

# Titan Company

Estimate changes



TP change



Rating change



Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USD\$b)	2159.6 / 27.3
52-Week Range (INR)	2768 / 1764
1, 6, 12 Rel. Per (%)	15/-1/28
12M Avg Val (INR M)	3586

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	288.0	366.0	439.7
Sales Gr. (%)	33.1	27.1	20.1
EBITDA	34.2	46.4	55.6
EBITDA Margin (%)	11.9	12.7	12.6
Adj. PAT	23.3	30.8	37.3
Adj. EPS (INR)	26.2	34.6	41.9
EPS Gr. (%)	137.8	31.9	21.2
BV/Sh.(INR)	105.1	124.3	151.6
<b>Ratios</b>			
RoE (%)	27.7	30.2	30.5
RoCE (%)	25.2	27.9	28.8
Payout (%)	28.6	35.0	35.0
<b>Valuation</b>			
P/E (x)	92.8	70.3	58.0
P/BV (x)	23.1	19.6	16.0
EV/EBITDA (x)	62.7	46.2	38.3
Div. Yield (%)	0.3	0.5	0.6

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	52.9	52.9	52.9
DII	11.4	10.4	10.1
FII	16.8	18.4	18.4
Others	18.9	18.3	18.6

FII Includes depository receipts

CMP: INR2,433

TP: INR2,670 (+10%)

Buy

## Jewelry demand robust; margin outlook improving

- TTAN's 1QFY23 result, though strong (three-year jewelry sales CAGR of 23% - the best among Consumer companies), was below our estimates. The management said gold prices have remained stable and that there has been no adverse impact on Jewelry demand so far. This was contrary to our fears that the hike in gold import duty on 1<sup>st</sup> Jul'22 will increase domestic gold prices and therefore affect demand. As a result, there has only been a minor correction in our FY23 operating profit forecast, despite the miss in 1QFY23 v/s our estimate.
- While the management expects margin in the Jewelry business to remain in the 12-13% range, it stated that the healthy margin improvement in Watches and Wearables (13% EBIT margin) and Eye Care (~15% EBIT margin) is likely to sustain. This implies that these segments will no longer remain margin dilutive as feared.
- TTAN can achieve its ambitious growth target (of 2.5x) for the Jewelry business (89% of FY22 sales) over the next five years, as highlighted in our [detailed note](#) after the analyst meet in May'22, having already delivered a similar performance in the preceding five years. We maintain our **Buy** rating.

## Strong operating performance, but earnings below our estimate

- Consolidated revenue grew 172% YoY to INR94.4b (est. INR104.2b).
- EBITDA stood at INR12b (est. INR14b) in 1QFY23 from INR1.4b in 1QFY22.
- PBT stood at INR10.7b (est. INR13b) in 1QFY23 from INR0.4b in 1QFY22.
- Recurring PAT came in at INR7.9b (est. INR9.7b) in 1QFY23 from INR0.2b in 1QFY22.
- Consolidated gross margin rose 310bp YoY to 25.5% (est. 27%).
- As a percentage of sales, lower staff costs/other expenses (down 490bp/160bp YoY), but higher ad spends (up 90bp YoY) led to an 870bp expansion in EBITDA margin to 12.7% (est. 13.5%) in 1QFY23.
- **Adjusted segmental performance:** Jewelry sales grew 173.8% YoY to INR83.5b. Segment margin rose 610bp YoY to 12.6%. Sales of Watches grew 168.3% YoY to INR7.9b, with an EBIT margin of 12.5% in 1QFY23.

## Highlights from the management commentary

- Jewelry sales, excluding bullion, grew 204% YoY as bullion sales fell 16%. Total jewelry sales rose 174% YoY.
- Despite the high import duty, domestic gold prices remained in the INR50-51k range in Jul'22. There has been no change in its competitive intensity.
- Sales grew in Jul'22, albeit at a sluggish pace in low ticket items, whereas the momentum in high ticket items remained strong. The management expects demand for lower ticket items to improve, given the festive occasions in Aug'22.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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

- The management's EBIT margin guidance in the Jewelry segment remains in the 12-13% range. In the Watches and Wearables segment, faster growth in the high-margin 'Titan' brand led to an improvement in margin. It has guided at a segmental margin growth of 13% on a sustainable basis. It indicated that EBIT margin in the Eye Care segment can sustain at 15%.

