

Hindustan Unilever

Estimate changes



TP change



Rating change



Bloomberg	HUVR IN
Equity Shares (m)	2350
M.Cap.(INRb)/(USDb)	6227 / 76.5
52-Week Range (INR)	2741 / 1902
1, 6, 12 Rel. Per (%)	-1/-8/14
12M Avg Val (INR M)	4401

Financials & Valuations (INR b)

Y/E March	2023E	2024E	2025E
Sales	589.7	645.3	723.2
Sales Gr. (%)	15.2	9.4	12.1
EBITDA	137.3	159.4	182.8
EBITDA mrg. (%)	23.3	24.7	25.3
Adj. PAT	100.2	114.7	132.5
Adj. EPS (INR)	42.7	48.8	56.4
EPS Gr. (%)	13.2	14.4	15.6
BV/Sh.(INR)	202.0	196.8	191.2
Ratios			
RoE (%)	20.8	24.5	29.1
RoCE (%)	27.6	33.0	39.1
Payout (%)	111.4	110.7	109.9
Valuations			
P/E (x)	62.1	54.3	47.0
P/BV (x)	13.1	13.5	13.9
EV/EBITDA (x)	45.1	38.9	33.9
Div. Yield (%)	1.8	2.0	2.3

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	61.9	61.9	61.9
DII	11.8	12.2	10.5
FII	14.0	13.3	15.5
Others	12.3	12.6	12.2

FII Includes depository receipts

CMP: INR2,650

TP: INR3,100 (+17%)

Buy

Operating performance in line, royalty increase not a concern

- HUVR's operating performance in 3QFY23 was in line with expectations. PBT and PAT beat our estimates by ~8%, driven by higher-than-expected other income.
- On the effective 80bp increase in royalty (effective for the next five years) from 2.65% to 3.45%, we are not particularly perturbed if HUVR receives commensurate benefits from the parent. The decision also requires a majority of minority shareholders' approval and is not a CG risk in our view. Even at 3.45% royalty by CY27, HUVR's royalty rate will be well below that of NEST/CLGT/PGHH (close to ~5%).
- While rural recovery and commodity cost declines are taking longer than expected, management believes that the worst is over and HUVR will be a clear beneficiary on both fronts. Maintain Buy.

Higher other income leads to PAT beat

- Reported net sales grew 16.3% YoY to INR152.3b in 3QFY23 (in line).** EBITDA grew 7.9% YoY to INR35.4b (in line), PBT grew 12.6% YoY to INR34.8b (est. INR32.3b) and PAT (bei) was up 13% YoY at INR25.9b (est. INR23.9b).
- Underlying volumes were up 5% in 3QFY23 (est. 5%).
- Segmental performance: Home Care** (32% of total sales) revenue was up 31.6% YoY (3-year/4-year CAGR 16.9%/15.1%). **Personal Care** (40% of total sales) revenue rose 10.5% YoY (3-year/4-year CAGR 9%/5.9%). **Food & Refreshment** business sales (26% of total sales) grew 6.8% YoY (3-year/4-year CAGR 25.7%/21%).
- Segmental EBIT: Home Care** margin declined 140bp YoY to 19.2%, **Personal Care** margin contracted 270bp YoY to 25.1%, and **Food & Refreshment** margin contracted 80bp YoY to 17.9%.
- Overall gross margins for the quarter contracted 460bp YoY to 47.5% (est. 47.1%).
- As a percentage of sales, lower operating expenses (-100bp YoY to 11.9%), ad spends (-120bp YoY to 7.9%) and staff costs (-60bp YoY to 4.4%) restricted **EBITDA margin contraction to 180bp YoY to 23.2%** (est. 22.8%).
- 9MFY23 sales/EBITDA/PAT (bei) grew 17.1%/9.8%/12.7% YoY to INR442.5b/INR101.6b/INR72.6b.

Management conference call highlights

- Rural was better in the Dec'22 quarter compared to the Sep'22 quarter. The Rural slowdown seems to be bottoming out, but growth needs to be observed. High rural inflation persists. MNREGA benefits need to be closely monitored, as do eventual Rabi harvest realization and monsoons in the next 6-7 months.

