

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	DABUR IN
Equity Shares (m)	1,762
M.Cap.(INRb)/(USDb)	973.3 / 11.8
52-Week Range (INR)	620 / 482
1, 6, 12 Rel. Per (%)	-7/-7/-5
12M Avg Val (INR M)	1071

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	108.9	119.0	138.7
Sales Gr. (%)	14.1	9.3	16.6
EBITDA	22.5	23.9	29.1
EBITDA mrg. (%)	20.7	20.1	21.0
Adj. PAT	18.2	19.0	23.0
Adj. EPS (INR)	10.3	10.7	13.0
EPS Gr. (%)	7.7	4.1	21.2
BV/Sh.(INR)	47.4	52.1	57.5

## Ratios

RoE (%)	22.7	21.6	23.8
RoCE (%)	21.0	19.7	21.8
Payout (%)	50.4	60.0	61.5

## Valuation

P/E (x)	53.2	51.1	42.2
P/BV (x)	11.6	10.5	9.6
EV/EBITDA (x)	40.5	38.0	31.2
Div. Yield (%)	0.9	1.2	1.5

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	67.2	67.4	67.4
DII	4.0	3.8	4.7
FII	20.2	20.4	20.6
Others	8.5	8.4	7.4

FII Includes depository receipts

**CMP: INR549 TP: INR645 (+17%)**

**Buy**

## In line results; Badshah acquisition a welcome move

- Dabur's 2QFY23 results were broadly in line with our expectations. Management commentary on weakening rural demand for the next few months was also in line with expectations.
- We believe that the acquisition of the unlisted Badshah Masala, albeit small (adding 2-2.5% to sales and EBITDA) (a) will achieve synergistic benefits with their foods business portfolio, (b) has been acquired for reasonable valuations (4.5x FY23E sales, 19.6x FY23 EBITDA); (c) is highly scalable - targeted around 20% CAGR over the next five years and (d) results in a more effective utilization of Dabur's massive net cash and equivalents balance, which had ballooned to ~60% of capital employed in the recent years, leading to a widening gap between ROE/ROCE in early 20s and ROICs of ~60%
- We reiterate our buy rating on the stock.

## Performance in line; lower ad spends offset GM pressure

- Dabur's 2QFY23 consolidated sales grew 6% YoY to INR29.9b (in line).
- EBITDA/PBT/adj. PAT remained flat YoY at INR6b/INR6.4b/INR4.9b (in line), respectively.
- We believe the company posted 2% YoY India FMCG volume growth in 2QFY23 (est. 4%).
- Gross margin contracted 340bp YoY to 45.4% (est. 46.3%).
- As a percentage of sales, lower ad spends (-210bp YoY to 5.1%), stable staff cost at 9.6%, and other expenses (+50bp YoY to 10.5%) restricted **EBITDA margin contraction of 190bp to 20.1%** (est. 19.6%).
- 1HFY23 consolidated sales grew 7% YoY, while EBITDA and PAT remained flat YoY.
- **Dabur's 2QFY23 standalone** sales grew 6.9% YoY to INR22.7b. EBITDA/adjusted PAT remained flat YoY at INR4.7b/INR4.0b, respectively. EBITDA margin contracted 180bp YoY to 20.8%.

## Highlights from the management commentary

- Demand environment is lukewarm. 2QFY23 is the first quarter in the last two-three years for Dabur where rural growth lagged urban growth. Rural demand grew 1% in 2QFY23, whereas urban grew 6%. Weak monsoon in UP and Bihar coupled with liquidity pressure has adversely affected the demand environment.
- Price hike was ~6% YoY in 1HFY23, of which, of which 2% was in 2QFY23 itself and the benefit of this will flow through in 3QFY23.
- 2HFY23 EBITDA margin is likely to be around 20-21% on the domestic business.
- **Badshah Masala acquisition:**
  - The erstwhile promoter will continue as MD and Dabur will be responsible for finance, marketing, sales and distribution.
  - The brand is likely to be amortized over 10 years, INR400-INR500m each year. The company will compute the actual brand value by the time the deal is concluded by the end of FY23.

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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.

- Management believes it can grow sales of Badshah by 20% over the next five years (likely sales of INR 2.6b in FY23E and EBITDA of INR590m) and will be margin accretive to their existing F&B business.

#### Valuation and view

- There is no material change to our EPS forecasts. We have assumed revenues from Badshah masala acquisition from FY24 onwards.
- Dabur's near-term results will be adversely impacted because of its high rural dependence, recovery of which is unclear as of now. Nevertheless, despite unusual sales in the Healthcare business during the COVID-related lockdown period, the overall sales growth trajectory is in double-digits, a continuation of the turnaround seen by DABUR under the new CEO.
- Beyond the near-term, material cost stability, further price increases, and a less challenging base is likely to result in healthy earnings growth 4QFY23 onwards. We reiterate our Buy rating and target a PE multiple of 45x, even as we roll forward to September'24 EPS to arrive at our TP of INR645.