#### Valuation and view

- Changes to our model led to a 2.6% reduction in FY23 EBITDA, but higher than expected depreciation resulted in a 5.5% decrease in our EPS estimate. Our FY24 EPS forecasts have been raised due to the likelihood of healthy demand growth and robust margin outlook across all businesses.
- TTAN has a strong runway for growth, given its market share of sub-10% in Jewelry and continued struggles faced by its unorganized and organized peers. Its medium-to-long-term earnings growth visibility is nonpareil. Despite the volatility in gold prices and COVID-led disruptions, earnings CAGR has been stellar at 24% for the past five-years ending FY22. We expect this trend to continue, with a 26% earnings CAGR over the next couple of years.
- The stock's near-term multiples appear expensive, but its long runway for profitable growth warrants premium multiples. We maintain our **Buy** rating, with a TP of INR2,670 per share (60x Jun'24E EPS)

#### Consolidated Quarterly Performance

Y/E March	FY22				FY22				FY22	FY23E	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
<b>Net Sales</b>	<b>34.7</b>	<b>74.9</b>	<b>100.4</b>	<b>78.0</b>	<b>94.4</b>	<b>83.1</b>	<b>98.1</b>	<b>90.5</b>	<b>288.0</b>	<b>366.0</b>	<b>104.2</b>	-9.4
YoY change (%)	75.5	64.6	31.7	4.0	171.9	10.8	-2.3	16.0	33.1	27.1	200.1	
<b>Gross Profit</b>	<b>7.8</b>	<b>18.8</b>	<b>25.4</b>	<b>19.7</b>	<b>24.1</b>	<b>21.3</b>	<b>26.5</b>	<b>25.0</b>	<b>71.6</b>	<b>96.9</b>	<b>28.1</b>	
Margin (%)	22.4	25.0	25.3	25.3	25.5	25.7	27.0	27.6	24.9	26.5	27.0	
<b>EBITDA</b>	<b>1.4</b>	<b>9.7</b>	<b>14.4</b>	<b>8.8</b>	<b>12.0</b>	<b>10.4</b>	<b>13.1</b>	<b>10.9</b>	<b>34.2</b>	<b>46.4</b>	<b>14.0</b>	-14.8
EBITDA growth %	L/P	209.3	70.0	7.2	773.0	7.4	-9.3	24.7	98.5	35.4	924.6	
Margin (%)	3.9	12.9	14.4	11.2	12.7	12.5	13.3	12.1	11.9	12.7	13.5	
Depreciation	1.0	1.0	1.0	1.0	1.0	1.1	1.2	1.1	4.0	4.4	1.0	
Interest	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7	2.2	2.7	0.6	
Other Income	0.5	0.6	0.6	0.8	0.4	0.6	0.6	0.2	2.3	1.9	0.5	
<b>PBT</b>	<b>0.4</b>	<b>8.7</b>	<b>13.4</b>	<b>7.9</b>	<b>10.7</b>	<b>9.2</b>	<b>11.9</b>	<b>9.3</b>	<b>30.4</b>	<b>41.2</b>	<b>13.0</b>	-17.3
Tax	0.2	2.3	3.3	1.3	2.8	2.3	3.0	2.2	7.1	10.4	3.3	
Rate (%)	53.8	26.2	24.7	16.0	26.3	25.2	25.2	23.9	23.2	25.2	25.2	
<b>Adjusted PAT</b>	<b>0.2</b>	<b>6.4</b>	<b>10.1</b>	<b>6.6</b>	<b>7.9</b>	<b>6.9</b>	<b>8.9</b>	<b>7.1</b>	<b>23.3</b>	<b>30.8</b>	<b>9.7</b>	-18.6
YoY change (%)	L/P	268.4	90.9	16.7	#	7.9	-12.3	7.1	138.4	31.9	5288.7	

