MOTILAL OSWAL
Investment Services

4 November 2022
2QFY23 Results Update | Sector: Consumer

Titan Company

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	2457.7 / 29.8
52-Week Range (INR)	2790 / 1827
1, 6, 12 Rel. Per (%)	2/11/12
12M Avg Val (INR M)	3505

Financials &Valuations(INR b)

Y/E March	2022	2023E	2024E
Sales	288.0	383.4	453.8
Sales Gr. (%)	33.1	33.1	18.4
EBITDA	34.2	50.0	59.0
EBITDA Margin (%)	11.9	13.1	13.0
Adj. PAT	23.3	34.0	40.3
Adj. EPS (INR)	26.2	38.1	45.2
EPS Gr. (%)	137.8	45.5	18.6
BV/Sh.(INR)	105.1	126.6	156.1
Ratios			
RoE (%)	27.7	33.0	32.1
RoCE (%)	25.2	30.4	30.3
Payout (%)	28.6	35.0	35.0
Valuation			
P/E (x)	105.6	72.6	61.2
P/BV (x)	26.3	21.9	17.7
EV/EBITDA (x)	71.4	48.7	41.0
Div. Yield (%)	0.3	0.5	0.6

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	52.9	52.9	52.9
DII	11.9	11.4	10.3
FII	17.0	16.8	19.1
Others	18.2	18.9	17.8

FII Includes depository receipts

CMP: INR2,768 TP: INR3,210 (+16%) Buy

Performance robust; outlook positive

- TTAN's robust business momentum continued in 2QFY23. The three-year Jewelry sales CAGR of 22-23% in recent quarters is extremely remarkable. The management indicated a healthy 17-19% growth in festive season demand across its key businesses in Oct'22.
- Its guidance on margin for subsequent quarters is relatively muted, given its outperformance in 2QFY23, as there will be: a) a lesser share of diamond inventory gains, b) lower proportion of studded Jewelry vis-à-vis 2QFY23, and c) additional investment in ad spends, especially in the Eyewear segment, to boost growth.
- As indicated in our detailed note of last week, TTAN has reported a far superior revenue and earnings growth metrics v/s other largecap Consumer plays in recent years. Its medium-term outlook is also attractive. We maintain our Buy rating.

Beat on all fronts

- Consolidated revenue grew 22% YoY to INR91.6b (est. INR87.4b).
- EBITDA grew 28.8% YoY to INR12.5b (est. INR11.2b) in 2QFY23.
- PBT stood at INR11.4b (est. INR10.1b) in 2QFY23 v/s INR8.7b in 2QFY22.
- Recurring PAT grew 30.3% YoY to INR8.4b (est. INR7.5b) in 2QFY23.
- Consolidated gross margin rose 260bp YoY and 210bp QoQ to 27.6% (est. 25.7%).
- As a percentage of sales, stable staff costs (up 10bp YoY), higher ad spends (up 60bp), and other expenses (up 120bp) led to a 70bp expansion in EBITDA margin to 13.6% (est. 12.8%) in 2QFY23. **This is TTAN's highest second quarter margin after 2QFY06.**
- Sales/EBITDA/adjusted PAT grew 70%/121%/147% YoY to INR186.1b/ INR24.4b/INR16.3b in 1HFY23.
- **Adjusted segmental performance:** Jewelry sales grew 21.7% YoY to INR80b. Segment margin rose 140bp YoY and 100bp QoQ to 13.6%. Sales from Watches and Wearables grew 20.5% YoY to INR8.3b, with an EBIT margin of 14.7% (up 160bp YoY and 220bp QoQ) in 2QFY23.

Highlights from the management commentary

- The management did not offer any guidance on growth in the Jewelry business in 3QFY23 as the base of wedding Jewelry sales is extremely high in 3QFY22 and 3QFY21.
- Of the 23% Jewelry sales CAGR in the past three years, higher gold prices accounts for 6-7%. Even adjusted for store additions, customer-led growth is healthy. New buyers constituted 46% of total buyers in 2QFY23.