#### Quarterly Performance (Consolidated)

(INR b)

Y/E March	FY22				FY23				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			2QE	(%)
<b>Domestic FMCG vol. growth (%)</b>	<b>34.4</b>	<b>10.0</b>	<b>2.0</b>	<b>2.0</b>	<b>5.0</b>	<b>2.0</b>	<b>3.0</b>	<b>8.0</b>	<b>10.1</b>		<b>4.0</b>	
<b>Net sales</b>	<b>26.1</b>	<b>28.2</b>	<b>29.4</b>	<b>25.2</b>	<b>28.2</b>	<b>29.9</b>	<b>32.1</b>	<b>28.8</b>	<b>108.9</b>	<b>119.0</b>	<b>30.4</b>	-1.9%
YoY change (%)	31.9	12.0	7.8	7.7	8.1	6.0	9.0	14.5	14.1	9.3	8.0	
<b>Gross profit</b>	<b>12.6</b>	<b>13.8</b>	<b>14.2</b>	<b>11.9</b>	<b>12.9</b>	<b>13.6</b>	<b>14.9</b>	<b>13.9</b>	<b>52.5</b>	<b>55.3</b>	<b>14.1</b>	-3.8%
Margin (%)	48.1	48.8	48.3	47.4	45.9	45.4	46.5	48.1	48.2	46.5	46.3	
<b>EBITDA</b>	<b>5.5</b>	<b>6.2</b>	<b>6.3</b>	<b>4.5</b>	<b>5.4</b>	<b>6.0</b>	<b>6.5</b>	<b>5.9</b>	<b>22.5</b>	<b>23.9</b>	<b>6.0</b>	0.7%
Margins (%)	21.1	22.0	21.3	18.0	19.3	20.1	20.3	20.5	20.7	20.1	19.6	
YoY growth (%)	32.5	9.0	9.3	2.5	-1.5	-3.2	3.7	30.5	12.5	5.9	-3.9	
Depreciation	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.8	2.5	2.9	0.7	
Interest	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.4	0.5	0.1	
Other income	0.8	1.1	1.0	1.0	1.0	1.2	1.1	0.9	3.9	4.3	1.1	
<b>PBT</b>	<b>5.7</b>	<b>6.6</b>	<b>6.5</b>	<b>4.8</b>	<b>5.6</b>	<b>6.4</b>	<b>6.8</b>	<b>5.9</b>	<b>23.6</b>	<b>24.7</b>	<b>6.2</b>	2.4%
Tax	1.3	1.6	1.5	1.0	1.2	1.5	1.5	1.3	5.3	5.5	1.4	
Rate (%)	22.8	23.6	22.4	20.0	21.8	23.1	22.5	22.1	22.3	22.4	22.5	
<b>Adjusted PAT</b>	<b>4.4</b>	<b>5.0</b>	<b>5.0</b>	<b>3.8</b>	<b>4.4</b>	<b>4.9</b>	<b>5.3</b>	<b>4.4</b>	<b>18.2</b>	<b>19.0</b>	<b>4.8</b>	1.7%
YoY change (%)	28.0	4.7	2.3	0.4	0.7	-2.8	4.3	17.1	7.7	4.1	-4.4	

E: MOFSL Estimates

#### Key Performance Indicators

Y/E March	FY22				FY23	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Realization Gr %</b>	<b>-1.4</b>	<b>1.5</b>	<b>5.4</b>	<b>5.6</b>	<b>4.9</b>	<b>4.9</b>
<b>2Y average growth %</b>						
Volumes	12.4	13.4	10.1	13.7	19.7	6.0
Sales	9.5	12.9	11.9	16.5	20.0	9.0
EBITDA	11.8	12.7	12.9	14.1	15.5	2.9
PAT	9.1	7.7	10.6	13.8	14.3	0.9
<b>% sales</b>						
COGS	51.9	51.2	51.7	52.6	54.1	54.6
Other expenditure	27.0	26.8	27.0	29.4	26.6	25.3
Depreciation	2.3	2.2	2.1	2.6	2.4	2.4
<b>YoY change %</b>						
COGS	35.3	16.6	12.3	10.5	12.7	13.2
Other expenditure	25.3	6.3	-0.8	6.4	6.6	-0.1
Other income	18.2	28.4	19.5	16.7	18.5	9.6
EBIT	18.8	19.8	19.2	15.4	16.9	17.8

**Exhibit 1: Category-wise performance**

Category growth (%)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Hair Care	7.3	2.8	(20.2)	(22.9)	(2.4)	13.7	26.0	8.1	1.8	7.3	2.8	(20.2)	(22.9)
Health Supplements	14.4	12.2	(9.7)	52.6	70.8	34.7	17.7	(35.5)	(12.6)	14.4	12.2	(9.7)	52.6
Oral Care	4.4	8.5	(15.4)	1.4	24.2	28.0	42.1	12.5	9.2	4.4	8.5	(15.4)	1.4
Foods	(5.0)	(1.7)	(20.6)	(34.4)	(3.8)	4.7	27.6	35.7	21.2	(5.0)	(1.7)	(20.6)	(34.4)
Digestives	10.2	15.9	(9.4)	(11.5)	2.5	(0.3)	20.0	30.5	0.1	10.2	15.9	(9.4)	(11.5)
Skin and Salon	1.0	(0.3)	(24.3)	(12.5)	38.1	9.1	37.9	11.4	(15.0)	1.0	(0.3)	(24.3)	(12.5)
Home Care	7.0	2.5	(18.0)	(30.5)	(10.2)	(1.0)	24.3	51.9	20.9	7.0	2.5	(18.0)	(30.5)
OTC and Ethicals	5.7	4.1	(20.9)	21.8	39.8	28.5	36.9	(15.4)	(0.2)	5.7	4.1	(20.9)	21.8
IBD (CC terms)	3.2	12.0	(0.5)	(21.6)	3.5	14.1	21.0	8.0	12.3	3.2	12.0	(0.5)	(21.6)

