

# Hindustan Unilever

## Estimate changes

### TP change

### Rating change



Bloomberg	HUVR IN
Equity Shares (m)	2,350
M.Cap.(INRb)/(USDb)	6238.3 / 75.4
52-Week Range (INR)	2733 / 1902
1, 6, 12 Rel. Per (%)	1/18/11
12M Avg Val (INR M)	4390

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	511.9	585.7	641.0
Sales Gr. (%)	11.3	14.4	9.4
EBITDA	125.0	135.6	156.9
EBITDA mrg. (%)	24.4	23.2	24.5
Adj. PAT	88.5	98.0	112.3
Adj. EPS (INR)	37.7	41.7	47.8
EPS Gr. (%)	9.0	10.7	14.5
BV/Sh.(INR)	207.5	201.5	195.3

## Ratios

RoE (%)	18.4	20.4	24.1
RoCE (%)	24.7	27.1	32.5
Payout (%)	90.3	113.9	113.0

## Valuations

P/E (x)	70.5	63.6	55.6
P/BV (x)	12.8	13.2	13.6
EV/EBITDA (x)	49.6	45.7	39.6
Div. Yield (%)	1.3	1.8	2.0

## Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	61.9	61.9	61.9
DII	10.9	10.5	10.7
FII	14.7	15.5	14.9
Others	12.5	12.2	12.5

FII Includes depository receipts

**CMP: INR2,655**
**TP: INR3,080 (+16%)**
**Buy**

## In line numbers; EBITDA margins to recover with lag

- While headline numbers were close to expectations, this was aided by lower ad-spends and employee costs, which somewhat offset the lowest gross margin levels since 4QFY12.
- Management commentary indicated that material cost pressures may have peaked out, but with ad-spends reviving, we expect EBITDA margin improvement to earlier levels to arrive with a lag. Post this, we expect HUVR to get back to the erstwhile pace of mid-teens earnings growth that it consistently demonstrated in the five years before covid. We reiterate our Buy rating on the stock.

## In-line performance

- Reported net sales grew 15.9% YoY to INR147.5b in 2QFY23 (in-line).** EBITDA grew 7.8% YoY to INR33.8b (in-line), PBT grew 9% YoY to INR32.2b (in-line) and PAT (bei) was up 8.8% YoY to INR23.8b (in-line).
- Underlying volumes were up 4% in 2QFY23 (est. 5%).
- Segmental performance: Home Care** (35% of total sales) revenues were up 34% YoY (3-year/4-year CAGR 15.1%/13.7%), **Personal Care** (38% of total sales) were up 11.2% YoY (3-year/4-year CAGR 7%/6.5%), and **Food & Refreshment** business sales (25% of total sales) were up 3.7% YoY.
- Segmental EBIT: Home Care** margin declined 170bp YoY to 17.3% and **Personal Care** margin contracted 270bp YoY to 25.1%. However, the **Food & Refreshment** segment **margin expanded 150bp YoY to 19.8%.**
- Overall gross margins for the quarter contracted 580bp YoY to 45.8% (est. 47.9%).
- As a percentage of sales, lower operating expenses (-180bp YoY to 11.1%), ad spends (-250bp YoY to 7.1%), and flat staff cost (+20bp YoY to 4.8%) restricted **EBITDA margin contraction to 170bp YoY to 22.9%** (est. 23.3%). Absolute ad spends were down 14.3% YoY to INR10.4b.
- 1HFY23 sales/EBITDA/PAT(bei) grew 17.8%/10.8%/12.5% YoY.

## Management conference call highlights

- Sep'22 has been better overall than Jul-Aug'22, led by modern trade recovery and some benefits of the early festive season.
- Rural CPI inflation is higher than urban. Rural consumers have reduced purchase frequency and lowered discretionary purchases.
- The management expects gross margins to improve sequentially in 3QFY23, led by lower palm oil costs. Adspends are likely to be increased going forward.
- The company has taken further price increases in fabric wash and household care in 2QFY23. On the other hand, price cuts are being taken in big chunks in the skin cleansing segment.
- Effective tax rate is likely to be ~24% in 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.

## Valuation and view

- There is no material change in our FY23E/FY24E EPS. This is because a 4% reduction at the EBITDA level in FY23 is offset by lower-than-estimated depreciation increase and Estimated Tax rate of 24% in FY23.
- The company's pre-Covid earnings had been extremely strong. It reported ~18% EPS CAGR in the four years ended FY20, before steeper commodity cost inflation (v/s peers) and the over-indexed discretionary portfolio adversely impacted its earnings in FY21 and FY22. HUVR's pre-pandemic earnings growth was particularly impressive, given the weak mid-single-digit growth posted by its (much smaller) staples peers over the same period. Once the ongoing high material cost environment abates, we believe HUVR could revert to mid-teens earnings growth.
- As highlighted in the [FY22 AR update](#), the company continues to place the building blocks for future growth and has been able to do so ahead of its peers. HUVR continues to display the dexterity shown over the last decade, despite its larger size, even as it continues to grow v/s peers.
- While the pace of earnings recovery to double digit and then to mid-teens will be gradual, improving narrative will keep multiples high for the bellwether FMCG company. Rolling forward to Sep'24E EPS and maintaining our target multiple of 60x result in our target price of INR3,080 – 16% upside to CMP. We reiterate our **Buy** rating on the stock.

