

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR350 TP: INR400 (+14) Buy

Cigarette volumes deliver positive surprise, boost margins

- ITC's sales growth momentum was better than expected across businesses in 2QFY23. Estimated Cigarette volume growth of 21% YoY was a positive surprise and resulted in a three-year volume CAGR of 5.1%. The higher-than-expected contribution from the high-margin Cigarettes business resulted in a 250bp beat on our EBITDA margin estimates, which came in at 36.4%.
- As highlighted in our [upgrade to Buy](#) note as well as our [FY22 annual report note](#), strong earnings momentum (18% EPS CAGR over FY22-FY24 v/s ~5% in the preceding five years) is being driven by healthy performance from Cigarettes in a stable tax environment, strong recovery in Hotels business profitability, and continued good performance of FMCG-Others. Allied with better capital allocation and continued healthy dividend payouts, the path towards high 20's/early 30's RoE is visible. We assign a 22x EPS multiple and roll forward to Sep'24E earnings. **Maintain BUY with a TP of INR400.**

Sales in line; margin beat on higher Cigarette contribution

- **ITC's 2QFY23 net revenue was up 26.7% YoY to INR161.3b (est. in-line)**, EBITDA grew 27.1% YoY to INR58.6b (est. INR53.6b), PBT rose 21.7% YoY to INR59.4b (est. INR56.4b), while adj. PAT grew 20.8% YoY to INR44.7b (est. INR42.2b).
- **Gross margin contracted 20bp YoY to 57%** (est. 53.3%) while EBITDA margin remained flat YoY at 36.4% (est. 33.9%) in 2QFY23.
- **Cigarette volumes likely to have increased 21% YoY in 2QFY23** (est. +13%). The volume growth in the base quarter was 9%; however, three-year volume CAGR stood at 5.1%. Net Cigarette sales grew 22.9% YoY to INR59.2b (est. INR54.8b). Net Cigarette EBIT margin expanded 40bp YoY to 74.8%.
- **FMCG-Others** sales grew 21% YoY to INR48.8b. EBIT grew 17.9% YoY to INR3.2b in 2QFY23.
- **Agri business** sales grew 44% YoY to INR40b.
- **Paperboards** grew 25% to INR22.9b.
- **Hotels business** grew 81.8% to INR5.4b.
- Other income was down 25.1% YoY to INR5.1b.
- 1HFY23 net sales/EBITDA/adj. PAT growth stood at 34%/33.7%/28.7% YoY, respectively.

Valuation and view

- We have revised our model, which resulted in a 2-3% increase in FY23/FY24E EPS. If not for the significant compression in other income from the mark-to-market impact on bond investments in 1HFY23, the increase in our EPS forecasts would have been higher.
- We are positive on ITC fueled by a: a) better-than-expected demand recovery and a healthy margin outlook in Cigarettes, b) healthy sales momentum in the FMCG business, c) smart recovery from the Hotels business, and d) better capital allocation in recent years.

Bloomberg	ITC IN
Equity Shares (m)	12,259
M.Cap.(INRb)/(USD\$)	4336 / 52.4
52-Week Range (INR)	351 / 207
1, 6, 12 Rel. Per (%)	5/31/45
12M Avg Val (INR M)	5130
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	563.4	688.1	735.7
Sales Gr. (%)	23.9	22.1	6.9
EBITDA	189.5	243.5	271.8
EBITDA Mrg. %	33.6	35.4	37.0
Adj. PAT	150.6	185.5	211.1
Adj. EPS (INR)	12.2	15.1	17.1
EPS Gr. (%)	15.4	23.2	13.8
BV/Sh.(INR)	49.8	51.7	55.4

Ratios

RoE (%)	25.0	29.7	32.0
RoCE (%)	24.3	28.9	31.3
Payout (%)	94.1	90.0	80.0

Valuations

P/E (x)	28.6	23.2	20.4
P/BV (x)	7.0	6.8	6.3
EV/EBITDA (x)	21.0	16.3	14.4
Div. Yield (%)	3.3	3.9	3.9

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	0.0	0.0	0.0
DII	42.8	42.7	42.4
FII	12.8	12.1	11.9
Others	44.5	45.2	45.8