Sources: Company reports, MOFSL

**Highlights from the management commentary****Environment and outlook**

- Operating environment continues to be challenging, especially as CPI inflation continues to be higher than MPC comfort levels for the 9<sup>th</sup> month in a row.
- Demand environment is lukewarm. 2QFY23 is the first quarter in the last two-three years for Dabur where rural growth lagged urban growth. Rural demand grew by 1% in 2QFY23, whereas urban grew by 6%. Weak monsoon in UP and Bihar coupled with liquidity pressure has adversely impacted the demand environment.
- Rural markets are also witnessing downtrading with lower unit packs doing better.
- Dabur gained market share in 95% of its portfolio.

**Costs and margins**

- Material cost impact was somewhat mitigated by price increases and other cost-saving initiatives.
- Out of the 350bp impact YoY on the domestic business gross margins in 1HFY23, 200bp was on account of material cost inflation, 100bp on account of mix (lower sales of high margin healthcare segment), and 50bp on account of promotions.
- Gross margins pressure will gradually ease up as base becomes more favorable.
- RM inflation was 8% YoY in 2QFY23 and likely to be at 6% in 3QFY23. Sequential margins will improve but margins are expected to be back to normal levels.
- While ad-spend and promotion spend together grew in line with sales in 2QFY23, ad-spend alone has reduced and promotions (netted from sales) grew.
- 2HFY23 EBITDA margins likely to be around 20-21% on the domestic business
- Price hike was ~6% YoY in 1HFY23, of which, of which 2% was in 2QFY23 itself and the benefit of this will flow through in 3QFY23.

**Segmental highlights**

- Foods business grew 21% YoY. Badshah Masala acquisition will add to food business growth.
- Beverages continued on its strong momentum growing by 30% YoY. 'Real' juices increased market share by over 400bp YoY. The company has added 150,000 outlets in Beverages compared to pre-covid levels. Entry into lower price drinks market is also helping expand distribution. 'Drinks' is already a INR2b sales portfolio despite entry only 2-3 years ago and reaches 300,000 outlets. On the distribution side, Dabur started with expansion in North and East and will plans to focus on Central, West, and South in the second phase. Quick commerce is also contributing to growth of beverages business. They are targeting INR5b in drinks sales in FY26.

- In beverages, the company is entering the carbonated fruit beverages market.
- HPC segment's three-year CAGR stood at 11% and 6% YoY for the quarter.
- Despite a decline in 1HFY23, the healthcare segment registered a three-year CAGR of around 10%. Penetration has clearly increased from three-four years ago and the market share of Chyawanprash and Honey has been grown significantly.
- New entrants in honey have seen a loss of market share.
- The management is expecting good growth in the winter season from skin care products such as Gulabari and Fem as a result of revamp/change in packaging.
- The Middle East is witnessing a 30% inflation and Dabur had to take 20% price increase, which has marginally impacted the demand. The US is also witnessing slowdown in demand.