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- Studded ratio, while going up, is still below pre-COVID levels. Higher sales growth in South and East India (i.e. markets with a lower proportion of studded Jewelry) in the last two-to-three years is part of the reason. Over the last two-to-three years, studded sales have been growing at a healthy pace (16-17% CAGR), but is lagging overall Jewelry sales (~23% CAGR).
- Jewelry: There were some gains in its diamond inventory in 2QFY23. The second quarter usually sees a higher proportion of studded sales (a cumulative margin impact of ~200bp from both diamond and studded). For the next few quarters, the management has maintained its margin guidance at 12-13% in the Jewelry segment as compared to 14.7% in 2QFY23.
- Watches and Wearables: EBIT margin is likely to remain at 13-14% levels going forward, slightly lower than the 14.7% in 2QFY23.
- Eyewear: Given its investments in the Eyewear segment in 2HFY23, EBIT margin is likely to be in the 15% range as compared to ~17% in 2Q.

Valuation and view

- Changes to our model have resulted in a 9%/8% rise in our FY23/FY24 EPS estimate due to a positive earnings surprise in 2QFY23 as well as a better than expected commentary for Oct'22.
- 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 31% earnings CAGR over FY22-24. In our last week's detailed report, we had highlighted how TTAN has consistently performed better than its peers and listed key monitorables.
- 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 INR3,210 per share (63x Sep'24E EPS).

Consolidated Quarterly Performance (INR b)

Y/E March	FY22				FY22				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**34.7**	**74.9**	**100.4**	**78.0**	**94.4**	**91.6**	**106.8**	**90.5**	**288.0**	**383.4**	**87.4**	4.9
YoY change (%)	75.5	64.6	31.7	4.0	171.9	22.3	6.4	16.1	33.1	33.1	16.6	
Gross Profit	**7.8**	**18.8**	**25.4**	**19.7**	**24.1**	**25.3**	**29.4**	**24.6**	**71.6**	**103.4**	**22.5**	
Margin (%)	22.4	25.0	25.3	25.3	25.5	27.6	27.5	27.2	24.9	27.0	25.7	
EBITDA	**1.4**	**9.7**	**14.4**	**8.8**	**12.0**	**12.5**	**13.9**	**11.7**	**34.2**	**50.0**	**11.2**	11.3
EBITDA growth %	L/P	209.3	70.0	7.2	773.0	28.8	-3.8	34.1	98.5	46.2	15.7	
Margin (%)	3.9	12.9	14.4	11.2	12.7	13.6	13.0	13.0	11.9	13.1	12.8	
Depreciation	1.0	1.0	1.0	1.0	1.0	1.1	1.2	1.2	4.0	4.4	1.1	
Interest	0.5	0.5	0.6	0.6	0.7	0.6	0.7	0.8	2.2	2.7	0.7	
Other Income	0.5	0.6	0.6	0.8	0.4	0.6	0.6	0.8	2.3	2.5	0.6	
PBT	**0.4**	**8.7**	**13.4**	**7.9**	**10.7**	**11.4**	**12.7**	**10.6**	**30.4**	**45.4**	**10.1**	13.6
Tax	0.2	2.3	3.3	1.3	2.8	3.1	3.0	2.6	7.1	11.4	2.5	
Rate (%)	53.8	26.2	24.7	16.0	26.3	26.9	23.5	24.3	23.2	25.2	25.2	
Adjusted PAT	**0.2**	**6.4**	**10.1**	**6.6**	**7.9**	**8.4**	**9.7**	**8.0**	**23.3**	**34.0**	**7.5**	11.0
YoY change (%)	L/P	268.4	90.9	16.7	#	30.3	-4.3	21.0	138.4	45.5	17.3	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY22				FY23	
	1Q	2Q	3Q	4Q	1Q	2Q
2Y CAGR (%)						
Sales	-17.9	26.8	24.0	28.6	118.4	41.9
EBITDA	-51.1	36.1	35.6	19.6	LP	99.6
PAT	-77.8	42.8	43.3	39.0	LP	119.1
% of Sales						
COGS	77.6	75.0	74.7	74.7	74.5	72.4
Operating Expenses	18.5	12.1	10.9	14.0	12.8	14.0
Depreciation	2.7	1.4	1.0	1.3	1.1	1.2
YoY change (%)						
COGS	74.4	79.4	27.1	-0.2	161.2	18.0
Operating Expenses	-6.7	-18.1	25.6	30.1	88.6	41.8
Other Income	12.2	14.6	42.5	33.3	-4.3	10.9
EBIT	-112.1	294.5	78.7	6.9	2,502.4	32.1