FII Includes depository receipts

- A stable tax environment for Cigarettes in recent years has allowed ITC to calibrate price increases to avoid a disruption in demand. We expect this trend to continue, which should result in improved Cigarette volumes and earnings visibility over the medium term.
- Valuations of global Tobacco peers have been restored to their pre-pandemic levels (Jan'19), and while ITC's multiples have followed the same trend, it still trades at a 10% discount to its Jan'19 valuations of 25.4x one-year forward EPS. We assign a 22x EPS multiple and roll forward to Sep'24E earnings. The stock has done well with ~33% gain since our [upgrade to Buy](#) call in Jun'22 and we believe there is further scope for upside based on its healthy earnings outlook. **Maintain BUY with a TP of INR400.**

Quarterly Performance

(INR b)

Y/E March	FY22				FY23				FY22	FY23E	FY22	Var.
	1Q	2Q	3Q	4QE	1Q	2Q	3QE	4QE			2QE	
Est. cigarette vol. gr. (%)	31.0	9.0	12.5	9.0	26.0	21.0	7.0	0.0	15.4	13.5	13.0	
Net Sales	122.2	127.3	158.6	155.3	172.9	161.3	169.4	184.5	563.4	688.1	158.1	2.0%
YoY change (%)	37.1	12.6	32.5	16.8	41.5	26.7	6.8	18.8	23.9	22.1	24.2	
Gross Profit	64.3	72.8	81.4	82.5	88.1	91.9	96.7	104.8	292.9	381.6	84.3	
Margin (%)	52.6	57.2	51.3	53.1	51.0	57.0	57.1	56.8	52.0	55.5	53.3	
EBITDA	39.9	46.2	51.0	52.2	56.5	58.6	61.8	66.6	189.5	243.5	53.6	9.4%
Growth (%)	50.8	12.9	18.2	16.8	41.5	27.1	21.1	27.4	22.0	28.5	16.1	
Margins (%)	32.7	36.3	32.2	33.6	32.7	36.4	36.5	36.1	33.6	35.4	33.9	
Depreciation	4.0	4.0	4.1	4.5	4.1	4.2	4.5	4.8	16.5	17.6	4.2	
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.4	0.1	
Other Income	4.3	6.8	8.1	6.7	3.1	5.1	6.1	8.3	25.9	22.5	7.1	
PBT	40.2	48.8	54.9	54.4	55.4	59.4	63.3	69.9	198.3	248.0	56.4	5.4%
Tax	10.0	11.8	13.4	12.5	13.7	14.7	15.9	18.1	47.7	62.4	14.2	
Rate (%)	25.0	24.2	24.3	23.0	24.7	24.8	25.2	25.8	24.1	25.2	25.2	
Adj PAT	30.1	37.0	41.6	41.9	41.7	44.7	47.3	51.8	150.6	185.5	42.2	5.9%
YoY change (%)	28.6	13.7	12.7	11.8	38.4	20.8	13.9	23.7	15.5	23.2	14.1	

E: MOFSL estimate; Full year COGS also includes contract processing charges (included in other op. exps. in quarterly)

Key Performance Indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE
Cig Realization Gr %	3.2	2.4	0.1	2.0	1.4	1.9	1.8	3.2
2Y average growth %								
Cig Volumes	-3.0	-1.5	2.8	8.0	28.5	15.0	9.8	4.5
Sales	7.9	4.8	17.0	19.7	39.3	19.6	19.7	17.8
EBITDA	4.4	1.2	5.9	12.1	46.2	20.0	19.7	22.1
PAT	1.2	-2.7	-0.5	5.3	33.5	17.2	13.3	17.8
% sales								
COGS	47.4	42.8	48.7	46.9	49.0	43.0	42.9	43.2
Others	20.0	21.0	19.2	19.5	18.3	20.6	20.6	20.7
Depreciation	3.2	3.2	2.6	2.9	2.4	2.6	2.7	2.6
YoY change %								
COGS	46.6	13.0	50.5	19.8	46.5	27.4	-5.9	9.5
Others	5.2	11.2	20.5	10.2	29.8	24.6	15.0	26.4
Other income	-52.2	10.9	-16.7	-12.7	-27.1	-25.1	-25.0	22.4
EBIT	60.0	13.7	19.6	17.0	45.6	29.2	22.1	29.2

E: MOFSL estimate

Cigarette volumes likely to have grown 21% YoY in 2QFY23

- ITC's net Cigarette revenue grew 22.9% YoY to INR59.2b, with likely volume growth of 21% YoY on a base of 9% growth. Volumes registered a three-year CAGR of 5.1% in 2QFY23.
- ITC was able to maintain its market share by enhancing the product portfolio through innovation, premiumization across segments, and improving product availability.
- ITC's recent launches included Classic Connect, American Club Clove Mint, Gold Flake Indie Mint, Gold Flake Neo and Capstan Fresh.
- Stability in taxes on Cigarettes backed by deterrent actions by enforcement agencies enabled the continued volume recovery from illicit trade. ITC continues to engage with policy makers to work on creating a framework of regulations and taxation policies in India.
- EBIT in cigarettes grew 23.6% YoY to INR44.3b (est. INR41.1b). Net EBIT margin for the segment expanded 40bp YoY to 74.8% in 2QFY23.