## Quarterly performance (Standalone)

(INR b)

Y/E March	FY22				FY23E				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
<b>Domestic volume growth (%)</b>	<b>9.0</b>	<b>4.0</b>	<b>2.0</b>	<b>0.0</b>	<b>6.0</b>	<b>4.0</b>	<b>4.0</b>	<b>1.0</b>	<b>3.0</b>	<b>3.8</b>	<b>5.0</b>	
<b>Net sales</b>	<b>119.2</b>	<b>127.2</b>	<b>130.9</b>	<b>134.6</b>	<b>142.7</b>	<b>147.5</b>	<b>149.2</b>	<b>146.2</b>	<b>511.9</b>	<b>585.7</b>	<b>148.9</b>	-0.9%
YoY change (%)	12.8	11.2	10.4	11.0	19.8	15.9	14.0	8.6	11.3	14.4	17.0	
<b>Gross Profit</b>	<b>60.1</b>	<b>65.7</b>	<b>68.2</b>	<b>66.7</b>	<b>67.6</b>	<b>67.6</b>	<b>70.3</b>	<b>71.7</b>	<b>260.7</b>	<b>277.1</b>	<b>71.3</b>	
Margin %	50.4	51.6	52.1	49.5	47.4	45.8	47.1	49.0	50.9	47.3	47.9	
<b>EBITDA</b>	<b>28.5</b>	<b>31.3</b>	<b>32.8</b>	<b>32.5</b>	<b>32.5</b>	<b>33.8</b>	<b>34.1</b>	<b>35.3</b>	<b>125.0</b>	<b>135.6</b>	<b>34.7</b>	-2.8%
YoY change (%)	7.7	9.2	14.9	9.7	14.0	7.8	3.9	8.8	10.4	8.5	10.9	
Margins (%)	23.9	24.6	25.0	24.1	22.8	22.9	22.8	24.1	24.4	23.2	23.3	
Depreciation	2.4	2.7	2.6	2.6	2.6	2.5	2.7	2.9	10.3	10.7	2.8	
Interest	0.1	0.3	0.3	0.4	0.3	0.3	0.3	0.4	1.0	1.2	0.3	
Other income	0.7	1.1	0.9	1.2	1.4	1.2	1.2	1.5	3.9	5.3	1.3	
<b>PBT</b>	<b>26.6</b>	<b>29.5</b>	<b>30.9</b>	<b>30.7</b>	<b>31.0</b>	<b>32.2</b>	<b>32.3</b>	<b>33.5</b>	<b>117.7</b>	<b>129.0</b>	<b>32.9</b>	-2.2%
Tax	5.7	7.7	7.8	8.0	8.0	5.8	8.4	8.8	29.2	31.0	8.6	
Rate (%)	21.5	26.0	25.3	26.1	25.7	17.9	26.0	26.4	24.8	24.0	26.0	
<b>PAT bei</b>	<b>19.6</b>	<b>21.9</b>	<b>22.9</b>	<b>22.8</b>	<b>22.9</b>	<b>23.8</b>	<b>23.9</b>	<b>24.7</b>	<b>88.5</b>	<b>98.0</b>	<b>24.4</b>	-2.3%
YoY change (%)	4.8	7.5	17.5	8.6	16.7	8.8	4.3	8.1	9.0	10.7	11.4	
Extraordinary Inc/(Exp)	-0.3	0.0	-0.7	0.6	-0.1	-0.3	0.0	0.0	-0.3	-0	0.0	
<b>Reported Profit</b>	<b>20.6</b>	<b>21.9</b>	<b>22.4</b>	<b>23.3</b>	<b>22.9</b>	<b>26.2</b>	<b>23.9</b>	<b>24.7</b>	<b>88.2</b>	<b>97.6</b>	<b>24.4</b>	

E: MOFSL Estimates

Note: Quarterly PAT (bei) is as reported by the company while FY21/FY22 PAT (bei) is adjusted PAT

## Key Performance Indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE
<b>2Y average growth %</b>								
Volumes	6.5	9.0	9.5	15.5	7.5	4.0	3.0	0.5
Sales	8.6	13.7	15.7	22.8	16.3	13.6	12.2	9.8
EBITDA	3.8	13.3	15.8	26.5	10.9	8.5	9.4	9.3
PAT	5.9	9.3	16.4	25.9	10.7	8.1	10.9	8.3
<b>% sales</b>								
COGS	49.6	48.4	47.9	50.5	52.6	54.2	52.9	51.0
Staff cost	5.2	4.6	5.0	4.0	4.2	4.8	4.6	4.4
Advertising and Promotion	8.6	9.5	9.1	9.6	9.3	7.1	8.8	9.5
Others	12.8	12.9	13.0	11.8	11.1	11.1	10.8	10.9
Depreciation	2.0	2.1	1.9	1.9	1.8	1.7	1.8	2.0
<b>YoY change %</b>								
COGS	16.1	14.6	14.8	18.0	27.2	29.8	26.0	9.8
Staff cost	-0.4	-0.3	0.3	-0.3	-1.0	0.2	-0.4	0.4
Advertising and Promotion	1.0	-0.4	-2.6	-2.1	0.7	-2.5	-0.2	-0.1
Others	-0.9	-0.2	-0.6	-0.4	-1.7	-1.8	-2.2	-0.9
Other income	-57.1	-25.2	-6.2	11.9	104.5	1.8	37.0	22.8
EBIT	8.4	9.4	17.1	10.2	14.8	9.1	3.7	8.6