E: MOFSL Estimates

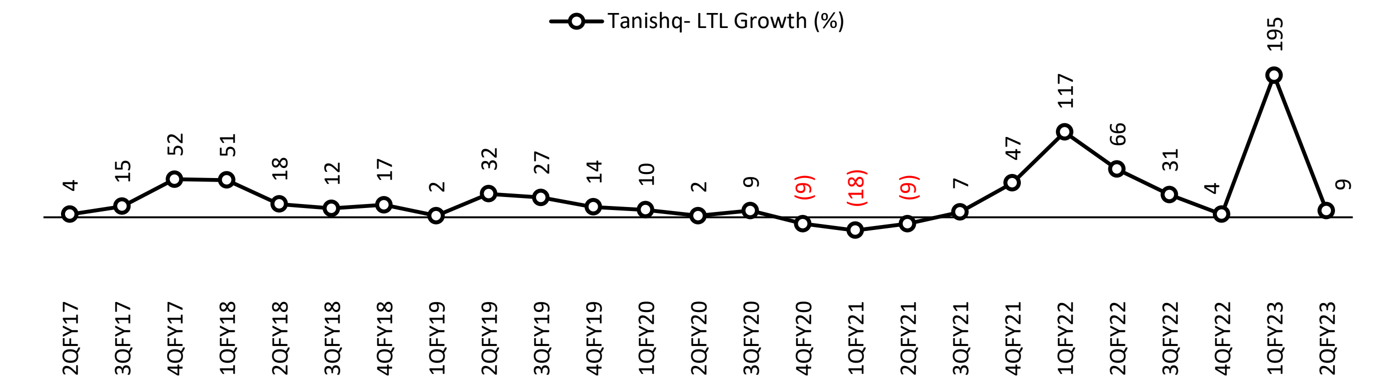
Key exhibits

Exhibit 1: Consolidated segmental snapshot

(INR m)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Total Sales	**46,010**	**76,590**	**75,510**	**35,190**	**75,480**	**1,00,940**	**78,720**	**94,870**	**92,240**
Watches	4,010	5,510	5,590	2,930	6,890	7,100	6,250	7,860	8,300
YoY growth	-44.3%	-12.2%	0.1%	285.5%	71.8%	28.9%	11.8%	168.3%	20.5%
Jewelry	39,830	68,360	66,780	30,500	65,710	90,590	68,430	83,510	79,970
YoY growth	9.1%	21.9%	71.3%	67.2%	65.0%	32.5%	2.5%	173.8%	21.7%
Eyewear	940	1,240	1,270	670	1,600	1,560	1,340	1,830	1,670
YoY growth	-39.0%	-7.0%	17.9%	123.3%	70.2%	25.8%	5.5%	173.1%	4.4%
Others	1,230	1,480	1,870	1,090	1,280	1,690	2,700	1,670	2,300
YoY growth	-27.2%	-19.4%	-0.5%	21.1%	4.1%	14.2%	44.4%	53.2%	79.7%
Total EBIT	**2,660**	**7,920**	**7,810**	**880**	**9,190**	**14,010**	**7,960**	**11,370**	**12,020**
Watches	-120	150	380	-610	900	800	100	980	1,220
YoY growth	P/L	-61.6%	-30.0%	N/M	N/M	433.3%	-73.7%	-260.7%	35.6%
EBIT Margin	-3.0%	2.7%	6.8%	-20.8%	13.1%	11.3%	1.6%	12.5%	14.7%
Jewelry	2,860	7,660	7,170	1,980	8,030	12,880	7,955	10,520	10,880
YoY growth	-24.6%	5.0%	35.3%	L/P	180.8%	68.1%	10.9%	431.3%	35.5%
EBIT margin	7.2%	11.2%	10.7%	6.5%	12.2%	14.2%	11.6%	12.6%	13.6%
Eyewear	90	220	230	-130	370	340	15	360	280
YoY growth	352.3%	L/P	1170.7%	N/M	311.1%	54.5%	-93.5%	-376.9%	-24.3%
EBIT margin	9.6%	17.7%	18.1%	-19.4%	23.1%	21.8%	1.1%	19.7%	16.8%
Others	(170)	(110)	30	(360)	(110)	(10)	(110)	(490)	(360)