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

- 3QFY23 net material inflation was 18% v/s 22% in 2QFY23 but remained high YoY. Management expects commodity costs to come down gradually.
- Other income saw a sharp increase because of higher treasury yields and dividends from subsidiaries.
- The current trademark license is valid for 10 years ending on 31st Jan'23 with 2.65% royalty in FY22.
- Royalty was supposed to rise to 3.15% by Jan'23 as per the last decadal agreement, but acquisitions by HUVR in the last few years, especially GSKCH brands for which HUVR owns brand rights, meant that royalty was at 2.65% at the end of the tenure.
- Royalty will go up by 45bp in the Feb-Dec'23 period, 25bp in CY24 and 10bp in CY25 eventually to 3.45% of turnover, a level that will be maintained up to the end of CY27. These royalty changes are included in management's double-digit EPS growth targets for the medium to long term announced during the investor day in Nov'22.

Valuation and view

- Changes to the model have resulted in a ~2% increase in EPS estimates for FY23/FY24/FY25.
- As highlighted in our [investor day note](#) in Nov'22 and our [annual report note](#) earlier in Jun'22, HUVR continues to exhibit remarkable dexterity, despite its size, led by 1) its WIMI and cluster-based approach, 2) its technological edge over peers; and 3) funneling massive cost savings back into the business for growth.
- On rural recovery and commodity cost reductions (commentary on both is gradually getting better), we believe that HUVR will get back to the mid-to-high teens earnings growth trajectory that it exhibited for the four years before Covid.
- Maintain Buy with a TP of INR3,100 (55x FY25E EPS).

Quarterly performance (Standalone)

Y/E March	FY22				FY23E				FY22	FY23E	FY23 3QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Domestic volume growth (%)	9.0	4.0	2.0	0.0	6.0	4.0	5.0	1.0	3.0	4.0	5.0	
Net sales	119.2	127.2	130.9	134.6	142.7	147.5	152.3	147.2	511.9	589.7	149.2	2.0%
YoY change (%)	12.8	11.2	10.4	11.0	19.8	15.9	16.3	9.3	11.3	15.2	14.0	
Gross Profit	60.1	65.7	68.2	66.7	67.6	67.6	72.3	72.6	260.7	280.0	70.3	
Margin %	50.4	51.6	52.1	49.5	47.4	45.8	47.5	49.3	50.9	47.5	47.1	
EBITDA	28.5	31.3	32.8	32.5	32.5	33.8	35.4	35.7	125.0	137.3	34.1	3.9%
YoY change (%)	7.7	9.2	14.9	9.7	14.0	7.8	7.9	9.9	10.4	9.8	3.9	
Margins (%)	23.9	24.6	25.0	24.1	22.8	22.9	23.2	24.2	24.4	23.3	22.8	
Depreciation	2.4	2.7	2.6	2.6	2.6	2.5	2.6	2.8	10.3	10.5	2.7	
Interest	0.1	0.3	0.3	0.4	0.3	0.3	0.3	0.3	1.0	1.1	0.3	
Other income	0.7	1.1	0.9	1.2	1.4	1.2	2.3	1.4	3.9	6.2	1.2	
PBT	26.6	29.5	30.9	30.7	31.0	32.2	34.8	33.9	117.7	131.9	32.3	7.7%
Tax	5.7	7.7	7.8	8.0	8.0	5.8	8.7	9.2	29.2	31.7	8.4	
Rate (%)	21.5	26.0	25.3	26.1	25.7	17.9	25.1	27.2	24.8	24.0	26.0	
PAT bei	19.6	21.9	22.9	22.8	22.9	23.8	25.8	24.7	88.5	100.2	23.9	8.0%
YoY change (%)	4.8	7.5	17.5	8.6	16.7	8.8	12.6	8.3	9.0	13.2	4.3	
Extraordinary Inc/(Exp)	-0.3	0.0	-0.7	0.6	-0.1	-0.3	-1.0	0.0	-0.3	1	0.0	
Reported Profit	20.6	21.9	22.4	23.3	22.9	26.2	25.1	24.7	88.2	98.8	23.9	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY22				FY23		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
2Y average growth %							
Volumes	6.5	9.0	9.5	15.5	7.5	4.0	3.5
Sales	8.6	13.7	15.7	22.8	16.3	13.6	13.3
EBITDA	3.8	13.3	15.8	26.5	10.9	8.5	11.4
PAT	5.9	9.3	16.4	25.9	10.7	8.1	15.0
% sales							
COGS	49.6	48.4	47.9	50.5	52.6	54.2	52.5
Staff cost	5.2	4.6	5.0	4.0	4.2	4.8	4.4
Advertising and Promotion	8.6	9.5	9.1	9.6	9.3	7.1	7.9
Others	12.8	12.9	13.0	11.8	11.1	11.1	11.9
Depreciation	2.0	2.1	1.9	1.9	1.8	1.7	1.7
YoY change %							
COGS	16.1	14.6	14.8	18.0	27.2	29.8	27.6
Staff cost	-0.4	-0.3	0.3	-0.3	-1.0	0.2	-0.6
Advertising and Promotion	1.0	-0.4	-2.6	-2.1	0.7	-2.5	-1.2
Others	-0.9	-0.2	-0.6	-0.4	-1.7	-1.8	-1.0
Other income	-57.1	-25.2	-6.2	11.9	104.5	1.8	150.5
EBIT	8.4	9.4	17.1	10.2	14.8	9.1	8.4