E: MOFSL Estimates

## Exhibit 1: Segmental performance

Particulars (INR b)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
<b>Segment Revenue</b>									
Home Care	33.2	34.1	38.4	38	38.4	41.9	47.5	49.3	51.4
Personal Care	45.4	48.4	45.5	45.7	50	51.8	47.1	53.6	55.6
Foods & Refreshments	33.8	33.6	35.1	33.2	36.2	34.7	37	36.3	37.6
Others	2.1	2.6	2.3	2.3	2.6	2.6	3	3.5	2.9
<b>Net Segment Revenue</b>	<b>114.4</b>	<b>118.6</b>	<b>121.3</b>	<b>119.2</b>	<b>127.2</b>	<b>130.9</b>	<b>134.6</b>	<b>142.7</b>	<b>147.5</b>
<b>Growth YoY (%)</b>									
Home Care	-1.6	-1.4	14.6	11.9	15.7	23	23.7	29.9	34
Personal Care	-0.2	9.7	19.7	13.2	10.3	6.9	3.6	17.3	11.2
Foods & Refreshments	82.9	79.9	96.4	12.2	7.2	3.3	5.3	9.3	3.7
Others	130.8	241.3	222.2	32.2	25.7	0.8	30.2	54.9	10.6
<b>Net Segment Revenue</b>	<b>16.1</b>	<b>20.9</b>	<b>34.6</b>	<b>12.8</b>	<b>11.2</b>	<b>10.4</b>	<b>11</b>	<b>19.8</b>	<b>15.9</b>
<b>Salience (%)</b>									
Home Care	29	29	32	32	30	32	35	35	35
Personal Care	40	41	37	38	39	40	35	38	38
Foods & Refreshments	30	28	29	28	28	26	27	25	25
Others	2	2	2	2	2	2	2	2	2
<b>Total Segment Revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Segment Results (EBIT)</b>									
Home Care	6.8	6.5	8.1	6.6	7.3	8.6	9.4	8.7	8.9
Personal Care	13.3	14.1	12.5	12.9	13.9	14.4	12.4	14.1	14
Foods & Refreshments	5.6	4.7	5.8	6	6.6	6.5	7.1	5.8	7.4
Others	0.6	0.5	0.7	0.5	0.9	0.7	1	1.3	1
<b>Total Segment Results</b>	<b>26.2</b>	<b>25.8</b>	<b>27.1</b>	<b>26</b>	<b>28.7</b>	<b>30.2</b>	<b>29.8</b>	<b>29.9</b>	<b>31.3</b>
<b>PBT</b>	<b>26.6</b>	<b>26</b>	<b>28.2</b>	<b>26.3</b>	<b>29.5</b>	<b>30.9</b>	<b>30.7</b>	<b>30.9</b>	<b>31.9</b>
<b>Growth YoY (%)</b>									
Home Care	13.9	2.7	27.7	3.9	7.4	33.7	15.6	31.3	22.1
Personal Care	1	12.9	32.5	13.5	4.7	2	-1.3	9.6	0.4
Foods & Refreshments	90.1	41.6	155.6	3.1	18.8	36.6	24	-3.7	12
Others	#	L/P	#	10.2	54.5	46	39.1	138.9	17.6
<b>Total Segment Results</b>	<b>18.8</b>	<b>16.7</b>	<b>49.6</b>	<b>8.4</b>	<b>9.4</b>	<b>17.1</b>	<b>10.2</b>	<b>14.8</b>	<b>9.1</b>
<b>Salience (%)</b>									
Home Care	25.5	24.9	28.8	25.1	24.6	28	30.6	28.2	27.9
Personal Care	49.9	54.4	44.4	48.9	47.1	46.6	40.3	45.7	43.7
Foods & Refreshments	21	18.2	20.4	22.8	22.5	20.9	23.2	18.7	23.3
Others	2.1	1.9	2.4	2.1	2.9	2.4	3.1	4.2	3.1
<b>Total Segment Results</b>	<b>98.5</b>	<b>99.5</b>	<b>96</b>	<b>98.9</b>	<b>97.1</b>	<b>97.9</b>	<b>97.2</b>	<b>96.8</b>	<b>98.1</b>
<b>PBT</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Particulars (INR b)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
<b>Segmental EBIT margin (%)</b>									
Home Care	20.4	18.9	21.1	17.4	19	20.6	19.8	17.6	17.3
Personal Care	29.3	29.2	27.5	28.1	27.8	27.8	26.2	26.3	25.1
Foods & Refreshments	16.5	14.1	16.4	18.1	18.3	18.6	19.3	15.9	19.8
Others	26.2	19.5	29.7	23.9	32.2	28.3	31.8	36.9	34.2
<b>Total</b>	<b>22.9</b>	<b>21.8</b>	<b>22.3</b>	<b>21.8</b>	<b>22.5</b>	<b>23.1</b>	<b>22.2</b>	<b>20.9</b>	<b>21.2</b>
<b>EBIT margin change YoY (bps)</b>									
Home Care	278	75	216	-134	-147	166	-138	19	-168
Personal Care	34	81	266	7	-148	-134	-129	-184	-270
Foods & Refreshments	63	-381	379	-160	179	454	290	-214	148
Others	2,399	2,220	2,419	-476	601	876	205	1,296	205
<b>Total</b>	<b>51</b>	<b>-80</b>	<b>223</b>	<b>-90</b>	<b>-37</b>	<b>133</b>	<b>-16</b>	<b>-92</b>	<b>-132</b>