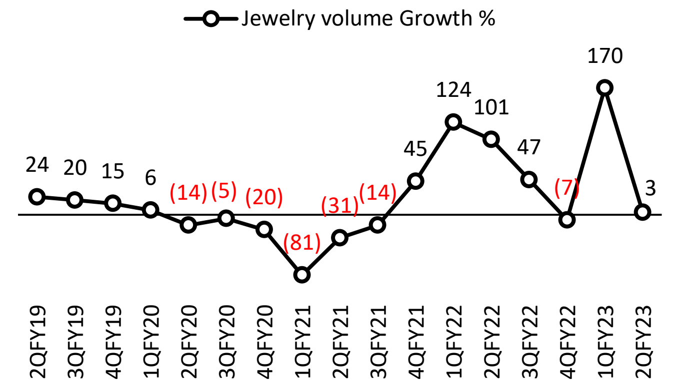
Source: Company, MOFSL

Exhibit 2: Tanishq's LTL growth at 9% in 2QFY23



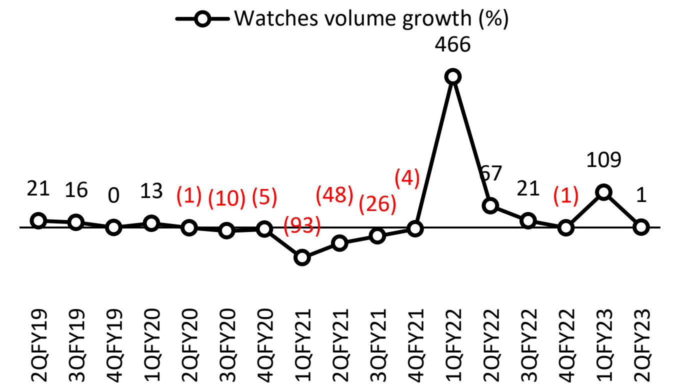
Source: Company, MOFSL

Exhibit 3: Jewelry grammage up 3% YoY



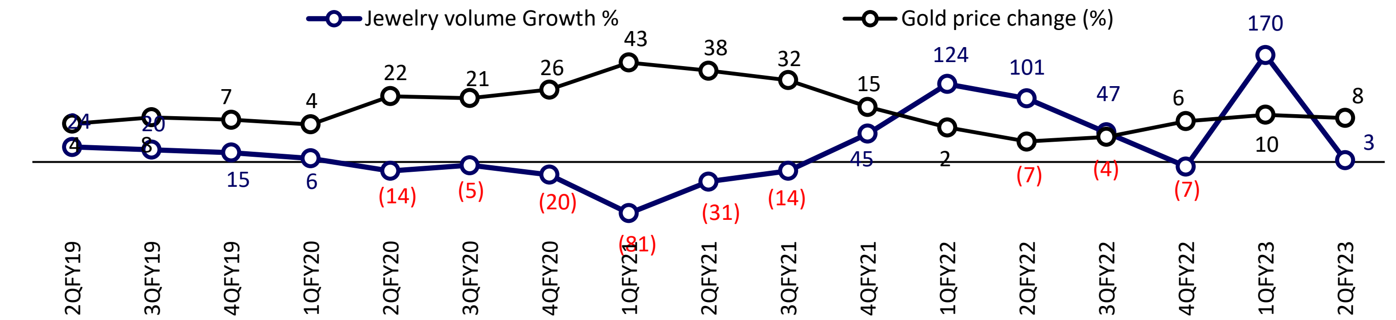
Source: Company, MOFSL

Exhibit 4: Watch volumes remained flat 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	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Volume growth (%)	(14)	(5)	(20)	(81)	(31)	(14)	45	124	101	47	(7)	170	3
Studded share (%)	38	27	37	18	26	26	30	22	30	26	34	26	25
Sales growth (%)	0	12	(5)	(56)	9	22	71	67	65	33	2	174	22
LTL growth (%)	2	9	(9)	(18)*	(9)	7	47	117	66	31	4	195	9
Stores	311	324	331	337	345	355	357	362	372	386	394	400	409

*LTL growth is for Jun'20 only

Source: Company, MOFSL

Exhibit 7: Sales in the Watches segment grew by 20.5% YoY

Watches	2QFY22			1QFY23			2QFY23		
Growth (%)	Sales growth	LTL growth	Stores (x)	Sales growth	LTL growth	Stores (x)	Sales growth	LTL growth	Stores (x)
World of Titan	79	78	513	241	227	570	31	26	577
Helios	69	51	112	278	227	151	46	27	165
Fastrack	51	52	164	230	231	161	26	26	163
LFS - Watches	103	102	NA	358	338	NA	63	52	NA
Sales growth (%)	**71.8**			**168.3**			**20.5**		
Net sales (INR b)	**6.9**			**7.9**			**8.3**		

Source: Company, MOFSL

Exhibit 8: Titan Eye+: Sales grew 12% YoY, with a flat YoY growth in LTL retail sales

Titan Eye+	2QFY20	3QFY20	4QFY20	1QFY21*	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Stores	561	578	584	569	557	571	599	605	629	682	733	786	822
Sales growth (%)	35	11	(8)	(46)	(35)	(3)	28	74	69	19	(4)	180	12
LTL growth (%)	28	3	(16)	(44)	(34)	(3)	27	47	59	10	(13)	185	1

*Sales and LTL growth are for Jun'20 only

Source: Company, MOFSL

Key highlights from the management interaction

Performance and outlook

- All major businesses have demonstrated 17-19% growth in the past month as well (end of Sep'22 to end of Oct'22). Management still did not give guidance on growth in jewellery business in 3QFY23 as base of wedding jewellery sales is extremely high in 3QFY22 and 3QFY21.