Exhibit 1: Cigarette volumes up 21% YoY in 2QFY23

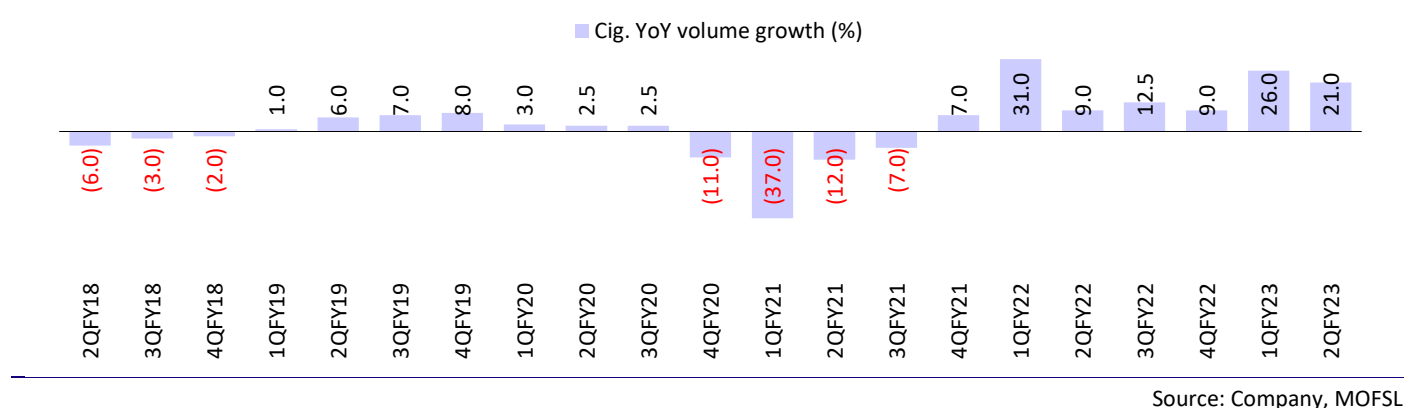


Exhibit 2: Cigarette EBIT up 23.6% YoY to INR44.3b in 2QFY23

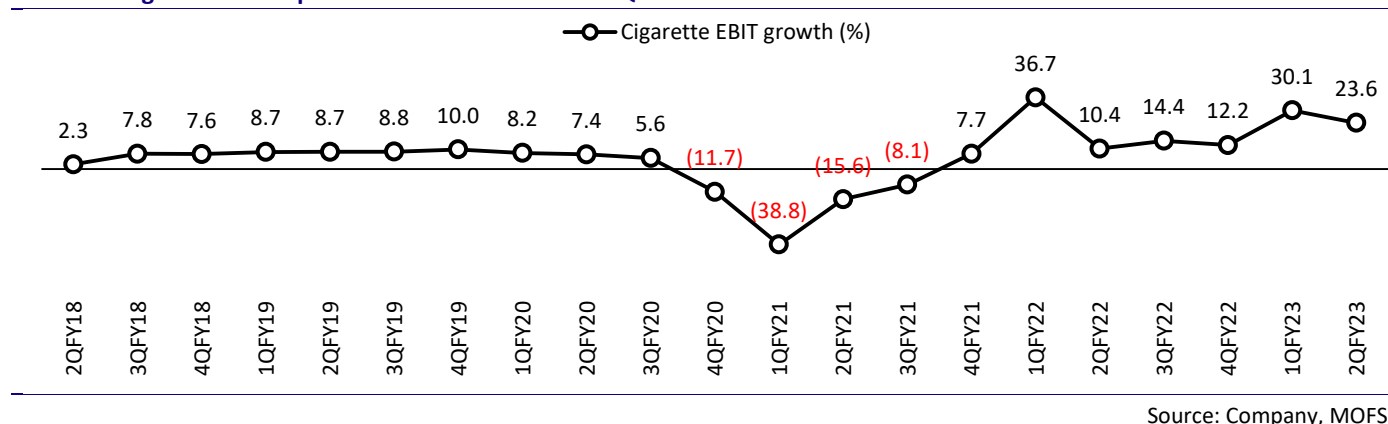


Exhibit 3: Better-than-expected growth in Cigarette sales resulted in its salience reaching 33.6% in 2QFY23