E: MOFSL Estimates

#### Key Performance Indicators

Y/E March	FY22				FY22			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
<b>2Y CAGR (%)</b>								
Sales	-17.9	26.8	24.0	28.6	118.4	35.1	13.5	9.9
EBITDA	-51.1	36.1	35.6	19.6	#	82.2	24.2	15.6
PAT	-77.8	42.8	43.3	39.0	#	99.3	29.4	11.8
<b>% of Sales</b>								
COGS	77.6	75.0	74.7	74.7	74.5	74.3	73.0	72.4
Operating Expenses	18.5	12.1	10.9	14.0	12.8	13.2	13.7	15.6
Depreciation	2.7	1.4	1.0	1.3	1.1	1.3	1.2	1.3
<b>YoY change (%)</b>								
COGS	74.4	79.4	27.1	-0.2	161.2	9.8	-4.6	12.3
Operating Expenses	-6.7	-18.1	25.6	30.1	88.6	20.7	22.5	28.8
Other Income	12.2	14.6	42.5	33.3	-4.3	5.5	8.8	-67.2
EBIT	-112.1	294.5	78.7	6.9	2,502.4	7.9	-11.3	26.4

E: MOFSL Estimates

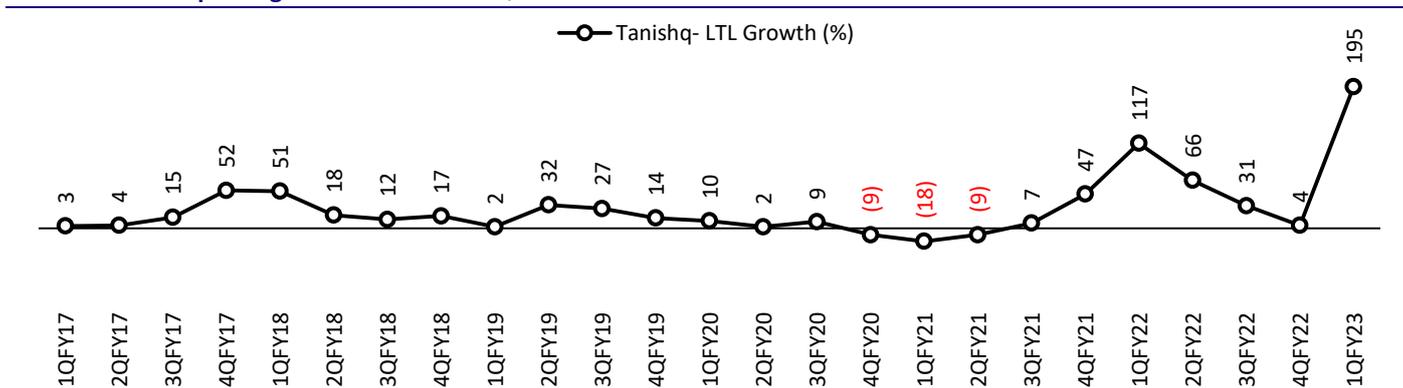
**Key exhibits**

**Exhibit 1: Consolidated segmental snapshot**

(INR m)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
<b>Total Sales</b>	<b>20,200</b>	<b>46,010</b>	<b>76,590</b>	<b>75,510</b>	<b>35,190</b>	<b>75,480</b>	<b>100,940</b>	<b>78,720</b>	<b>94,870</b>
Watches	760	4,010	5,510	5,590	2,930	6,890	7,100	6,250	7,860
YoY growth	-89.4%	-44.3%	-12.2%	0.1%	285.5%	71.8%	28.9%	11.8%	168.3%
Jewelry	18,240	39,830	68,360	66,780	30,500	65,710	90,590	68,430	83,510
YoY growth	-56.2%	9.1%	21.9%	71.3%	67.2%	65.0%	32.5%	2.5%	173.8%
Eyewear	300	940	1,240	1,270	670	1,600	1,560	1,340	1,830
YoY growth	-79.8%	-39.0%	-7.0%	17.9%	123.3%	70.2%	25.8%	5.5%	173.1%
Others	900	1,230	1,480	1,870	1,090	1,280	1,690	2,700	1,670
YoY growth	-49.8%	-27.2%	-19.4%	-0.5%	21.1%	4.1%	14.2%	44.4%	53.2%
<b>Total EBIT</b>	<b>-3,090</b>	<b>2,660</b>	<b>7,920</b>	<b>7,810</b>	<b>880</b>	<b>9,190</b>	<b>14,010</b>	<b>7,960</b>	<b>11,370</b>
Watches	-1,730	-120	150	380	-610	900	800	100	980
YoY growth	P/L	P/L	-61.6%	-30.0%	N/M	N/M	433.3%	-73.7%	-260.7%
EBIT Margin	-227.6%	-3.0%	2.7%	6.8%	-20.8%	13.1%	11.3%	1.6%	12.5%
Jewelry	-680	2,860	7,660	7,170	1,980	8,030	12,880	7,955	10,520
YoY growth	P/L	-24.6%	5.0%	35.3%	L/P	180.8%	68.1%	10.9%	431.3%
EBIT margin	-3.7%	7.2%	11.2%	10.7%	6.5%	12.2%	14.2%	11.6%	12.6%
Eyewear	-310	90	220	230	-130	370	340	15	360
YoY growth	N/M	352.3%	L/P	1170.7%	N/M	311.1%	54.5%	-93.5%	-376.9%
EBIT margin	-103.3%	9.6%	17.7%	18.1%	-19.4%	23.1%	21.8%	1.1%	19.7%
Others	(370)	(170)	(110)	30	(360)	(110)	(10)	(110)	(490)