- Studded jewelery ratio while going up is still below pre Covid level. Higher sales growth from South and East (lower studded proportion markets) over the last two-three years is part of the reason. Studded jewelery sales growth is growing at a healthy pace at 16-17% CAGR in the last two-three years but is lagging overall jewellery sales growth CAGR has been ~23% CAGR in the same period.
- In the 23% CAGR jewellery sales growth in the past 3 years, 6-7% is from gold price increase and even adjusted for store addition customer led growth is a healthy number. New buyers were 46% of total buyers in 2QFY23.
- New buyers traditionally have come in at the lower end but in recent periods customers have come in for higher end products as well.
- The management is not too worried about FY24 jewellery sales growth because of the really high base in recent quarters. Golden harvest is a good indicator of demand in the next year and enrolments have been healthy. Also unlike the west where jewellery is a discretionary purchase, it is a store of value in India resulting in a healthy demand every year.
- Wedding demand has been relatively muted in both 1QFY23 and 2QFY23 (seasonally weak periods historically). While they are optimistic of good wedding jewellery in 2HFY23 there is no clear indication of strong traction yet.
- Metro demand was better than other cities for the quarter but there is no trend.

Margins

- Jewellery - There was some gains on diamond inventory in 2QFY23 and 2Q is a higher studded proportion quarter (~200 bp cumulative positive impact of both) so company maintained that jewellery segment margins will be between 12-13% over the next few quarters compared to 14.7% in 2QFY23.
- Watches and Wearables - EBIT Margins are likely to be in the 13-14% levels going ahead, slightly lower than the 14.7% in 2QFY23.
- Eyewear- Consequent to the investments for growth they are making in second half EBIT margins in eyewear are likely to be in the 15% range compared to ~17% in 2QFY23 results.