Revenue contribution (%)	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23
Cigarettes	39.2	40.4	39.4	28.5	34.2	37.2	35.7	31.5	35.0	31.4	33.4	27.4	33.6
FMCG - Others	25.2	26.3	27.6	29.5	30.0	29.6	26.3	26.8	29.3	24.2	24.9	21.9	27.7
Hotels	3.3	4.4	4.0	0.2	0.6	1.9	2.1	0.9	2.1	2.8	2.3	2.7	3.0
Agri. business	20.3	16.6	16.3	32.8	23.6	19.6	24.1	29.4	20.2	29.4	26.3	36.8	22.7
Paper and Packaging	12.0	12.3	12.6	9.0	11.5	11.7	11.8	11.4	13.3	12.1	13.1	11.2	13.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, MOFSL

FMCG – Others: Staples record strong growth while Discretionary/Out-of-Home categories continue with their robust momentum

- Segmental sales grew 21% YoY to INR48.8b, while segmental EBIT jumped 17.9% YoY at INR3.2b in 2QFY23. EBIT margin contracted 20bp YoY to 6.6%.
- Staples and Convenience Foods recorded growth mainly driven by Biscuits, Atta and Noodles. Discretionary/Out-of-Home categories continue to witness strong traction while Personal Wash products also performed well. The Hygiene segment was subdued, though significantly ahead of pre-pandemic levels.
- The businesses witnessed strong growth across channels and markets (both urban and rural) driven by improved reach, enhanced penetration and better last mile execution.
- In addition to strengthening its core portfolio, ITC continues to address adjacent growth opportunities by leveraging its 25+ powerful mother brands.
- Market and outlet coverage stood at ~2.0x and 1.3x of pre-pandemic levels.
- **Channel performance:** The e-commerce continued to scale up rapidly. The availability of products in the channel has been further expanded with new trade partners for quick commerce and social commerce platforms. Modern trade sales accelerated with resumption of mobility and higher store footfalls.
- 'Unnati', ITC's digitally powered eB2B platform, has been rolled out to over 440k retailers.

Paperboards, Paper, and Packaging

- Paper and Paperboard sales grew 25% YoY to INR22.9b in 2QFY23.
- Segmental EBIT grew 54% YoY to INR6.3b. EBIT margin expanded 520bp YoY to 27.5% during the quarter.
- Segment revenue growth was driven by continued strong demand across end-user segments and exports.
- Value Added Paperboard segment grew at a rapid pace aided by higher realization and strong exports performance.
- Fine Paper segment witnessed robust performance with pick up in the publications and notebooks segments driven by opening up of educational institutions.
- The packaging and printing business witnessed robust growth in both domestic and exports segments across the 'Cartons & Flexibles' platforms. The Nadiad unit in Gujarat commenced operations during the quarter.
- ITC is actively engaged in developing and promoting suitable paper and paperboard substrates to substitute single-use plastics.

Agri

- Revenue grew 44% YoY to INR40b in 2QFY23 driven by wheat, rice and leaf tobacco exports. The segment reported an EBIT growth of 16.6% YoY to INR3.5b, with EBIT margin contracting 200bp YoY to 8.6% during the quarter.
- The Agri business leveraged the e-Choupal network to provide strategic sourcing support to the branded Packaged Foods businesses.
- ITCMAARS (Metamarket for Advanced Agriculture and Rural Services) – a crop-agnostic 'phygital' full-stack AgriTech platform is being scaled up with 460+ FPOs in nine states encompassing 180,000 farmers. The platform provides farmers with AI/ML-driven personalized and hyperlocal crop advisories, access to good quality inputs and market linkages as well as allied services such as pre-

approved loans. It also offers advanced technologies like real-time soil testing, quality assaying and precision farming at the doorstep of farmers.

- The business continues to make steady progress towards rapidly growing its value-added portfolio to enhance value capture.