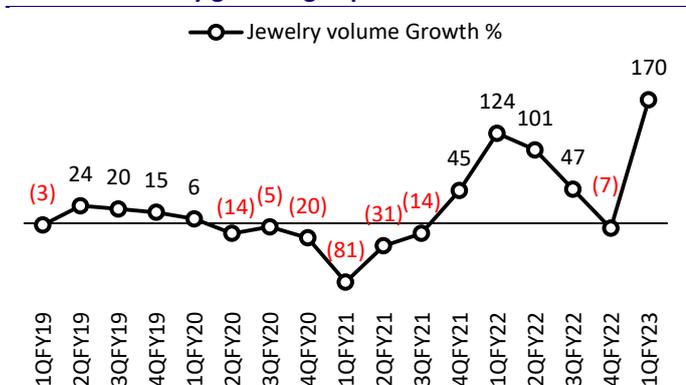
Source: Company, MOFSL

**Exhibit 2: Tanishq's LTL growth at 195% in 1QFY23**



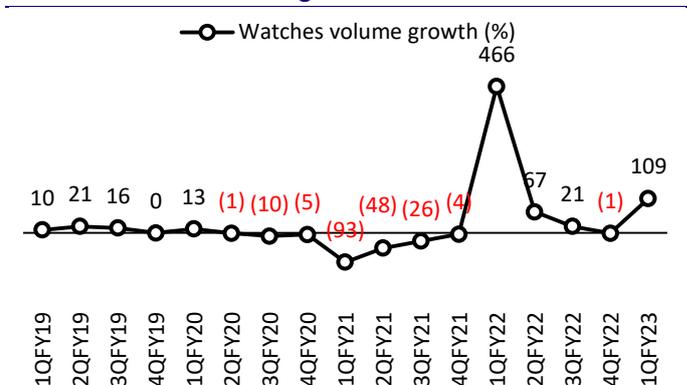
Source: Company, MOFSL

**Exhibit 3: Jewelry grammage up 170% YoY**

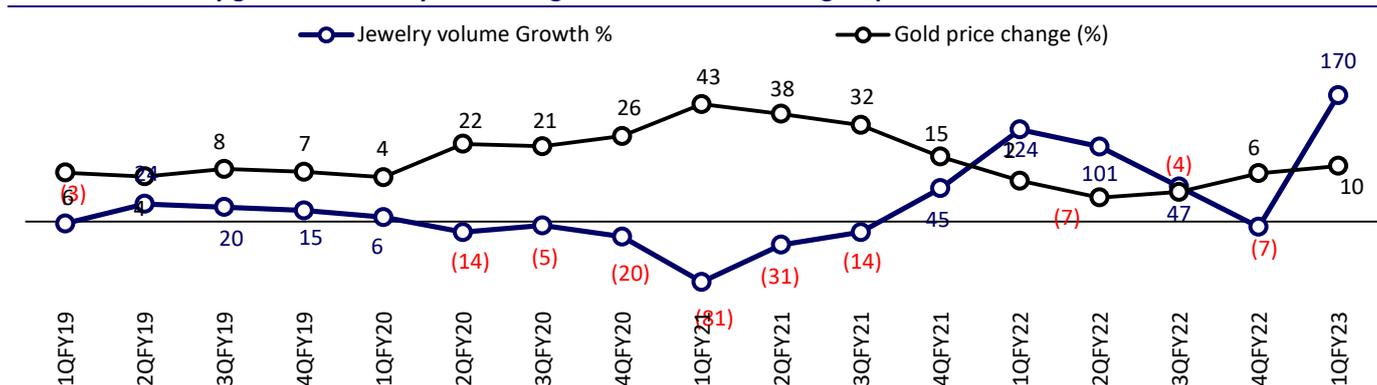


Source: Company, MOFSL

**Exhibit 4: Watch volumes grew 109% YoY**



Source: Company, MOFSL

**Exhibit 5: Quarterly growth in Jewelry volumes against the movement in gold prices**

Source: Company, MOFSL

**Exhibit 6: Jewelry – Key operating parameters**

Jewelry	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Volume growth (%)	6	(14)	(5)	(20)	(81)	(31)	(14)	45	124	101	47	(7)	170
Studded share (%)	25	38	27	37	18	26	26	30	22	30	26	34	26
Sales growth (%)	14	0	12	(5)	(56)	9	22	71	67	65	33	2	174
LTL growth (%)	10	2	9	(9)	(18)*	(9)	7	47	117	66	31	4	195
Stores	302	311	324	331	337	345	355	357	362	372	386	394	400

\*LTL growth is for Jun'20 only

Source: Company, MOFSL

**Exhibit 7: Sales in the Watches segment grew by 168.3% YoY**

Watches	1QFY22			4QFY22			1QFY23		
	Sales growth	LTL growth	Stores (x)	Sales growth	LTL growth	Stores (x)	Sales growth	LTL growth	Stores (x)
World of Titan	86	91	509	15	13	544	241	227	570
Helios	73	78	106	35	14	136	278	227	151
Fastrack	63	80	166	(9)	(5)	163	230	231	161
LFS - Watches	323	324	NA	8	3	NA	358	338	NA
<b>Sales growth (%)</b>	<b>285.5</b>			<b>11.8</b>			<b>168.3</b>		
<b>Net sales (INR b)</b>	<b>2.9</b>			<b>6.3</b>			<b>7.9</b>		

Source: Company, MOFSL

**Exhibit 8: Titan Eye+: Sales grew 180% YoY, with a 185% YoY growth in LTL retail sales**

Titan Eye+	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21*	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Stores	556	561	578	584	569	557	571	599	605	629	682	733	786
Sales growth (%)	20	35	11	(8)	(46)	(35)	(3)	28	74	69	19	(4)	180
LTL growth (%)	14	28	3	(16)	(44)	(34)	(3)	27	47	59	10	(13)	185

\*Sales and LTL growth are for Jun'20 only

Source: Company, MOFSL