Additional segment details

- Eyewear business growth was good in July but August and September were sluggish resulting in 7% sales growth in 2QFY23. Spectacles were not a priority amidst high discretionary consumption. Are investing more to boost growth in 2HFY23. Indications are that 3QFY23 sales growth will be good based on quarter to date numbers so far.
- Jewellery sales beat vs end of quarter update was explained by higher export sales.
- Maintained international business sales of INR25b by FY27 as indicated in the strategy meet in May 2022

- Watches and wearables is doing well broadly. Premium channels are doing particularly well with lower price segment being relatively sluggish.

Other points

- Taneira Franchisee store proportion is around 55% now.
- 30-35 Tanishq stores to be added.
- Availing gold from UAE at concessional 1% rates for India.
- Management indicated that they don't have estimate how much gains they have made from unorganized due to Hallmarking amidst the gain that they have been traditionally gaining as usual from unorganized.

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 9%/ 8% increase in FY23/ FY24 EPS due to positive surprise in 2Q as well as better than expected commentary for the month of October.
- 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 31% earnings CAGR over FY22-FY24. In our detailed report last week, we had highlighted how TTAN has consistently done better than peers and also pointed out factors that needed to be watched out for
- 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 INR3,210 per share (63x Sep'24E EPS).

Exhibit 9: We change our FY23/FY24 EPS estimate by +9.2%/7.9%, respectively

	New estimate		Old estimate		Change (%)	
(INR b)	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	383.4	453.8	366.0	439.7	4.7	3.2
EBITDA	50.0	59.0	46.4	55.6	8.0	6.2
PAT	34.0	40.3	31.1	37.3	9.2	7.9

Source: MOFSL

Financials and valuations

Income Statement (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	**161.2**	**197.8**	**210.5**	**216.4**	**288.0**	**383.4**	**453.8**
Change (%)	21.6	22.7	6.4	2.8	33.1	33.1	18.4
Gross Profit	**44.3**	**53.8**	**59.0**	**52.3**	**71.6**	**103.4**	**122.7**
Margin (%)	27.5	27.2	28.0	24.2	24.9	27.0	27.0
Other expenditure	27.9	33.9	34.0	35.1	37.4	53.3	63.6
EBITDA	**16.4**	**19.9**	**24.9**	**17.2**	**34.2**	**50.0**	**59.0**
Change (%)	42.3	21.1	25.1	-30.8	98.5	46.2	18.0
Margin (%)	10.2	10.1	11.8	8.0	11.9	13.1	13.0
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	3.2
Other Income - Recurring	0.9	1.8	1.5	1.9	2.3	2.5	2.8
Profit before Taxes	**15.5**	**19.6**	**21.3**	**13.3**	**30.4**	**45.4**	**53.8**
Change (%)	43.7	26.5	8.8	-37.5	128.2	49.3	18.6
Margin (%)	9.6	9.9	10.1	6.2	10.6	11.8	11.9
Tax	4.5	6.1	5.8	3.6	7.9	11.4	13.6
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
Profit after Taxes	**11.2**	**13.9**	**15.2**	**9.8**	**23.3**	**34.0**	**40.3**
Change (%)	39.9	24.0	8.9	-35.4	138.4	45.5	18.6
Margin (%)	7.0	7.0	7.2	4.5	8.1	8.9	8.9
Extraordinary income	-167	0	-185	0	-1,360	0	0
Reported PAT	**11.0**	**13.9**	**14.9**	**9.7**	**22.0**	**34.0**	**40.3**