Exhibit 1: Segmental performance

Segment Revenue (INR b)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Home Care	34.1	38.4	38.0	38.4	41.9	47.5	49.3	51.4	55.2
Personal Care	48.4	45.5	45.7	50.0	51.8	47.1	53.6	55.6	57.2
Foods & Refreshments	33.6	35.1	33.2	36.2	34.7	37.0	36.3	37.6	37.0
Others	2.6	2.3	2.3	2.6	2.6	3.0	3.5	2.9	2.9
Net Segment Revenue	118.6	121.3	119.2	127.2	130.9	134.6	142.7	147.5	152.3
Growth YoY (%)									
Home Care	-1.4	14.6	11.9	15.7	23.0	23.7	29.9	34.0	31.6
Personal Care	9.7	19.7	13.2	10.3	6.9	3.6	17.3	11.2	10.5
Foods & Refreshments	79.9	96.4	12.2	7.2	3.3	5.3	9.3	3.7	6.8
Others	241.3	222.2	32.2	25.7	0.8	30.2	54.9	10.6	13.2
Net Segment Revenue	20.9	34.6	12.8	11.2	10.4	11.0	19.8	15.9	16.3
Salience (%)									
Home Care	29	32	32	30	32	35	35	35	36
Personal Care	41	37	38	39	40	35	38	38	38
Foods & Refreshments	28	29	28	28	26	27	25	25	24
Others	2	2	2	2	2	2	2	2	2
Total Segment Revenue	100	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR b)									
Home Care	6.5	8.1	6.6	7.3	8.6	9.4	8.7	8.9	10.6
Personal Care	14.1	12.5	12.9	13.9	14.4	12.4	14.1	14.0	14.4
Foods & Refreshments	4.7	5.8	6.0	6.6	6.5	7.1	5.8	7.4	6.6
Others	0.5	0.7	0.5	0.9	0.7	1.0	1.3	1.0	1.2
Total Segment Results	25.8	27.1	26.0	28.7	30.2	29.8	29.9	31.3	32.8
PBT	26.0	28.2	26.3	29.5	30.9	30.7	30.9	31.9	33.8
Growth YoY (%)									
Home Care	2.7	27.7	3.9	7.4	33.7	15.6	31.3	22.1	22.8
Personal Care	12.9	32.5	13.5	4.7	2.0	-1.3	9.6	0.4	-0.3
Foods & Refreshments	41.6	155.6	3.1	18.8	36.6	24.0	-3.7	12.0	2.3
Others	L/P	#	10.2	54.5	46.0	39.1	138.9	17.6	61.6
Total Segment Results	16.7	49.6	8.4	9.4	17.1	10.2	14.8	9.1	8.4
Salience (%)									
Home Care	24.9	28.8	25.1	24.6	28.0	30.6	28.2	27.9	31.4
Personal Care	54.4	44.4	48.9	47.1	46.6	40.3	45.7	43.7	42.6
Foods & Refreshments	18.2	20.4	22.8	22.5	20.9	23.2	18.7	23.3	19.6
Others	1.9	2.4	2.1	2.9	2.4	3.1	4.2	3.1	3.5
Total Segment Results	99.5	96.0	98.9	97.1	97.9	97.2	96.8	98.1	97.0
PBT	100	100	100	100	100	100	100	100	100