## Key highlights from the management interaction

### Performance and outlook

- Despite higher import duty, domestic gold prices have remained in the INR 50-51k range in Jul'22. There has been no change in competitive intensity.
- Sales grew in Jul'22 albeit at a sluggish pace in low ticket items whereas the momentum on high ticket items remained strong. The management expects demand for lower ticket items to recoup given festive occasions in Aug'22.
- The three-year sales CAGR was 23% in 1QFY23 for the jewelry business. TTN has gained significant market share over this period. Billing growth has been 26% over this period.

- Jewelry sales ex-bullion grew 204% YoY but as bullion sales declined 16% YoY, total jewelry sales were up by 174%.
- According to the management, overall demand growth was healthy even excluding strong *Akshay Tritya* demand during the quarter.
- TTAN has started customer activation for its studded jewelry in Jul'22 as usual. The current demand trends in jewelry QTD has been satisfactory.

### Margins

- The jewelry business saw margin improvement led by operating leverage and improved mix with ~80-90bp improvement led by gain on higher diamond prices.
- The management's guidance for jewelry EBIT margin remains in the 12-13% range.
- There were no one-offs in the Watches & Wearable business margin in 1QFY23. Faster growth in the higher margin 'Titan' brand led to margin improvement and segmental margin guidance is at 13% on a sustainable basis.
- Management also indicated that the eye care segment EBIT margin could sustain at 15%.
- The 6.5% EBIT margin for Caratlane is healthy but the path to double-digit margin may take four-to-five years as the business makes significant investments in technology and talent.
- The proportion of studded product has reached pre-Covid levels.
- With an aim to target healthy growth in lower-end products and in smaller cities, TTAN may consider lowering making charges in some of these markets although they will remain at an acceptable premium to incumbent market players.