Balance Sheet (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
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	111.5	137.7
Net Worth	**50.9**	**60.8**	**66.7**	**75.0**	**93.3**	**112.4**	**138.6**
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
Capital Employed	**51.3**	**60.5**	**84.9**	**88.3**	**110.3**	**126.7**	**154.6**
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
Net Fixed Assets	**11.2**	**12.1**	**13.1**	**12.4**	**12.2**	**10.2**	**8.0**
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
Curr. Assets, L&A	**79.7**	**99.7**	**106.3**	**109.9**	**181.0**	**197.3**	**243.7**
Inventory	59.2	70.4	81.0	84.1	136.1	147.1	173.2
Account Receivables	3.0	4.2	3.1	3.7	5.7	7.9	9.3
Cash and Bank Balance	6.5	11.1	4.3	5.8	15.9	16.6	31.5
Others	11.0	14.1	17.9	16.3	23.4	25.7	29.7
Curr. Liab. and Prov.	**43.5**	**55.9**	**49.0**	**75.2**	**99.8**	**97.7**	**114.4**
Current Liabilities	41.9	53.9	46.1	73.4	97.4	95.1	111.5
Provisions	1.6	2.1	2.9	1.9	2.4	2.6	2.9
Net Current Assets	**36.2**	**43.8**	**57.2**	**34.7**	**81.2**	**99.6**	**129.3**
Misc. Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Application of Funds	**51.3**	**60.5**	**84.9**	**88.3**	**110.3**	**126.7**	**154.6**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	**12.6**	**15.7**	**17.1**	**11.0**	**26.2**	**38.1**	**45.2**
Cash EPS	14.0	17.3	18.9	12.9	30.8	43.2	50.8
BV/Share	57.3	68.5	75.2	84.5	105.1	126.6	156.1
DPS	4.6	6.0	4.1	4.0	7.5	13.4	15.8
Payout %	36.4	38.5	23.8	36.5	28.6	35.0	35.0
Valuation (x)							
P/E	219.2	176.7	162.2	251.0	105.6	72.6	61.2
Cash P/E	197.6	159.7	146.7	214.6	89.9	64.1	54.5
EV/Sales	15.2	12.4	11.7	11.2	8.5	6.4	5.3
EV/EBITDA	149.1	122.8	98.7	140.7	71.4	48.7	41.0
P/BV	48.3	40.4	36.8	32.8	26.3	21.9	17.7
Dividend Yield (%)	0.2	0.2	0.1	0.1	0.3	0.5	0.6
Return Ratios (%)							
RoE	24.0	24.9	23.8	13.8	27.7	33.0	32.1
RoCE	24.7	25.5	22.5	13.0	25.2	30.4	30.3
RoIC	29.8	28.0	23.9	14.8	32.0	34.6	35.9
Working Capital Ratios							
Debtor (Days)	7	8	5	6	7	8	8
Asset Turnover (x)	3.1	3.3	2.5	2.5	2.6	3.0	2.9
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.1	0.0	0.1	0.0	0.0

Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(loss) before Tax	15.3	19.6	21.0	13.3	29.0	45.4	53.8
Int./Div. Received	-0.1	1.1	-0.2	-0.6	-1.3	-2.5	-2.8
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	3.2
Direct Taxes Paid	4.6	6.4	5.6	2.7	8.0	11.4	13.6
Incr in WC	12.4	3.0	22.7	-26.2	32.2	17.7	14.8
CF from Operations	**-0.5**	**12.4**	**-3.3**	**41.4**	**-7.2**	**20.9**	**30.7**
Incr in FA	3.0	2.6	3.5	1.4	2.2	2.4	2.6
Free Cash Flow	**-3.5**	**9.8**	**-6.9**	**40.0**	**-10.8**	**18.5**	**28.1**
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	5.1	-1.5
CF from Invest.	**1.4**	**-3.0**	**-1.1**	**-27.7**	**21.4**	**-7.5**	**-1.5**
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	10.8
Others	-0.2	0.9	4.0	3.2	3.9	2.7	3.2
CF from Fin. Activity	**-2.5**	**-4.9**	**-2.4**	**-12.3**	**-4.0**	**-14.1**	**-14.3**
Incr/Decr of Cash	**-1.6**	**4.5**	**-6.8**	**1.4**	**10.1**	**-0.7**	**14.9**
Add: Opening Balance	8.2	6.5	11.1	4.4	5.8	17.2	16.6
Closing Balance	**6.5**	**11.1**	**4.3**	**5.8**	**15.9**	**16.6**	**31.5**

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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