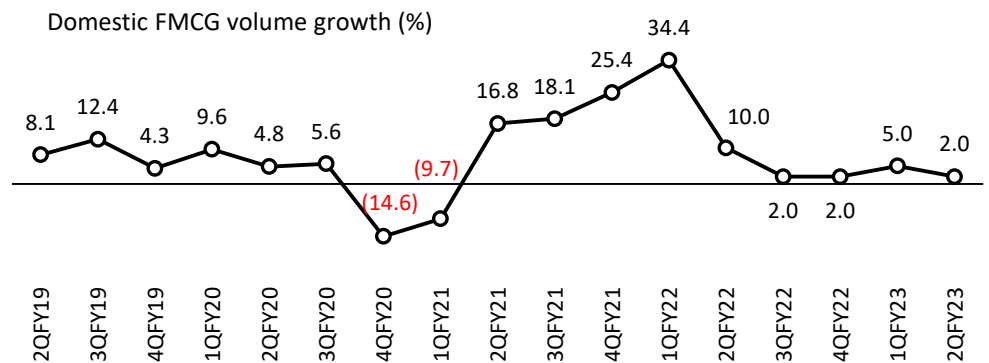
#### **Badshah acquisition details**

- With 4-5% market share, Badshah is the second largest player in Gujarat, Maharashtra, and Telangana. Countrywide market size is INR250b, still dominated by the unorganized market and yet growing in double digits.
- Of the total sales, Maharashtra is at around 35% of sales for Badshah, Gujarat at around 40%, and Telangana at 10%.
- 90% of its sales are in general trade and the remaining 10% from modern trade. E-commerce is negligible as proportion of sales.
- Badshah's promoter family was divided on its future strategy, and hence, adequate investments were not being made on marketing.
- This acquisition will be margin accretive to Dabur's foods business.
- The management believes it can grow sales of Badshah by 20% over the next five years (likely sales of INR 2.6b in FY23E and EBITDA of INR590m).
- Currently, Badshah reaches 80,000 outlets.
- Initially, Badshah will leverage Dabur's higher distribution strength in the three states (especially rural), where the brand is present before expanding to adjoining states starting with Rajasthan.
- The erstwhile promoter will continue as MD and Dabur will be responsible for finance, marketing, sales, and distribution.
- Brand will be amortized over the next 10 years, likely INR400-INR500m each year.
- The acquisition deal of 51% stake is likely to be concluded by the end of FY23. The remaining 49% shareholding acquisition is expected to be after five years.

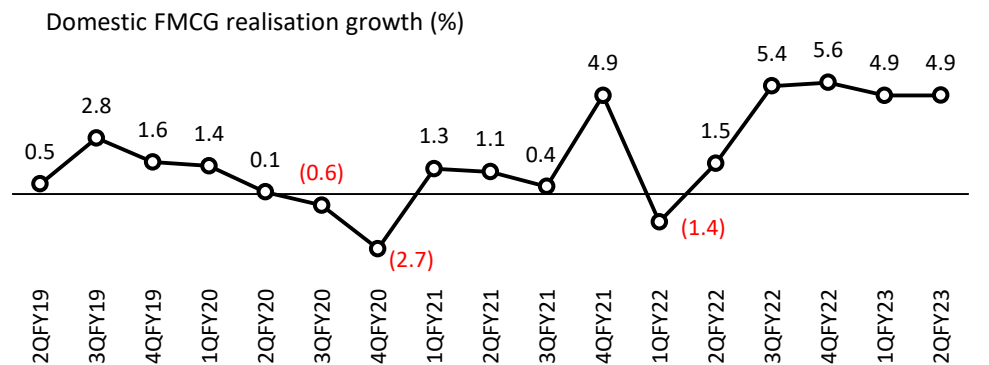
#### **Other points**

- E-commerce is now ~9% of sales. This was 2-3% four years ago. It grew 50% YoY in 1HFY23. Baby care range has done very well in the e-commerce segment as has apple cider vinegar. Newly launched peanut butter has also done very well.
- NPD contribution is 11% of sales in e-commerce.
- Both baby care and apple cider vinegar are now being taken selectively to modern trade as well.
- Modern trade is ~10% of sales now.
- Indore plant capex (incremental) will be around INR3.5b and will have 3x asset turns by FY27.
- Currently, the company has 1.35m direct reach points and the management is targeting 1.4m by the end of FY23.