### Expansion

- The management aims to add 35-40 Tanishq in FY23 so long as it is able to get suitable properties at an opportune time.

### Other points

- Inventory levels are higher than usual because of:
  - Good demand expectations for the rest of the year
  - Higher diamond prices leading to higher inventory value
  - Expected growth in wedding jewelry
  - Lower stock turns in smaller cities
- The revenue from wearables is still less than 10% of the Watches & Wearables segment is inching up quarter after quarter.
- Bullion sales by the management are a tactical decision and not predictable. It chooses to melt bullion or sell it depending on the demand.
- There has been no material market share gain due to hallmarking of jewelry so far.
- More than 50% of Taneira stores are franchised.

## Valuation and view

### Strong growth in the last 10 years

- TTAN has delivered strong growth in the Jewelry business, aided by its: a) store expansion efforts, b) focus on erstwhile weak cities, c) increased focus on wedding jewelry, d) greater focus on studded jewelry, e) attractive schemes such as Golden Harvest, and f) increased focus on gold exchange. Considering the regulatory tailwinds in favor of organized players like TTAN like GST implementation and mandatory quoting of one's PAN details for purchases over INR200k (from INR500k earlier), TTAN has done well in the past 10 years.
- In the decade ending in FY21, it clocked a net sales/EBITDA/PAT CAGR of ~13%/~11%/~9%. However, this performance was subdued by COVID-led disruptions. The respective numbers for the decade ended FY20 were significantly better at ~16%/~20%/~20% and easily places TTAN as among the best performers over this period.

### Our view on the stock

- Changes to our model led to a 2.6% reduction in FY23E EBITDA but higher than expected depreciation resulted in a 5.5% decrease in FY23E EPS estimate. FY24E EPS forecasts have been raised because of the likelihood of healthy demand growth and robust margin outlook across all businesses.
- TTAN has a strong runway for growth, given its market share of less than 10% in jewelry and continued struggles faced by unorganized and organized peers. Its medium-to-long-term earnings growth visibility is nonpareil. Despite the volatility in gold prices and COVID-led disruptions, earnings CAGR has been stellar (24%) for the past five-years ending FY22. We expect this trend to continue, with 26% earnings CAGR in the next couple of years.
- The stock's near-term multiples appear expensive, but its long runway for profitable growth warrants premium multiples. We maintain our Buy rating, with a TP of INR2,670 per share (60x Jun'24E EPS).

#### Exhibit 9: We change our FY23/FY24 EPS estimate by -5.5%/+5.6%, respectively

(INR b)	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	366.0	439.7	367.5	419.7	-0.4	4.7
EBITDA	46.4	55.6	47.6	51.5	-2.6	8.1
PAT	30.8	37.3	32.6	35.3	-5.5	5.6