#an inordinately high number; Source: Company, MOFSL



## Highlights from the management commentary

### Operational environment

- Sep'22 has been better overall than Jul-Aug'22, led by modern trade recovery and some benefits of the early festive season.
- Inflation continues to be a challenge. Only palm oil prices witnessed decline in 2QFY23. Soda Ash, barley, and milk costs witnessed further inflation in 2QFY23.
- Rural CPI inflation is higher than urban. Rural consumers have reduced their purchase frequency and lowered discretionary purchases.
- Urban is clearly doing better than rural YoY. Rural CPI inflation needs to come down for clear revival.
- Urban employment increase in the recent months is likely to boost rural household spend because of remittances.
- More than 75% of HUVR business witnessed a market share gain.
- Premium personal care segment is doing very well. However, discretionary products such as Glow and Lovely still remain muted.
- Ad-spend intensity in the sector was down in 2QFY23 in a high inflationary environment but is likely to go up going forward. HUVR's share of voice still remained higher than their share of market despite ad-spend reduction in 2QFY23.

### Costs and margins

- The company has taken further price increases in fabric wash and household care in 2QFY23. On the other hand, price cuts are being taken in big chunks in the skin cleansing segment.
- Promotional spends contributed 70bp of 590bp COGS YoY in 2QFY23.
- Management expects gross margins to improve sequentially in 3QFY23, led by lower palm oil costs. Ad-spends are likely to be increased going forward.

### Strategic initiatives – digital brick and mortar

- HUVR has launched two new digital brands Acne Squad (11 products under the umbrella for every stage of acne cycle) and Find Your Happy Place (range of bath and body products).
- Acne Squad is crafted completely in India in association with local dermatologists. In case of Find Your Happy Place, a global brand, India is the second geographical segment where it is launched.

- In addition, Simple and Love Beauty and Planet portfolio have expanded with new skin care and hair care products, respectively.
- These launches are some of several that will be introduced in the premium and online channels.
- Nutri Gummies and Diabetes Gummies are healthy products launched in the Nutrition segment in the D2C platform

#### Other points

- Effective tax rate is likely to be ~24% in FY23.
- Horlicks has reached 9m home to home connects in 2QFY23. It should start seeing traction in sales in some time.