Segment Revenue (INR b)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Segmental EBIT margin (%)									
Home Care	18.9	21.1	17.4	19.0	20.6	19.8	17.6	17.3	19.2
Personal Care	29.2	27.5	28.1	27.8	27.8	26.2	26.3	25.1	25.1
Foods & Refreshments	14.1	16.4	18.1	18.3	18.6	19.3	15.9	19.8	17.9
Others	19.5	29.7	23.9	32.2	28.3	31.8	36.9	34.2	40.4
Total	21.8	22.3	21.8	22.5	23.1	22.2	20.9	21.2	21.5
EBIT margin change YoY (bps)									
Home Care	75	216	-134	-147	166	-138	19	-168	-138
Personal Care	81	266	7	-148	-134	-129	-184	-270	-271
Foods & Refreshments	-381	379	-160	179	454	290	-214	148	-77
Others	2,220	2,419	-476	601	876	205	1,296	205	1,212
Total	-80	223	-90	-37	133	-16	-92	-132	-158

#an inordinately high number; Source: Company, MOFSL



Highlights from management commentary

Operational environment

- Management is pleased with an all-round performance in 3QFY23.
- Both value and volume growth were well ahead of the market.
- 3QFY23 witnessed the warmest December in India in 122 years, hurting the performance of winter season products.
- Urban continued to lead growth.
- Rural was better in 3QFY23 than in 2QFY23. The Rural slowdown seems to be bottoming out, but growth needs to be observed. MNREGA benefits need to be closely monitored, as well as eventual Rabi harvest realization and monsoons in the next 6-7 months.
- Management remains cautiously optimistic. The worst of RM inflation seems to be over but YoY inflation still remains high in its RM basket.

Additional segmental highlights

- Personal care did well despite winter season sales being affected.
- HUVR is gaining market share in fabric wash. The premiumization trend remains strong.
- The HFD market remains subdued due to high inflation but is gradually improving. Boost is doing very well and Horlicks continues to gain market share.

Costs and margins

- Palm oil prices have come off substantially, but most other commodity prices remain elevated.
- Net material inflation was 18% in 3QFY23 v/s 22% in 2QFY23, but it still remains high YoY.
- Management expects commodity costs to gradually come down.
- Fabric wash/home care/some foods witnessed sequential price increases, while soaps and tea witnessed price reductions in 3QFY23.

Royalty increase details

- The current trademark license is valid for 10 years ending on 31st Jan'23 with 2.65% royalty in FY22.
- Royalty was supposed to rise to 3.15% by Jan'23 as per the last decadal agreement, but acquisitions by HUVR in the last few years, especially GSKCH

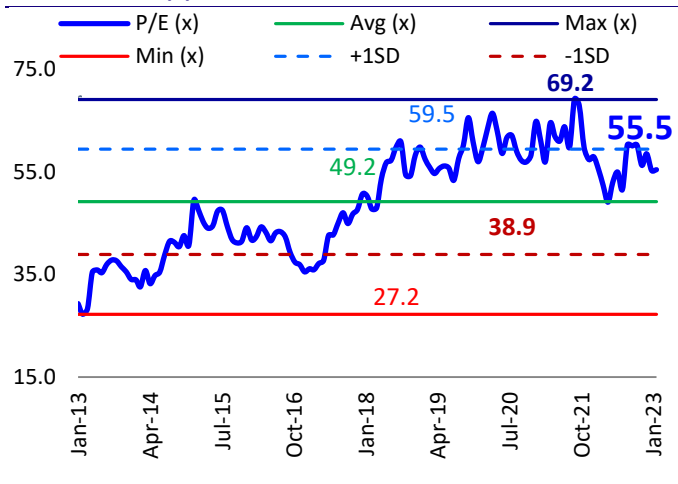
brands for which HUVR owns brand rights, meant that royalty was at 2.65% at the end of the tenure.

- In these 10 years, HUVR doubled its turnover and improved operating margins by 1,000bp.
- Royalty is being paid for three reasons:
 - Use of Unilever brands
 - R&D and technical prowess access; they have 20,000 patents and patent applications worldwide and Unilever spends USD850m annually on R&D
 - Procurement, supply chain, talent management and other centralized efficiencies
- Royalty is being increased by 80bp in order to continue to access these benefits for the next five years, especially benefits of the last two components.
- Royalty will go up by 45bp in the Feb-Dec'23 period, 25bp in CY24 and 10bp in CY25 eventually to 3.45% of turnover. Of this 3.45%, 1.95% is attributed to the first two components (trademarks, R&D/ technical prowess) and 1.5% for Central efficiencies.
- Regulatory approvals will be required as it is a material transaction.