Hotels

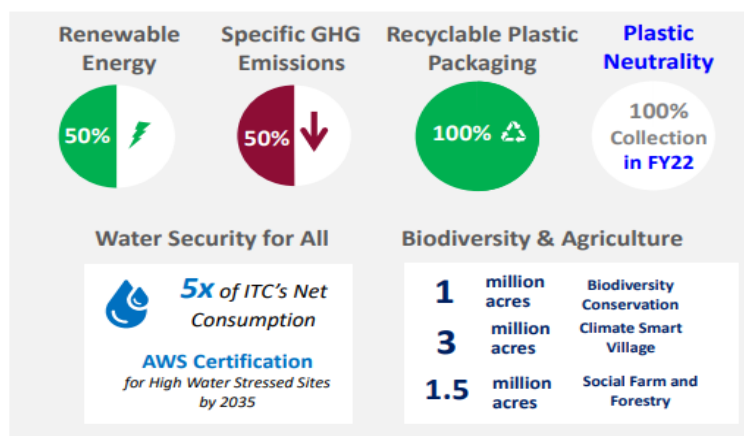
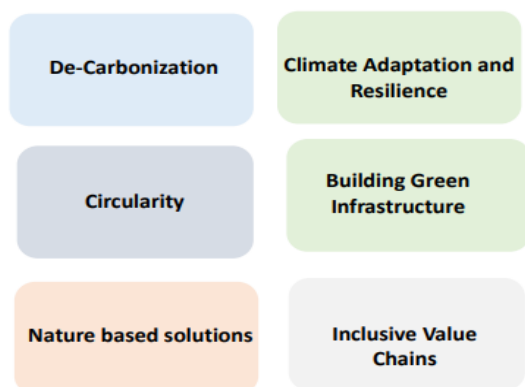
- Revenue grew 81.8% YoY to INR5.4b in 2QFY23 (+25.6% v/s 2QFY20). Segmental EBIT came in at INR0.8b in 2QFY23 v/s a loss of INR0.5b in 2QFY22.
- Segment EBITDA margin for the quarter stood at 29% v/s 20.4% in 2QFY20. This margin expansion was driven by higher RevPAR, operating leverage and structural cost interventions.
- The Hotels segment witnessed ARR and occupancy rates ahead of pre-pandemic levels driven by Retail (packages), Leisure, Weddings and MICE segments.
- Domestic business travel continued to witness progressive normalization; inbound foreign travel has also picked up. ITC continued to leverage its cuisine brands to promote dine-ins with limited-period menus, curated for festive occasions featuring global and Indian favorites.
- In line with its 'asset-right' strategy, ITC has generated a healthy pipeline of management contracts under its brands Welcomhotel, Fortune, Mementos and Storii. Properties under these brands are expected to be launched in a phased manner over the next few quarters.
- Digital investments continue to be leveraged towards facilitating guest acquisition, enhancing guest experience, augmenting revenue generation and driving operational efficiency.
- The recently launched full-stack ITC Hotels app with cutting-edge user experience continues to receive good response.

ITC Infotech

- ITC Infotech delivered a revenue growth of 9.6% YoY to INR8.2b, with EBITDA declining 36% YoY to INR1.4b in 2QFY23.
- EBITDA margin contracted 1,170bp YoY to 16.4% in 2QFY23 due to higher employee costs and overheads in line with industry trends.
- Investments continued to be made towards capability building in strategic focus areas and infrastructure.