Source: MOFSL

## Financials and valuations

Income Statement							(INR b)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Net Sales</b>	<b>161.2</b>	<b>197.8</b>	<b>210.5</b>	<b>216.4</b>	<b>288.0</b>	<b>366.0</b>	<b>439.7</b>
Change (%)	21.6	22.7	6.4	2.8	33.1	27.1	20.1
<b>Gross Profit</b>	<b>44.3</b>	<b>53.8</b>	<b>59.0</b>	<b>52.3</b>	<b>71.6</b>	<b>96.9</b>	<b>117.8</b>
Margin (%)	27.5	27.2	28.0	24.2	24.9	26.5	26.8
Other expenditure	27.9	33.9	34.0	35.1	37.4	50.5	62.2
<b>EBITDA</b>	<b>16.4</b>	<b>19.9</b>	<b>24.9</b>	<b>17.2</b>	<b>34.2</b>	<b>46.4</b>	<b>55.6</b>
Change (%)	42.3	21.1	25.1	-30.8	98.5	35.4	20.0
Margin (%)	10.2	10.1	11.8	8.0	11.9	12.7	12.6
Depreciation	1.3	1.6	3.5	3.8	4.0	4.4	4.8
Int. and Fin. Charges	0.5	0.5	1.7	2.0	2.2	2.7	3.0
Other Income - Recurring	0.9	1.8	1.5	1.9	2.3	1.9	2.1
<b>Profit before Taxes</b>	<b>15.5</b>	<b>19.6</b>	<b>21.3</b>	<b>13.3</b>	<b>30.4</b>	<b>41.2</b>	<b>49.9</b>
Change (%)	43.7	26.5	8.8	-37.5	128.2	35.4	21.2
Margin (%)	9.6	9.9	10.1	6.2	10.6	11.2	11.3
Tax	4.5	6.1	5.8	3.6	7.9	10.4	12.6
Deferred Tax	0.2	0.5	-0.4	0.1	0.8	0.0	0.0
Tax Rate (%)	27.6	29.0	28.9	26.5	23.2	25.2	25.2
<b>Profit after Taxes</b>	<b>11.2</b>	<b>13.9</b>	<b>15.2</b>	<b>9.8</b>	<b>23.3</b>	<b>30.8</b>	<b>37.3</b>
Change (%)	39.9	24.0	8.9	-35.4	138.4	31.9	21.2
Margin (%)	7.0	7.0	7.2	4.5	8.1	8.4	8.5
Extraordinary income	-167	0	-185	0	-1,360	0	0
<b>Reported PAT</b>	<b>11.0</b>	<b>13.9</b>	<b>14.9</b>	<b>9.7</b>	<b>22.0</b>	<b>30.8</b>	<b>37.3</b>

Balance Sheet							(INR b)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Share Capital	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Preference Share Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	50.0	60.0	65.8	74.1	92.4	109.5	133.7
<b>Net Worth</b>	<b>50.9</b>	<b>60.8</b>	<b>66.7</b>	<b>75.0</b>	<b>93.3</b>	<b>110.4</b>	<b>134.6</b>
Loans	0.8	0.3	7.2	1.7	5.2	0.5	0.3
Lease liabilities	0.0	0.0	12.4	12.6	13.6	15.6	17.6
Deferred Tax	-0.3	-0.7	-1.5	-1.0	-1.8	-1.8	-1.8
<b>Capital Employed</b>	<b>51.3</b>	<b>60.5</b>	<b>84.9</b>	<b>88.3</b>	<b>110.3</b>	<b>124.7</b>	<b>150.7</b>
Gross Block	13.4	15.4	17.7	18.2	22.0	24.4	27.0
Less: Accum. Depn.	2.1	3.3	4.6	5.8	9.8	14.2	19.0
<b>Net Fixed Assets</b>	<b>11.2</b>	<b>12.1</b>	<b>13.1</b>	<b>12.4</b>	<b>12.2</b>	<b>10.2</b>	<b>8.0</b>
Intangibles	3.5	3.6	4.0	3.8	3.7	3.7	3.7
Capital WIP	0.4	0.3	0.1	0.2	0.7	0.7	0.7
Right of use asset	0.0	0.0	9.3	9.2	9.7	9.7	9.7
Investments	0.0	0.7	1.1	28.1	2.8	2.8	3.3
<b>Curr. Assets, L&amp;A</b>	<b>79.7</b>	<b>99.7</b>	<b>106.3</b>	<b>109.9</b>	<b>181.0</b>	<b>192.6</b>	<b>237.5</b>
Inventory	59.2	70.4	81.0	84.1	136.1	145.4	171.8
Account Receivables	3.0	4.2	3.1	3.7	5.7	7.5	9.0
Cash and Bank Balance	6.5	11.1	4.3	5.8	15.9	13.9	27.0
Others	11.0	14.1	17.9	16.3	23.4	25.7	29.7
<b>Curr. Liab. and Prov.</b>	<b>43.5</b>	<b>55.9</b>	<b>49.0</b>	<b>75.2</b>	<b>99.8</b>	<b>95.0</b>	<b>112.2</b>
Current Liabilities	41.9	53.9	46.1	73.4	97.4	92.5	109.4
Provisions	1.6	2.1	2.9	1.9	2.4	2.6	2.9
<b>Net Current Assets</b>	<b>36.2</b>	<b>43.8</b>	<b>57.2</b>	<b>34.7</b>	<b>81.2</b>	<b>97.5</b>	<b>125.3</b>
Misc. Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Application of Funds</b>	<b>51.3</b>	<b>60.5</b>	<b>84.9</b>	<b>88.3</b>	<b>110.3</b>	<b>124.7</b>	<b>150.7</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>12.6</b>	<b>15.7</b>	<b>17.1</b>	<b>11.0</b>	<b>26.2</b>	<b>34.6</b>	<b>41.9</b>
Cash EPS	14.0	17.3	18.9	12.9	30.8	39.6	47.4
BV/Share	57.3	68.5	75.2	84.5	105.1	124.3	151.6
DPS	4.6	6.0	4.1	4.0	7.5	12.1	14.7
Payout %	36.4	38.5	23.8	36.5	28.6	35.0	35.0
<b>Valuation (x)</b>							
P/E	192.6	155.3	142.5	220.6	92.8	70.3	58.0
Cash P/E	173.6	140.3	128.9	188.6	79.0	61.4	51.3
EV/Sales	13.4	10.9	10.3	9.8	7.5	5.9	4.8
EV/EBITDA	131.0	107.9	86.7	123.4	62.7	46.2	38.3
P/BV	42.4	35.5	32.4	28.8	23.1	19.6	16.0
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.3	0.5	0.6
<b>Return Ratios (%)</b>							
RoE	24.0	24.9	23.8	13.8	27.7	30.2	30.5
RoCE	24.7	25.5	22.5	13.0	25.2	27.9	28.8
RoIC	29.8	28.0	23.9	14.8	32.0	31.7	33.5
<b>Working Capital Ratios</b>							
Debtor (Days)	7	8	5	6	7	8	8
Asset Turnover (x)	3.1	3.3	2.5	2.5	2.6	2.9	2.9
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.0	0.0	0.1	0.0	0.1	0.0	0.0

### Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>(INR b)</b>							
OP/(loss) before Tax	15.3	19.6	21.0	13.3	29.0	41.2	49.9
Int./Div. Received	-0.1	1.1	-0.2	-0.6	-1.3	-1.9	-2.1
Deferred Revenue Exp.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation & Amort.	1.3	1.6	3.5	3.8	4.0	4.4	4.8
Interest Paid	-0.1	-0.5	0.7	1.4	1.2	2.7	3.0
Direct Taxes Paid	4.6	6.4	5.6	2.7	8.0	10.4	12.6
Incr in WC	12.4	3.0	22.7	-26.2	32.2	18.2	14.7
<b>CF from Operations</b>	<b>-0.5</b>	<b>12.4</b>	<b>-3.3</b>	<b>41.4</b>	<b>-7.2</b>	<b>17.8</b>	<b>28.3</b>
Incr in FA	3.0	2.6	3.5	1.4	2.2	2.4	2.6
<b>Free Cash Flow</b>	<b>-3.5</b>	<b>9.8</b>	<b>-6.9</b>	<b>40.0</b>	<b>-10.8</b>	<b>15.3</b>	<b>25.8</b>
Investments	-4.1	0.2	-3.2	27.3	-16.4	0.1	0.4
Others	-0.3	0.2	0.6	-1.0	-8.5	4.5	-0.8
<b>CF from Invest.</b>	<b>1.4</b>	<b>-3.0</b>	<b>-1.1</b>	<b>-27.7</b>	<b>21.4</b>	<b>-7.0</b>	<b>-2.2</b>
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Incr in Debt	0.0	0.0	6.9	-5.6	3.4	-4.7	-0.3
Dividend Paid	2.8	4.0	5.4	3.6	3.6	6.7	9.8
Others	-0.2	0.9	4.0	3.2	3.9	2.7	3.0
<b>CF from Fin. Activity</b>	<b>-2.5</b>	<b>-4.9</b>	<b>-2.4</b>	<b>-12.3</b>	<b>-4.0</b>	<b>-14.0</b>	<b>-13.1</b>
<b>Incr/Decr of Cash</b>	<b>-1.6</b>	<b>4.5</b>	<b>-6.8</b>	<b>1.4</b>	<b>10.1</b>	<b>-3.3</b>	<b>13.1</b>
Add: Opening Balance	8.2	6.5	11.1	4.4	5.8	17.2	13.9
<b>Closing Balance</b>	<b>6.5</b>	<b>11.1</b>	<b>4.3</b>	<b>5.8</b>	<b>15.9</b>	<b>13.9</b>	<b>27.0</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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