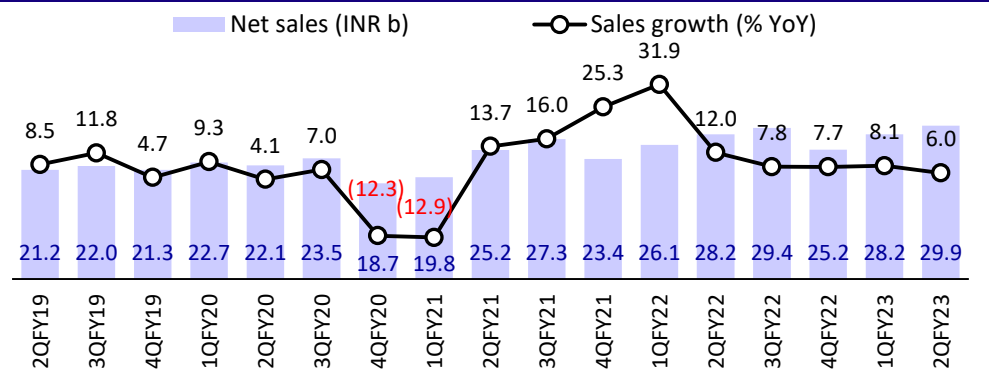
## Key exhibits

**Exhibit 2: Domestic FMCG business volumes up 2% YoY in 2QFY23**

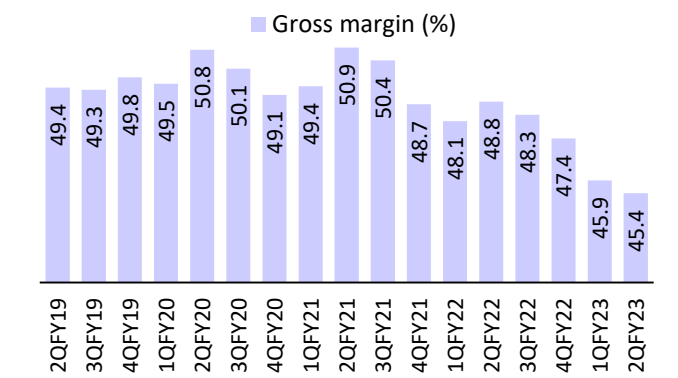
Sources: Company reports, MOFSL

**Exhibit 3: Domestic FMCG business realization up 4.9% YoY in 2QFY23**

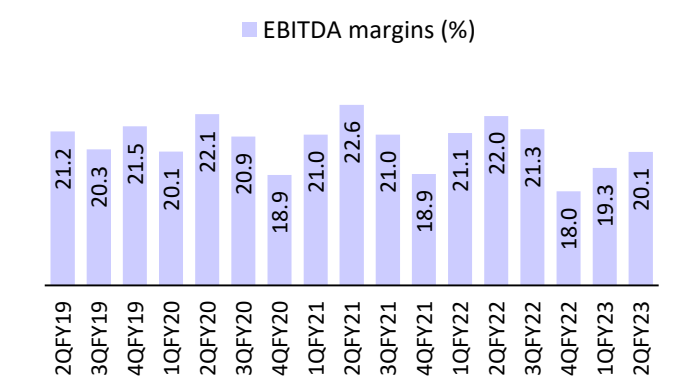
Sources: Company reports, MOFSL

**Exhibit 4: Consolidated reported net sales grew 6% YoY to INR29.9b**

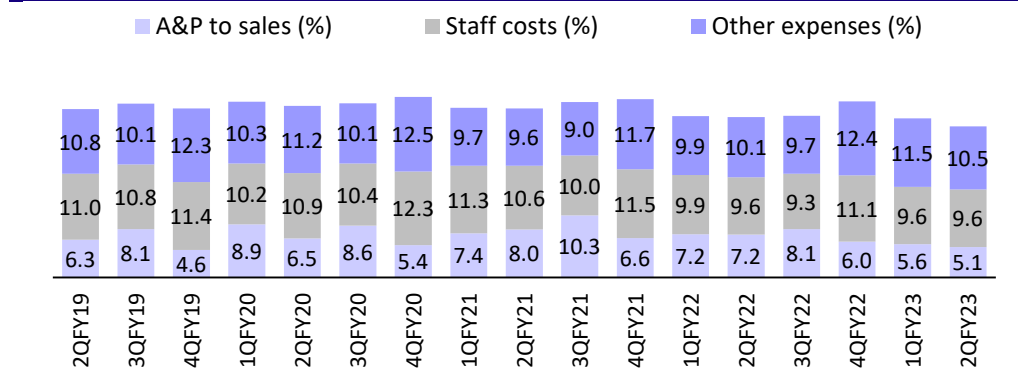
Sources: Company reports, MOFSL

**Exhibit 5: Consolidated gross margin fell 340bp YoY to multi quarter low at 45.4%**

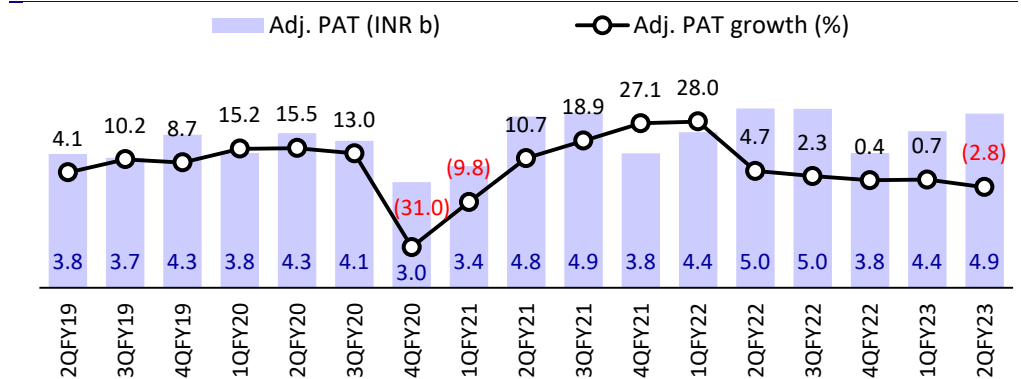
Sources: Company reports, MOFSL

**Exhibit 6: EBITDA margin contracts 190bp YoY to 20.1%**

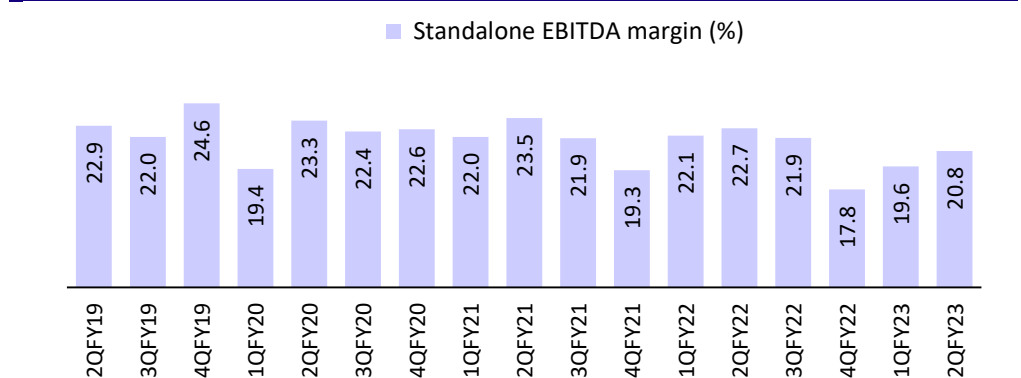
Sources: Company reports, MOFSL

**Exhibit 7: A&P expenses decline 210bp YoY**

Sources: Company reports, MOFSL

**Exhibit 8: Consolidated adjusted PAT remained flat YoY at INR4.9b**

Sources: Company reports, MOFSL

**Exhibit 9: Standalone EBITDA margin contracts by 180bp YoY to 20.8% in 2QFY23**

Sources: Company reports, MOFSL

## Valuation and view

### What has happened in the past decade from a business perspective?

- The company considerably increased its market share in two of its largest categories – Juices and Oral Care – to record highs toward the end of the decade. Following the initial setback from Patanjali, the company was able to recoup its lost market share in Honey, Chyawanprash, and Juices.
- For a company that reported a modest INR33b in sales in FY10, the sales/EBITDA/PAT CAGR for the last 10 years has been decent, but not remarkable, at 10–12%. Growth has been even lower in the past five years, with sales/EBITDA/PAT at ~2%/~6%/~7%, respectively.
- The inability to increase the pace of growth in its core Healthcare business has been the biggest disappointment.

