | 23.1 | 20.2 | 19.5 | 17.3 |
| EV/Sales | 7.9 | 7.6 | 7.1 | 7.3 | 6.4 | 5.9 | 5.1 | 4.6 |
| EV/EBITDA | 26.0 | 26.9 | 26.3 | 28.0 | 20.9 | 19.7 | 16.9 | 14.7 |
| P/BV | 11.1 | 9.6 | 9.3 | 10.6 | 10.8 | 9.1 | 8.5 | 7.8 |
| Dividend Yield (%) | 1.0 | 0.8 | 0.9 | 1.9 | 1.9 | 1.9 | 2.8 | 3.0 |
| Return Ratios (%) | | | | | | | | |
| RoE | 35.8 | 29.2 | 27.0 | 28.8 | 40.3 | 44.1 | 40.3 | 42.3 |
| RoCE | 31.1 | 28.2 | 28.5 | 28.8 | 40.0 | 43.7 | 46.1 | 49.4 |
| RoIC | 28.2 | 25.3 | 25.9 | 28.5 | 39.6 | 45.3 | 44.9 | 57.6 |
| Working Capital Ratios | | | | | | | | |
| Debtor (Days) | 14 | 23 | 30 | 34 | 32 | 30 | 36 | 35 |
| Asset Turnover (x) | 1.1 | 1.1 | 1.2 | 1.2 | 1.5 | 1.6 | 1.7 | 1.7 |
| Leverage Ratio | | | | | | | | |
| Debt/Equity (x) | 0.2 | 0.1 | 0.0 | 0.1 | -0.1 | 0.1 | -0.1 | -0.2 |

Cash Flow Statement

(INR m)

| Y/E March | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(loss) before Tax | 4,236 | 3,926 | 4,034 | 3,736 | 5,689 | 6,880 | 9,319 | 11,195 |
| Depreciation | 3,086 | 3,109 | 3,253 | 3,363 | 3,670 | 3,348 | 2,277 | 1,964 |
| Other non-operating income | -102 | -51 | -125 | -192 | -329 | -445 | -830 | -886 |
| Interest Paid | 558 | 316 | 42 | -73 | -38 | -227 | 47 | 21 |
| Direct Taxes Paid | -707 | -809 | -927 | -760 | -865 | -1,426 | -1,841 | -2,168 |
| (Incr)/Decr in WC | 226 | -612 | -739 | -800 | 1,088 | -1,691 | 562 | 172 |
| CF from Operations | 7,296 | 5,878 | 5,537 | 5,274 | 9,215 | 6,439 | 9,535 | 10,298 |
| (Incr)/Decr in FA | -2,814 | -1,232 | -1,329 | -1,481 | -320 | -4,802 | 813 | -1,000 |
| Free Cash Flow | 4,482 | 4,646 | 4,208 | 3,793 | 8,895 | 1,636 | 10,348 | 9,298 |
| (Pur)/Sale of Investments | -763 | -1,863 | 1,178 | -568 | -2,934 | 2,832 | 0 | 0 |
| Others | 655 | 750 | 129 | -15 | 3,334 | -2,890 | 790 | 722 |
| CF from Invest. | -2,922 | -2,346 | -22 | -2,064 | 80 | -4,861 | 1,604 | -278 |
| Change in Equity | 0 | 0 | 0 | -125 | -2,256 | -2,001 | 0 | 0 |
| (Incr)/Decr in Debt | 7,099 | 4,847 | 803 | 1,004 | -1,183 | 1,651 | -528 | 0 |
| Dividend Paid | -1,985 | -1,194 | -1,589 | -3,632 | -3,556 | -3,556 | -6,430 | -6,966 |
| Others | -10,072 | -6,891 | -3,491 | -1,301 | 114 | -116 | -119 | -92 |
| CF from Fin. Activity | -4,958 | -3,237 | -4,277 | -4,054 | -6,882 | -4,021 | -7,077 | -7,059 |
| Incr/Decr of Cash | -584 | 295 | 1,239 | -844 | 2,413 | -2,444 | 4,061 | 2,961 |
| Add: Opening Balance | 1,084 | 501 | 795 | 2,034 | 1,191 | 3,604 | 1,160 | 5,221 |
| Closing Balance | 500 | 795 | 2,034 | 1,191 | 3,604 | 1,160 | 5,221 | 8,182 |

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 |

*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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