## Story in charts

Exhibit 2: Volume grew 4% YoY

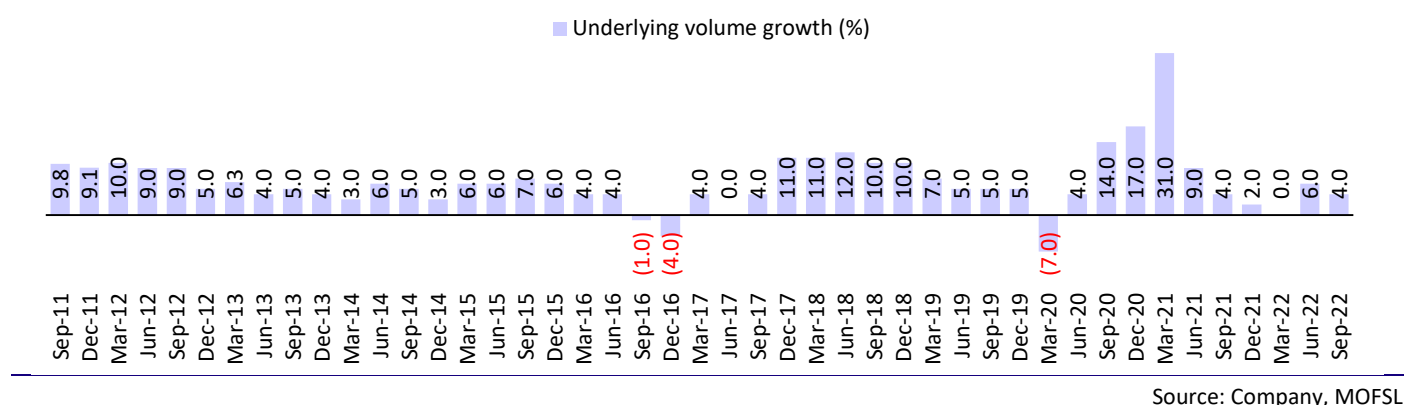
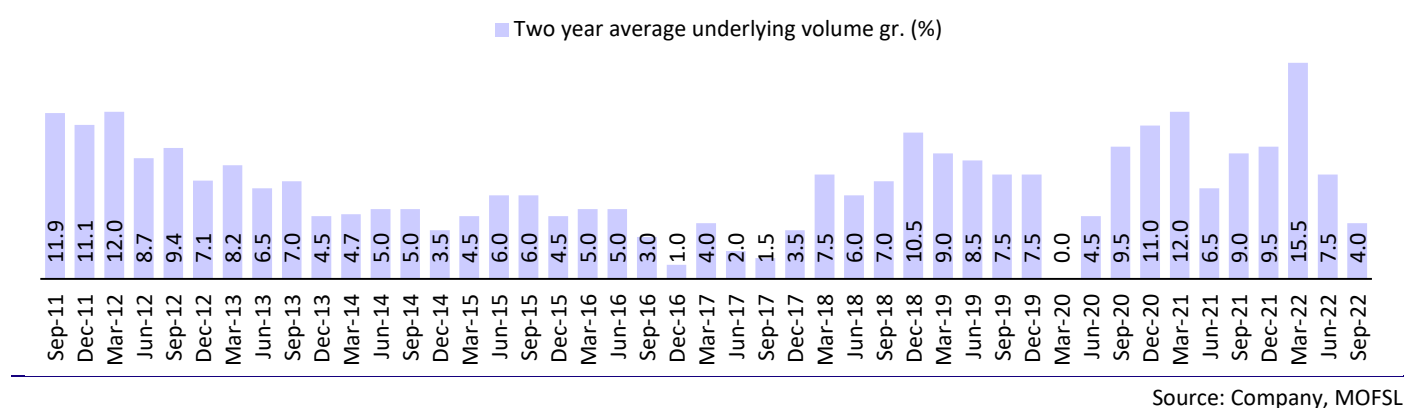
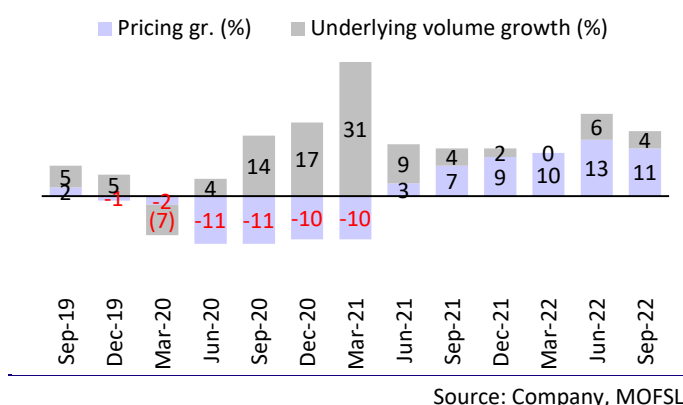
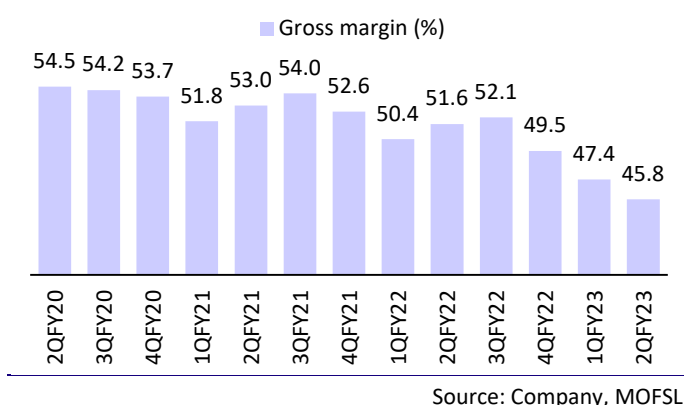
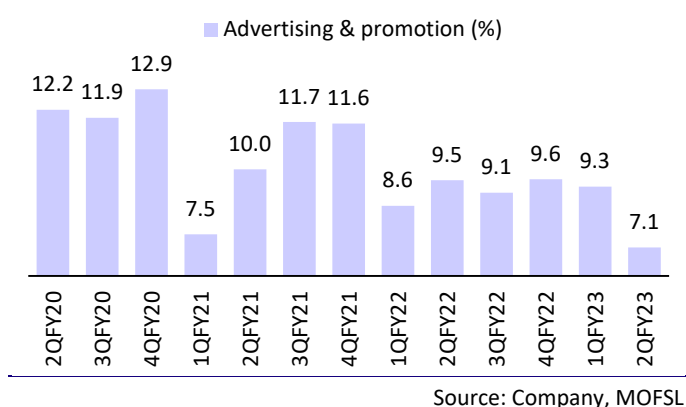
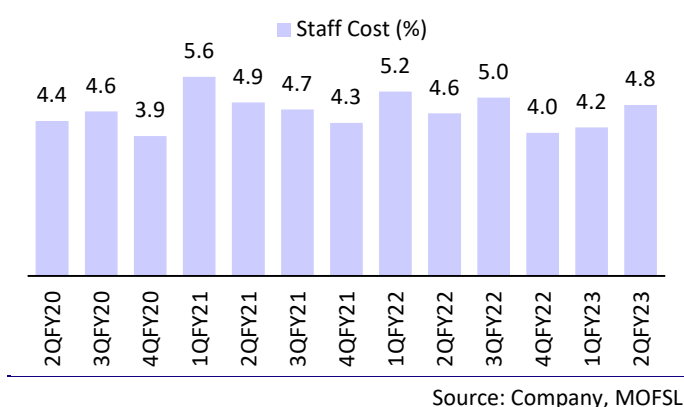
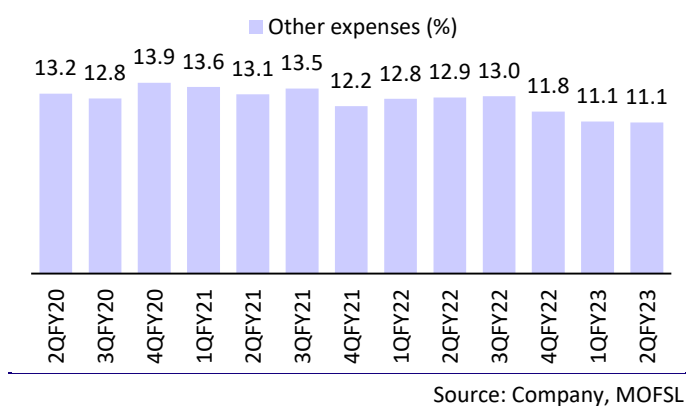
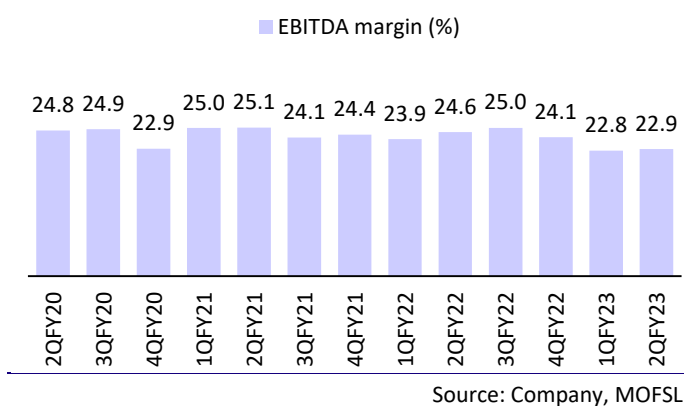