### Changes being implemented by new MD

- The new CEO said there is a need to grow its core Healthcare segment, which contributes ~30% to sales. The goal is to appeal to the millennial, increase accessibility, and drive penetration through sampling and innovation in Healthcare.
- The management has identified power brands such as 1) Chyawanprash, Dabur Honey, Lal Tail, Honitus, and Pudín Hara in the Healthcare segment, 2) Dabur Red Toothpaste and Dabur Amla Hair Oil in HPC, and 3) Real in Foods. These brands constitute ~65% of sales, but would contribute a larger portion to incremental sales growth.
- Power brands are the focus of its ad spends. This would mean that even if overall ad spends rise by only 6–7%, the increase in ad spends on power brands is likely to be in double digits.
- In the Home Care and Personal Care portfolios, where penetration is very high, the aim is to take market share from peers and plug in the gaps between its portfolio and geography.

## Valuation and view

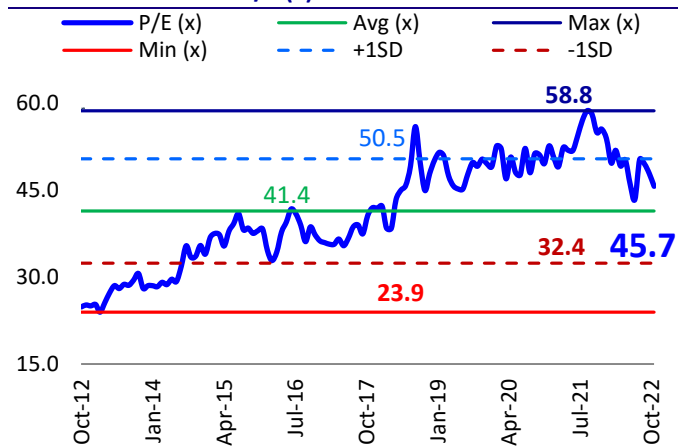
- There is no material change to our EPS forecasts. We have assumed revenues from Badshah masala acquisition from FY24 onwards.
- Dabur's near-term results will be adversely impacted because of its high rural dependence, recovery of which is unclear as of now. Nevertheless, despite unusual sales in the Healthcare business during the COVID-related lockdown period, the overall sales growth trajectory is in double-digits, a continuation of the turnaround seen by DABUR under the new CEO.
- Beyond the near-term, material cost stability, further price increases, and a less challenging base is likely to result in healthy earnings growth 4QFY23 onwards. We reiterate our Buy rating and target a PE multiple of 45x, even as we roll forward to September'24 EPS to arrive at our TP of INR645.



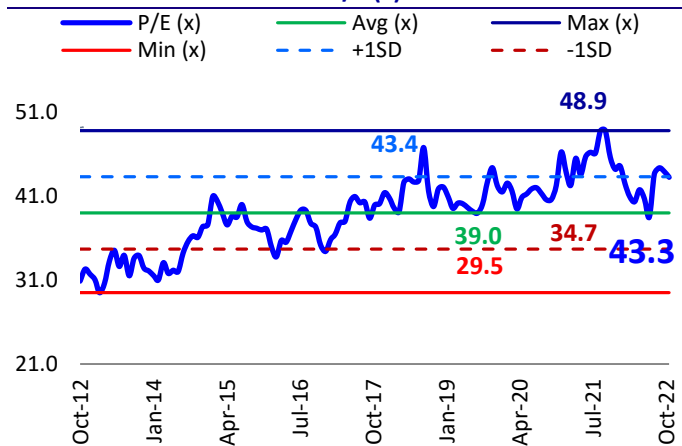
**Exhibit 10: There are no material changes to our estimates**

(INR b)	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net sales	119.0	138.7	119.0	135.7	0.0	2.2
EBITDA	23.9	29.1	24.0	28.5	-0.6	2.2
Adjusted PAT	19.0	23.0	19.3	23.0	-1.5	0.2