Other points

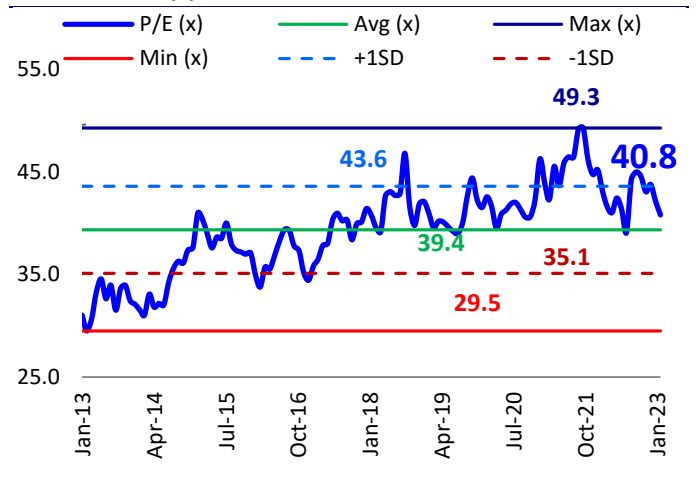
- Other income saw a sharp increase because of higher treasury yields and dividends from subsidiaries.
- The estimated tax rate is 24% for FY23.

Exhibit 2: P/E (x) for HUVR



Source: Bloomberg, MOFSL

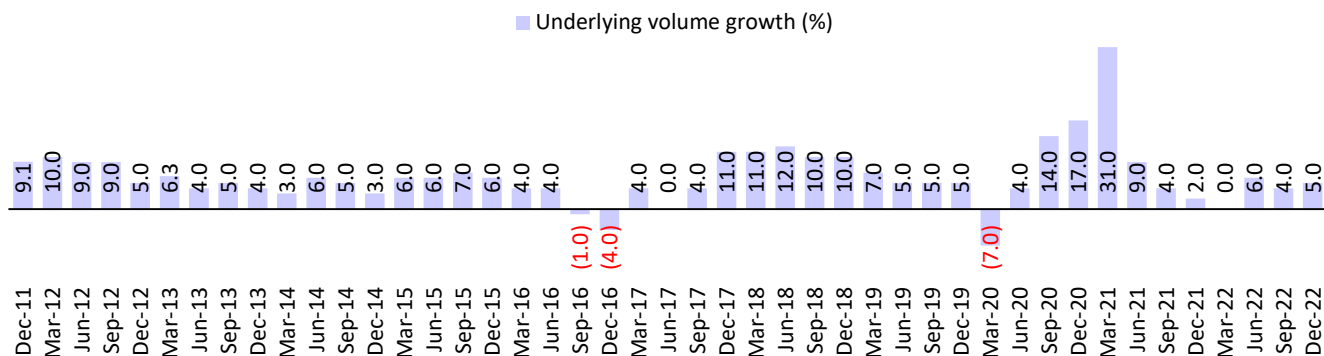
Exhibit 3: P/E (x) for the Consumer sector