Exhibit 3: On a two-year average basis, underlying volumes rose 4% YoY



**Exhibit 4: Realization up 11% YoY in 2QFY23****Exhibit 5: Gross margin of 45.8% was last seen in 4QFY12****Exhibit 6: A&P spends declined 240bp YoY to 7.1% of sales****Exhibit 7: Employee expenses was flat YoY to 4.8%****Exhibit 8: Other expenses dipped 180bp YoY to 11.1%...****Exhibit 9: ...leading to a 170bp contraction in EBITDA margin to 22.9%**

## Valuation and view

### A strong wealth generator for the last 10 years

- The company's newfound nimbleness in response to raw material costs and competitive stimuli has reinvigorated earnings momentum to strong double-digits over this period. Best-of-breed analytics have further boosted growth.
- The strong execution of its Winning in Many Indias (WiMI) strategy has meant that growth in Central India is 1.5x of base growth. Its execution strategies for herbal products and recent acquisition of GSKCH have been remarkable feats.
- The focus on premiumization, particularly evident in Detergents and Tea, has meant that even these highly penetrated, large categories have grown significantly. The company's rigorous focus on cost savings has resulted in

unprecedented EBITDA margin improvement (of over 920bp YoY) over the past 10 years ended FY20.

- Despite being the largest consumer company over the past 10 years ended FY20, HUVR's sales/EBITDA/PAT CAGR stood at a healthy 8.1%/13.3%/12.4%, respectively. Performance over the last five and three years has been even more impressive on the EBITDA and PAT fronts at 13%/13.1% CAGR and 16.7/16.6% CAGR, respectively, given the weak earnings growth posted by its peers in recent years.

### Our investment case for HUVR

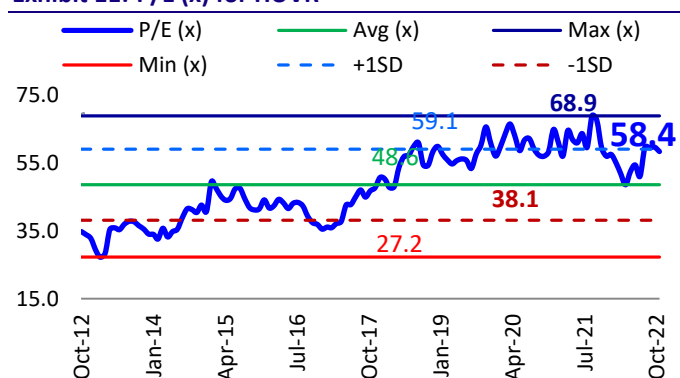
- There is no material change in our FY23E/FY24E EPS. This is because a 4% reduction at the EBITDA level in FY23 is offset by lower-than-estimated depreciation increase and Estimated Tax rate of 24% in FY23.
- The company's pre-Covid earnings had been extremely strong. It reported ~18% EPS CAGR in the four years ended FY20, before steeper commodity cost inflation (v/s peers) and the over-indexed discretionary portfolio adversely impacted its earnings in FY21 and FY22. HUVR's pre-pandemic earnings growth was particularly impressive, given the weak mid-single-digit growth posted by its (much smaller) staples peers over the same period. Once the ongoing high material cost environment abates, we believe HUVR could revert to mid-teens earnings growth.
- As highlighted in the [FY22 AR update](#), the company continues to place the building blocks for future growth and has been able to do so ahead of its peers. HUVR continues to display the dexterity shown over the last decade, despite its larger size, even as it continues to grow v/s peers.
- While the pace of earnings recovery to double digits and then to mid-teens will be gradual, improving narrative will keep multiples high for the bellwether FMCG company. Rolling forward to Sep'24E EPS and reiterating our target multiple of 60x result in our target price of INR3,080 – 16% upside to CMP. We reiterate our Buy rating on the stock.