Source: MOFSL

**Exhibit 11: DABUR's P/E (x)**

Sources: Bloomberg, MOFSL

**Exhibit 12: Consumer sector P/E (x)**

Sources: Bloomberg, MOFSL



## Financials and valuations

Income Statement							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Net Sales</b>	77.2	85.1	86.8	95.5	108.9	119.0	138.7
Change (%)	1.4	10.3	2.0	9.9	14.1	9.3	16.6
<b>Gross Profit</b>	<b>39.0</b>	<b>42.2</b>	<b>43.4</b>	<b>47.7</b>	<b>52.5</b>	<b>55.3</b>	<b>69.4</b>
Margin (%)	50.5	49.6	50.0	50.0	48.2	46.5	50.0
<b>EBITDA</b>	<b>16.2</b>	<b>17.4</b>	<b>17.9</b>	<b>20.0</b>	<b>22.5</b>	<b>23.9</b>	<b>29.1</b>
Change (%)	7.2	7.6	2.9	11.9	12.5	5.9	22.1
Margin (%)	20.9	20.4	20.6	21.0	20.7	20.1	21.0
Depreciation	1.6	1.8	2.2	2.4	2.5	2.9	3.2
Int. and Fin. Charges	0.5	0.6	0.5	0.3	0.4	0.5	0.5
Other Income - Recurring	3.1	3.0	3.1	3.3	3.9	4.3	4.7
<b>Profit before Taxes</b>	<b>17.1</b>	<b>18.0</b>	<b>18.2</b>	<b>20.6</b>	<b>23.6</b>	<b>24.7</b>	<b>30.2</b>
Change (%)	6.0	5.4	1.4	12.7	14.5	5.0	21.9
Margin (%)	22.1	21.1	21.0	21.5	21.6	20.8	21.7
Tax	3.7	4.2	4.9	5.1	4.4	5.5	6.9
Deferred Tax	(0.4)	(1.3)	(1.9)	(1.4)	0.8	0.1	0.2
Tax Rate (%)	19.6	16.3	16.4	17.6	22.3	23.0	23.4
<b>Profit after Taxes</b>	<b>13.7</b>	<b>15.1</b>	<b>15.3</b>	<b>17.0</b>	<b>18.3</b>	<b>19.0</b>	<b>23.1</b>
Change (%)	7.2	9.7	1.3	11.2	7.9	4.1	21.2
Margin (%)	17.8	17.7	17.6	17.8	16.8	16.0	16.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.1	0.1
<b>Reported PAT</b>	<b>13.5</b>	<b>14.4</b>	<b>14.4</b>	<b>16.9</b>	<b>17.4</b>	<b>19.0</b>	<b>22.6</b>
Balance Sheet							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Share Capital	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Reserves	55.3	54.6	64.3	74.9	82.0	90.4	99.9
<b>Net Worth</b>	<b>57.1</b>	<b>56.3</b>	<b>66.1</b>	<b>76.6</b>	<b>83.8</b>	<b>92.2</b>	<b>101.6</b>
Minority Interest	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Loans	9.4	7.0	5.3	5.1	10.3	10.3	10.3
<b>Capital Employed</b>	<b>66.7</b>	<b>63.7</b>	<b>71.7</b>	<b>82.1</b>	<b>94.6</b>	<b>102.9</b>	<b>112.5</b>
Gross Block	26.3	28.0	32.9	34.4	37.9	42.9	52.5
Less: Accum. Depn.	(10.2)	(11.7)	(13.8)	(15.4)	(17.3)	(20.2)	(23.4)
<b>Net Fixed Assets</b>	<b>16.2</b>	<b>16.3</b>	<b>19.2</b>	<b>19.1</b>	<b>20.6</b>	<b>22.7</b>	<b>29.1</b>
Capital WIP	0.4	0.6	1.5	1.5	1.7	1.7	1.7
Goodwill	4.1	3.4	3.4	3.4	2.5	2.5	2.5
<b>Investments</b>	<b>38.1</b>	<b>33.6</b>	<b>28.0</b>	<b>41.6</b>	<b>62.2</b>	<b>66.5</b>	<b>65.3</b>
Current	7.1	7.3	13.9	7.5	8.5	8.5	8.5
Non-current	30.9	26.3	14.1	34.1	53.7	57.9	56.8
<b>Curr. Assets, L&amp;A</b>	<b>28.3</b>	<b>30.5</b>	<b>41.3</b>	<b>42.8</b>	<b>35.9</b>	<b>39.4</b>	<b>42.4</b>
Inventory	12.6	13.0	13.8	17.3	19.1	20.2	22.9
Account Receivables	7.1	8.3	8.1	5.6	6.5	7.2	8.4
Cash and Bank Balance	3.1	3.3	8.1	13.3	5.7	7.4	6.5
Others	5.6	5.8	11.3	6.5	4.6	4.6	4.6
<b>Curr. Liab. and Prov.</b>	<b>19.2</b>	<b>20.5</b>	<b>21.7</b>	<b>26.2</b>	<b>27.5</b>	<b>29.0</b>	<b>27.7</b>
Current Liabilities	17.1	18.1	18.9	22.9	23.6	26.0	24.4
Provisions	2.0	2.4	2.8	3.4	3.8	3.0	3.2
<b>Net Current Assets</b>	<b>9.1</b>	<b>10.0</b>	<b>19.6</b>	<b>16.6</b>	<b>8.4</b>	<b>10.4</b>	<b>14.7</b>
<b>Application of Funds</b>	<b>66.7</b>	<b>63.7</b>	<b>71.7</b>	<b>82.1</b>	<b>94.6</b>	<b>102.9</b>	<b>112.5</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Basic (INR)</b>							
<b>EPS</b>	<b>7.8</b>	<b>8.5</b>	<b>8.6</b>	<b>9.6</b>	<b>10.3</b>	<b>10.7</b>	<b>13.0</b>
Cash EPS	8.6	9.2	9.4	10.9	11.3	12.4	14.6
BV/Share	32.4	31.9	37.4	43.4	47.4	52.1	57.5
DPS	7.5	2.8	3.0	4.8	5.2	6.4	8.0
Payout %	96.5	32.3	34.8	49.6	50.4	60.0	61.5
<b>Valuation (x)</b>							
P/E	70.4	64.3	63.5	57.1	53.0	50.9	42.0
Cash P/E	63.5	59.6	58.1	50.0	48.5	44.2	37.5
EV/Sales	12.1	11.0	10.8	9.6	8.3	7.6	6.5
EV/EBITDA	57.6	53.8	52.3	45.8	40.3	37.8	31.1
P/BV	16.9	17.1	14.6	12.6	11.5	10.5	9.5
Dividend Yield (%)	1.4	0.5	0.5	0.9	1.0	1.2	1.5
<b>Return Ratios (%)</b>							
RoE	25.9	26.5	24.9	23.7	22.7	21.6	23.8
RoCE	22.6	23.9	23.1	22.4	21.0	19.7	21.8
RoIC	48.9	50.9	43.5	48.6	61.2	61.8	59.9
<b>Working Capital Ratios</b>							
Debtor (Days)	33	36	34	21	22	22	22
Asset Turnover (x)	1.2	1.3	1.2	1.2	1.2	1.2	1.2
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1	0.1	0.1

### Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24
OP/(loss) before Tax	16.9	17.2	17.3	20.6	22.7	24.7	30.2
Int./Div. Received	0.2	1.7	2.3	(0.2)	0.5	(4.3)	(4.7)
Depreciation & Amort.	1.6	1.8	2.2	2.4	2.5	2.9	3.2
Interest Paid	(2.0)	(2.0)	(2.0)	(2.3)	(2.8)	0.5	0.5
Direct Taxes Paid	(3.2)	(3.5)	(3.1)	(3.2)	(3.9)	(5.5)	(6.9)
(Incr)/Decr in WC	(2.6)	(0.2)	(0.6)	3.9	(1.0)	(0.2)	(5.2)
<b>CF from Oper.</b>	<b>10.9</b>	<b>15.0</b>	<b>16.1</b>	<b>21.1</b>	<b>18.0</b>	<b>18.1</b>	<b>17.0</b>
(Incr)/Decr in FA	(2.0)	(2.3)	(4.0)	(3.1)	(3.7)	(5.0)	(9.6)
<b>Free Cash Flow</b>	<b>8.9</b>	<b>12.7</b>	<b>12.1</b>	<b>18.1</b>	<b>14.3</b>	<b>13.1</b>	<b>7.5</b>
(Pur)/Sale of Invt.	(5.8)	3.2	(3.6)	(13.6)	(12.7)	(4.3)	1.2
Others	2.7	3.2	6.8	6.8	(4.3)	4.9	5.1
<b>CF from Invest.</b>	<b>(5.1)</b>	<b>4.1</b>	<b>(0.9)</b>	<b>(9.8)</b>	<b>(20.7)</b>	<b>(4.4)</b>	<b>(3.3)</b>
Issue of Shares	-	0.0	0.0	0.0	0.0	-	-
(Incr)/Decr in Debt	(0.5)	(2.4)	(1.8)	(0.3)	2.5	(0.0)	-
Dividend Paid	(4.0)	(13.2)	(5.1)	(5.9)	(9.7)	(11.4)	(14.2)
Others	(1.2)	(3.2)	(3.6)	0.1	2.3	(0.5)	(0.5)
<b>CF from Fin. Act.</b>	<b>(5.7)</b>	<b>(18.9)</b>	<b>(10.4)</b>	<b>(6.1)</b>	<b>(4.9)</b>	<b>(11.9)</b>	<b>(14.6)</b>
<b>Incr/Decr of Cash</b>	<b>0.0</b>	<b>0.2</b>	<b>4.8</b>	<b>5.2</b>	<b>(7.6)</b>	<b>1.7</b>	<b>(0.9)</b>
Add: Opening Bal.	3.0	3.1	3.3	8.1	13.3	5.7	7.4
<b>Closing Balance</b>	<b>3.1</b>	<b>3.3</b>	<b>8.1</b>	<b>13.3</b>	<b>5.7</b>	<b>7.4</b>	<b>6.5</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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