Exhibit 4: ITC's contribution to sustainable development

Strategic Interventions to Combat Climate Change



Proactively work towards achieving 'Net Zero' emission status

Source: Company, MOFSL

Key exhibits

Exhibit 5: Segmental performance

Net Sales (INR b)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Cigarettes	43.3	47.1	50.0	43.8	48.2	53.0	55.5	55.8	59.2
FMCG - Others	39.2	35.6	36.9	37.3	40.4	40.9	41.4	44.5	48.8
Hotels	0.8	2.4	2.9	1.3	2.9	4.7	3.9	5.5	5.4
Agri business	29.9	24.8	33.7	40.9	27.8	49.6	43.7	74.7	40.0
Paper and Packaging	14.6	14.8	16.6	15.8	18.3	20.5	21.8	22.7	22.9
Sales growth (YoY %)									
Cigarettes	(18.8)	(11.4)	(2.6)	34.2	11.4	12.6	11.0	27.4	22.9
FMCG - Others	19.3	7.5	15.8	10.4	2.9	9.3	12.3	19.5	21.0
Hotels	(80.8)	(57.4)	(38.2)	463.5	259.6	101.3	35.4	336.2	81.8
Agri business	12.8	18.5	78.5	9.2	(7.0)	100.0	29.6	82.7	44.0
Paper and Packaging	(6.8)	(5.0)	13.5	54.2	25.4	38.5	31.8	43.3	25.0
Estimated volume growth (YoY)									
Cigarettes (%)	(12.0)	(7.0)	7.0	31.0	9.0	12.5	9.0	26.0	21.0
EBIT (INR b)									
Cigarettes	32.4	34.5	36.7	32.2	35.8	39.5	41.1	41.9	44.3
FMCG – Others	2.5	2.1	1.9	1.7	2.7	2.4	2.4	2.0	3.2
Hotels	(1.8)	(0.7)	(0.4)	(1.5)	(0.5)	0.5	(0.3)	1.1	0.8
Agri business	2.6	2.0	1.9	2.0	3.0	3.0	2.4	2.8	3.5
Paper and Packaging	3.3	2.9	3.2	3.9	4.1	4.5	4.5	6.1	6.3
EBIT growth (YoY %)									
Cigarettes	(15.6)	(8.1)	7.7	36.7	10.4	14.4	12.2	30.1	23.6
FMCG – Others	179.3	92.7	28.4	38.3	7.6	1.1	25.1	17.6	17.9
Hotels	P/L	P/L	P/L	(37.6)	#	L/P	#	L/P	L/P
Agri business	2.7	(8.1)	54.2	9.5	15.7	50.6	28.5	45.1	16.6
Paper and Packaging	(7.2)	(14.7)	13.1	145.3	23.8	57.3	39.1	56.0	54.0
EBIT margin (%)									
Cigarettes	75.0	73.4	73.4	73.5	74.4	74.5	74.2	75.1	74.8
FMCG – Others	6.4	5.8	5.1	4.7	6.7	5.9	5.7	4.6	6.6
Hotels	(225.6)	(28.6)	(13.9)	(119.0)	(16.3)	10.7	(8.8)	20.2	15.7
Agri business	8.6	7.9	5.6	4.8	10.7	6.0	5.6	3.8	8.6
Paper and Packaging	22.6	19.3	19.5	24.8	22.4	21.9	20.6	27.0	27.5

Source: Company, MOFSL

Valuation and view

What has happened over the last 10 years?

- ITC's financial performance over the last 10 years has been a story of two halves.
- It performed strongly in the first half of the decade, with a 16-22% CAGR in sales, EBITDA, PBT, and PAT.
- However, in the subsequent five years, its sales/EBITDA/PBT CAGR declined to 4.6%/5.8%/6.6% – one-third of the growth seen in the preceding five years. PAT growth has been in the high single-digits, led by the corporate tax cut.

Our view

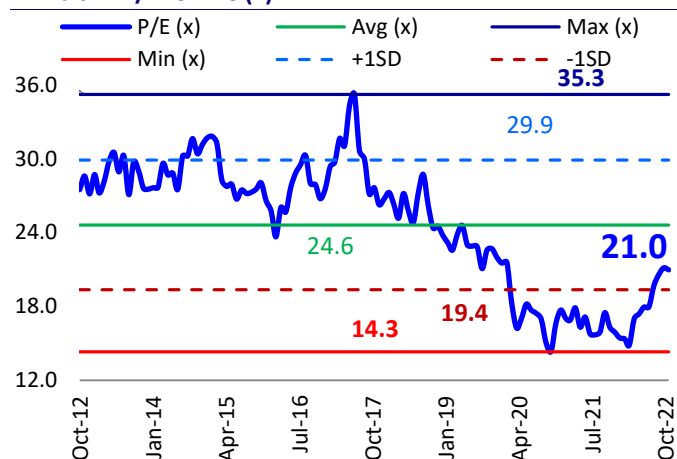
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- We are positive on ITC fueled by a) better-than-expected demand recovery and a healthy margin outlook in Cigarettes, b) healthy sales momentum in the FMCG business, c) smart recovery from the Hotels business, and d) better capital allocation in recent years.

- A stable tax environment for Cigarettes in recent years has allowed ITC to calibrate price increases to avoid a disruption in demand. We expect this trend to continue, which should result in improved Cigarette volumes and earnings visibility over the medium term.
- Valuations of global Tobacco peers have been restored to their pre-pandemic levels (Jan'19), and while ITC's multiples have followed the same trend, it still trades at a 10% discount to its Jan'19 valuations of 25.4x one-year forward EPS. We assign a 22x EPS multiple and roll forward to Sep'24E earnings. The stock has done well with ~33% gain since our [upgrade to Buy](#) call in Jun'22 and we believe there is further scope for upside based on its healthy earnings outlook.
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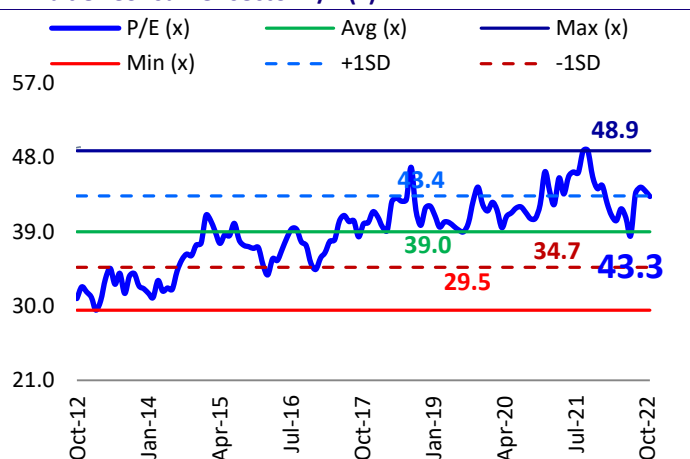
Exhibit 6: We revise our FY23/FY24E EPS by 2%/2.8%, respectively