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

	New estimates		Old estimates		Change (%)	
(INR b)	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	585.7	641.0	588.9	644.5	-0.5	-0.6
EBITDA	135.6	156.9	141.1	158.6	-3.9	-1.0
PAT	98.0	112.3	99.1	113.3	-1.1	-0.9

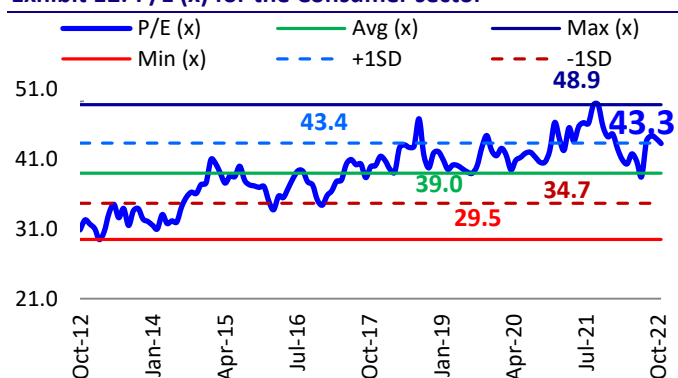
Source: MOFSL

**Exhibit 11: P/E (x) for HUVR**



Source: Bloomberg, MOFSL

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



Source: Bloomberg, MOFSL



## Financials and valuations

Income Statement							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>339.3</b>	<b>376.6</b>	<b>382.7</b>	<b>453.1</b>	<b>503.4</b>	<b>576.7</b>	<b>631.5</b>
Other Oper. Income	6.0	5.6	5.1	6.9	8.6	9.0	9.4
<b>Total Revenue</b>	<b>345.3</b>	<b>382.2</b>	<b>387.9</b>	<b>460.0</b>	<b>511.9</b>	<b>585.7</b>	<b>641.0</b>
Change (%)	8.3	10.7	1.5	18.6	11.3	14.4	9.4
COGS	162.3	179.6	177.9	216.8	251.2	308.6	307.9
<b>Gross Profit</b>	<b>182.9</b>	<b>202.6</b>	<b>209.9</b>	<b>243.2</b>	<b>260.7</b>	<b>277.1</b>	<b>333.0</b>
Gross Margin (%)	53.0	53.0	54.1	52.9	50.9	47.3	52.0
Operating Exp	110.2	116.3	113.9	130.0	135.7	141.5	176.1
% of sales	31.9	30.4	29.4	28.3	26.5	24.2	27.5
<b>EBITDA</b>	<b>72.8</b>	<b>86.4</b>	<b>96.0</b>	<b>113.2</b>	<b>125.0</b>	<b>135.6</b>	<b>156.9</b>
Change (%)	20.3	18.7	11.1	18.0	10.4	8.5	15.7
Margin (%)	21.1	22.6	24.8	24.6	24.4	23.2	24.5
Depreciation	4.8	5.8	9.4	10.7	10.3	10.7	11.4
Int. and Fin. Charges	0.2	0.3	1.1	1.1	1.0	1.2	1.4
Other Income - Recurring	5.7	6.6	7.3	5.1	3.9	5.3	5.9
<b>Profit before Taxes</b>	<b>73.5</b>	<b>86.9</b>	<b>92.9</b>	<b>106.6</b>	<b>117.7</b>	<b>129.0</b>	<b>150.1</b>
Change (%)	19.4	18.3	6.9	14.8	10.4	9.6	16.3
Margin (%)	21.7	23.1	24.3	23.5	23.4	22.4	23.8
Tax	21.5	27.5	23.9	24.6	27.8	31.0	37.8
Deferred Tax	-1.0	-0.8	1.5	0.8	1.4	0.0	0.0
Tax Rate (%)	27.9	30.7	27.4	23.8	24.8	24.0	25.2
<b>Profit after Taxes</b>	<b>53.0</b>	<b>60.2</b>	<b>67.4</b>	<b>81.2</b>	<b>88.5</b>	<b>98.0</b>	<b>112.3</b>
Change (%)	24.7	13.6	12.0	20.5	9.0	10.7	14.5
Margin (%)	15.6	16.0	17.6	17.9	17.6	17.0	17.8
Non-rec. (Exp)/Income	-0.6	-0.4	-0.1	-2.3	-0.3	-0.4	0.0
<b>Reported PAT</b>	<b>52.4</b>	<b>59.8</b>	<b>67.4</b>	<b>79.0</b>	<b>88.2</b>	<b>97.6</b>	<b>112.3</b>

Balance Sheet							(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	2.2	2.2	2.2	2.4	2.4	2.4	2.4
Reserves	68.6	74.4	78.2	472.0	485.3	471.3	456.7
<b>Net Worth</b>	<b>70.8</b>	<b>76.6</b>	<b>80.3</b>	<b>474.3</b>	<b>487.6</b>	<b>473.6</b>	<b>459.0</b>
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Capital Employed</b>	<b>70.8</b>	<b>76.6</b>	<b>80.3</b>	<b>474.3</b>	<b>487.6</b>	<b>473.6</b>	<b>459.0</b>
Gross Block	71.8	59.2	73.4	541.6	547.6	560.1	567.1
Less: Accum. Depn.	-30.4	-15.8	-22.8	-31.3	-37.3	-48.0	-59.4
<b>Net Fixed Assets incl Goodwill</b>	<b>41.4</b>	<b>43.4</b>	<b>50.6</b>	<b>510.3</b>	<b>510.3</b>	<b>512.1</b>	<b>507.8</b>
Capital WIP	4.3	3.7	5.1	6.2	9.0	9.0	9.0
Investment in Subsidiaries	2.5	2.5	2.5	3.1	6.1	6.1	6.1
Current Investments	28.6	27.0	12.5	26.9	35.1	39.1	40.1
Deferred Charges	2.6	3.4	2.6	-59.9	-61.4	-61.4	-61.4
<b>Curr. Assets, L&amp;A</b>	<b>92.1</b>	<b>98.6</b>	<b>122.7</b>	<b>134.7</b>	<b>136.8</b>	<b>142.8</b>	<b>144.7</b>
Inventory	23.6	24.2	26.4	33.8	38.9	44.4	48.6
Account Receivables	11.5	16.7	10.5	16.5	19.3	22.1	24.2
Cash and Bank Balance	33.7	36.9	50.2	43.2	36.2	30.0	21.2
Others	23.3	20.8	35.7	41.2	42.4	46.3	50.7
<b>Curr. Liab. and Prov.</b>	<b>100.7</b>	<b>102.1</b>	<b>115.7</b>	<b>147.0</b>	<b>148.4</b>	<b>174.2</b>	<b>187.3</b>
Account Payables	70.1	70.7	74.0	86.3	88.6	111.4	121.4
Other Liabilities	16.4	15.9	25.6	40.3	40.9	42.9	45.0
Provisions	14.2	15.5	16.2	20.4	18.9	19.9	20.9
<b>Net Current Assets</b>	<b>-8.6</b>	<b>-3.4</b>	<b>7.0</b>	<b>-12.3</b>	<b>-11.6</b>	<b>-31.4</b>	<b>-42.6</b>
<b>Application of Funds</b>	<b>70.8</b>	<b>76.6</b>	<b>80.3</b>	<b>474.3</b>	<b>487.6</b>	<b>473.6</b>	<b>459.0</b>