(INR b)	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	681.4	728.6	669.1	715.4	1.8	1.8
EBITDA	243.5	271.8	234.1	259.8	4.0	4.6
PAT	185.5	211.1	181.9	205.4	2.0	2.8

Source: Company, MOFSL

Exhibit 7: P/E for ITC (x)

Source: Bloomberg, MOFSL

Exhibit 8: Consumer sector P/E (x)

Source: Bloomberg, MOFSL

Financials and valuations

Income Statement						(INR b)	
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Net Sales	402.5	444.3	451.4	451.1	557.0	681.4	728.6
Operational Income	3.7	5.6	4.8	3.7	6.4	6.8	7.1
Total Revenue	406.3	450.0	456.2	454.9	563.4	688.1	735.7
Change (%)	1.3	10.8	1.4	-0.3	23.9	22.1	6.9
Gross Profit	240.1	268.3	275.5	248.4	292.9	381.6	425.8
Margin (%)	59.1	59.6	60.4	54.6	52.0	55.5	57.9
Other operating expenditure	84.5	95.0	96.2	93.0	103.4	138.1	153.9
EBITDA	155.6	173.3	179.3	155.3	189.5	243.5	271.8
Change (%)	6.6	11.3	3.5	-13.4	22.0	28.5	11.6
Margin (%)	38.3	38.5	39.3	34.2	33.6	35.4	37.0
Depreciation	11.5	13.1	15.6	15.6	16.5	17.6	19.2
Int. and Fin. Charges	1.1	0.6	0.8	0.6	0.6	0.4	0.4
Other Inc. - Recurring	21.3	24.8	30.1	32.5	25.9	22.5	29.8
Profit before Taxes	164.4	184.4	193.0	171.6	198.3	248.0	282.1
Change (%)	6.0	12.2	4.6	-11.1	15.5	25.0	13.8
Margin (%)	40.5	41.0	42.3	37.7	35.2	36.0	38.3
Tax	56.0	58.5	44.4	40.4	48.3	62.4	71.0
Deferred Tax	0.3	1.3	-4.1	1.0	-0.6	0.0	0.0
Tax Rate (%)	34.2	32.4	20.9	24.1	24.1	25.2	25.2
Profit after Taxes	108.1	124.6	152.7	130.3	150.6	185.5	211.1
Change (%)	6.0	15.3	22.5	-14.6	15.5	23.2	13.8
Margin (%)	26.6	27.7	33.5	28.7	26.7	27.0	28.7
Non-rec. (Exp)/Income	4.1	0.0	-1.3	0.0	0.0	0.0	0.0
Reported PAT	112.2	124.6	151.4	130.3	150.6	185.5	211.1