E: MOFSL Estimates



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>24.5</b>	<b>27.8</b>	<b>31.2</b>	<b>34.6</b>	<b>37.7</b>	<b>41.7</b>	<b>47.8</b>
Cash EPS	26.7	30.5	35.6	39.1	42.0	46.3	52.6
BV/Share	32.7	35.4	37.2	201.8	207.5	201.5	195.3
DPS	20.0	22.0	25.0	40.5	34.0	47.5	54.0
Payout %	98.9	95.7	96.2	117.2	90.3	113.9	113.0
<b>Valuation (x)</b>							
P/E	108.4	95.4	85.0	76.8	70.5	63.6	55.6
Cash P/E	99.5	87.0	74.7	67.9	63.2	57.4	50.4
EV/Sales	16.8	15.2	14.8	13.7	12.3	10.8	9.8
EV/EBITDA	78.5	66.1	59.2	54.7	49.6	45.7	39.6
P/BV	81.2	75.0	71.4	13.2	12.8	13.2	13.6
Dividend Yield (%)	0.8	0.8	0.9	1.5	1.3	1.8	2.0
<b>Return Ratios (%)</b>							
RoE incl. Goodwill	78.1	81.7	86.0	29.3	18.4	20.4	24.1
RoCE incl. Goodwill	108.6	118.3	119.8	38.8	24.7	27.1	32.5
<b>Working Capital Ratios</b>							
Debtor (Days)	12.3	16.2	10.0	13.3	14.0	14.0	14.0
Asset Turnover (x)	4.8	4.9	4.8	1.0	1.0	1.2	1.4
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(loss) before Tax	72.9	85.2	90.9	104.9	117.4	129.0	150.1
Financial other income	-2.8	-0.8	-1.6	0.6	-2.0	-5.3	-5.9
Depreciation	4.8	5.2	9.4	10.7	10.4	10.7	11.4
Net Interest Paid	-2.5	-3.0	-3.9	-2.4	-1.1	1.2	1.4
Direct Taxes Paid	-21.9	-26.9	-24.7	-23.7	-27.2	-31.0	-37.8
(Incr)/Decr in WC	8.6	-2.6	3.0	-0.6	-7.9	13.6	2.5
<b>CF from Operations</b>	<b>59.1</b>	<b>57.3</b>	<b>73.1</b>	<b>89.6</b>	<b>89.6</b>	<b>118.2</b>	<b>121.6</b>
Other Items	4.9	4.5	-8.5	11.9	-1.5	7.6	8.4
(Incr)/Decr in FA	-8.3	-7.2	-7.0	-39.5	-7.4	-12.5	-7.0
<b>Free Cash Flow</b>	<b>50.9</b>	<b>50.0</b>	<b>66.0</b>	<b>50.0</b>	<b>82.2</b>	<b>105.7</b>	<b>114.6</b>
(Pur)/Sale of Investments	7.8	3.3	22.5	23.9	-7.9	-4.0	-1.0
<b>CF from Invest.</b>	<b>4.4</b>	<b>0.5</b>	<b>7.0</b>	<b>-3.7</b>	<b>-16.8</b>	<b>-8.9</b>	<b>0.4</b>
Dividend Paid	-39.0	-45.5	-62.4	-88.1	-75.2	-111.6	-126.9
Others	-7.6	-9.2	-4.3	-4.7	-4.7	-3.9	-3.9
<b>CF from Fin. Activity</b>	<b>-46.5</b>	<b>-54.6</b>	<b>-66.8</b>	<b>-92.8</b>	<b>-79.8</b>	<b>-115.5</b>	<b>-130.8</b>
<b>Incr/Decr of Cash</b>	<b>17.0</b>	<b>3.2</b>	<b>13.3</b>	<b>-7.0</b>	<b>-7.0</b>	<b>-6.2</b>	<b>-8.8</b>
Add: Opening Balance	16.7	33.7	36.9	50.2	43.2	36.2	30.0
<b>Closing Balance</b>	<b>33.7</b>	<b>36.9</b>	<b>50.2</b>	<b>43.2</b>	<b>36.2</b>	<b>30.0</b>	<b>21.2</b>

E: MOFSL Estimates

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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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