Balance Sheet						(INR b)	
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Share Capital	12.2	12.3	12.3	12.3	12.3	12.3	12.3
Reserves	501.8	567.2	628.0	577.7	601.7	624.2	670.4
Net Worth	514.0	579.5	640.3	590.0	614.0	636.6	682.8
Loans	0.1	0.0	3.3	3.3	3.1	0.0	0.0
Deferred Liability	19.2	20.4	16.2	17.3	16.7	16.7	16.7
Capital Employed	533.2	600.0	659.8	610.6	633.8	653.2	699.4
Gross Block	258.1	300.4	336.3	362.7	389.7	405.7	425.7
Less: Accum. Depn.	102.3	115.5	131.1	146.7	163.2	180.9	200.0
Net Fixed Assets	155.7	185.0	205.2	216.0	226.4	224.8	225.7
Capital WIP	50.2	33.9	27.8	33.3	24.7	24.7	24.7
Goodwill	0.0	0.0	0.0	5.8	5.8	5.8	5.8
Investments	234.0	265.8	306.3	270.0	272.8	264.3	297.6
Curr. Assets, L&A	183.9	213.3	213.1	190.8	221.2	278.5	299.2
Inventory	72.4	75.9	80.4	94.7	100.0	124.0	127.2
Account Receivables	23.6	36.5	20.9	20.9	19.5	31.7	33.9
Cash and Bank Balance	25.9	37.7	68.4	40.0	38.8	52.3	65.8
Others	62.0	63.3	43.3	35.1	63.0	70.5	72.3
Curr. Liab. and Prov.	90.6	98.0	92.6	105.2	117.1	144.8	153.4
Account Payables	33.8	33.7	34.5	41.2	42.2	62.6	63.3
Other Liabilities	56.7	64.3	58.1	64.0	74.9	82.2	90.1
Net Current Assets	93.4	115.3	120.5	85.6	104.1	133.7	145.8
Application of Funds	533.2	600.0	659.8	610.6	633.8	653.2	699.4

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Basic (INR)							
EPS	8.9	10.2	12.4	10.6	12.2	15.1	17.1
Cash EPS	9.8	11.2	13.7	11.9	13.6	16.5	18.7
BV/Share	42.1	47.3	52.1	47.9	49.8	51.7	55.4
DPS	6.2	6.9	10.2	10.8	11.5	13.6	13.7
Payout %	68	68	82	102	94	90	80
Valuation (x)							
P/E	39.5	34.4	28.2	33.0	28.6	23.2	20.4
Cash P/E	35.7	31.1	25.5	29.5	25.8	21.2	18.7
EV/Sales	10.0	9.0	8.7	8.8	7.1	5.8	5.4
EV/EBITDA	25.9	23.0	21.8	25.6	21.0	16.3	14.4
P/BV	8.3	7.4	6.7	7.3	7.0	6.8	6.3
Dividend Yield (%)	1.8	2.0	2.9	3.1	3.3	3.9	3.9
Return Ratios (%)							
RoE	22.3	22.8	25.0	21.2	25.0	29.7	32.0
RoCE	21.6	22.1	24.3	20.6	24.3	28.9	31.3
RoIC	42.4	44.6	49.8	40.4	46.5	55.4	60.7
Working Capital Ratios							
Debtor (Days)	21	25	23	17	13	14	16
Asset Turnover (x)	0.8	0.7	0.7	0.7	0.9	1.0	1.0
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
(INR b)							
OP/(loss) before Tax	168.5	184.4	191.7	171.6	198.3	248.0	282.1
Financial other income	7.2	8.1	13.1	17.0	13.9	22.5	29.8
Depreciation and Amort.	11.5	13.1	15.6	15.6	16.5	17.6	19.2
Interest Paid	-8.3	-12.1	-13.8	-11.8	-9.6	0.4	0.4
Direct Taxes Paid	57.2	54.9	46.5	39.6	45.1	62.4	71.0
Incr in WC	-19.2	5.0	-4.2	3.9	-1.8	16.1	-1.4
CF from Operations	126.5	117.5	138.1	114.9	148.1	164.9	202.3
Other items	-7.6	3.2	44.6	-30.8	12.4	-1.9	28.7
Incr Decr in FA	25.5	27.6	21.1	15.8	16.7	16.0	20.0
Free Cash Flow	101.0	89.9	116.9	99.1	131.3	148.9	182.3
Pur of Investments	34.8	15.3	51.9	-87.0	11.6	-8.6	33.3
CF from Invest.	-67.8	-39.7	-28.4	40.4	-15.9	-9.4	-24.6
Issue of shares	9.1	9.7	6.3	2.9	2.9	3.0	3.0
Incr in Debt	-0.1	-0.1	-0.5	-0.5	-0.5	-3.1	0.0
Net Interest Paid	0.5	0.9	0.5	0.4	0.4	0.4	0.4
Dividend Paid	57.7	62.9	84.2	186.2	135.5	141.7	167.0
Others	-11.1	-11.9	0.0	0.4	0.2	0.2	0.2
CF from Fin. Activity	-60.2	-66.0	-78.9	-183.8	-133.4	-142.1	-164.2
Incr of Cash	-1.5	11.7	30.7	-28.4	-1.2	13.5	13.5
Add: Opening Balance	27.5	25.9	37.7	68.4	40.0	38.8	52.3
Closing Balance	25.9	37.7	68.4	40.0	38.8	52.3	65.8

E: MOFSL Estimates

NOTES

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
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