Source: Bloomberg, MOFSL

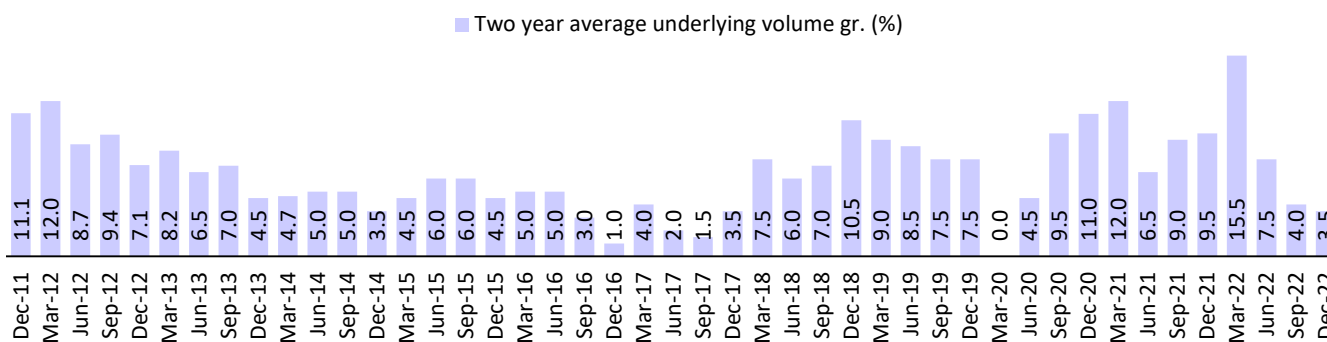
Story in charts

Exhibit 4: Volume grew 5% YoY



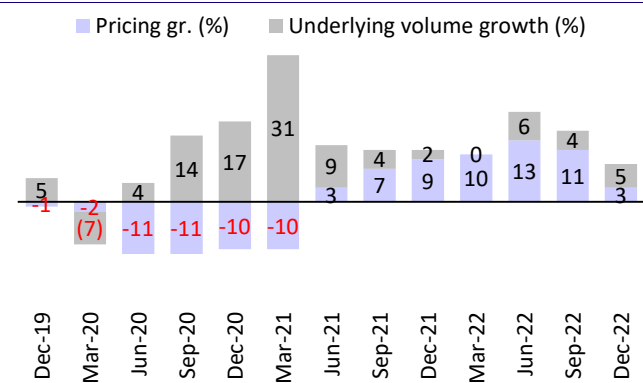
Source: Company, MOFSL

Exhibit 5: On a two-year average basis, underlying volumes rose 3.5% YoY



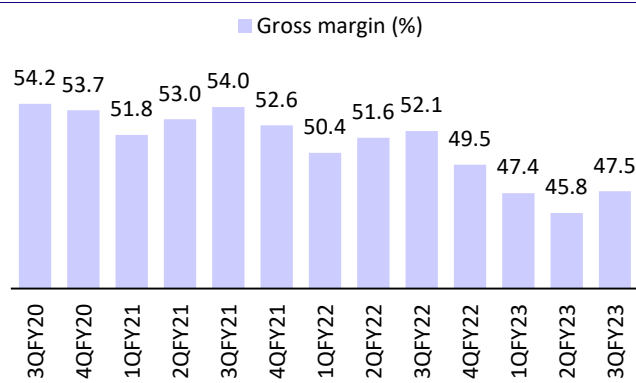
Source: Company, MOFSL

Exhibit 6: Realization up 3% YoY in 3QFY23



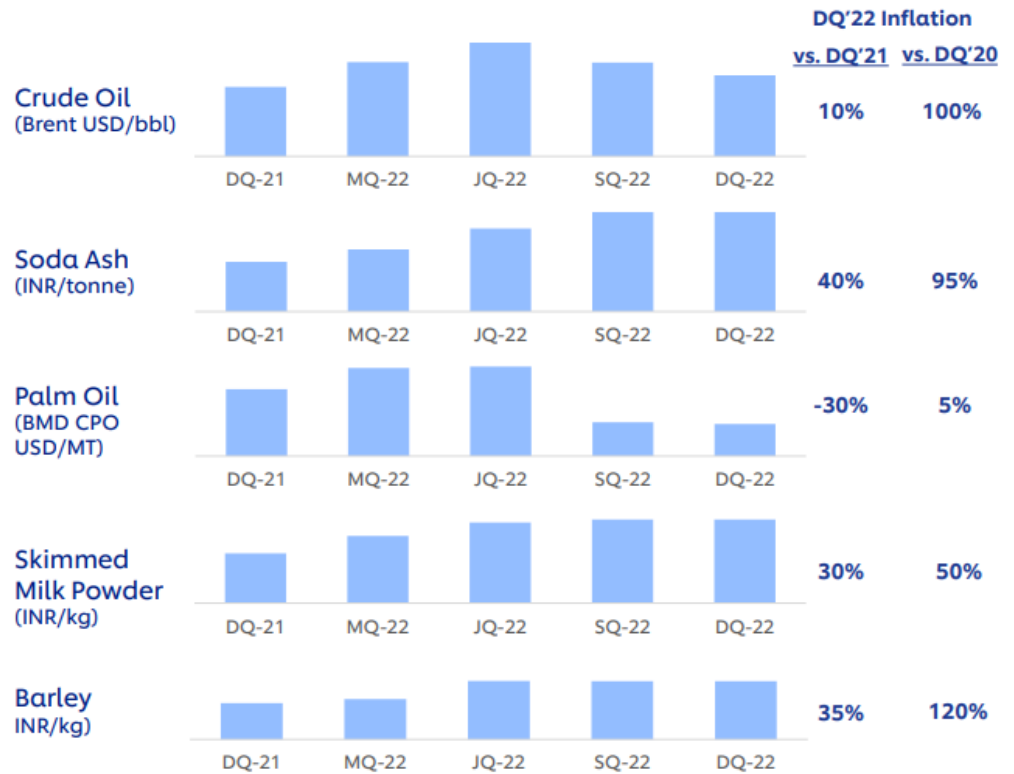
Source: Company, MOFSL

Exhibit 7: Gross margin recovered 170bp sequentially



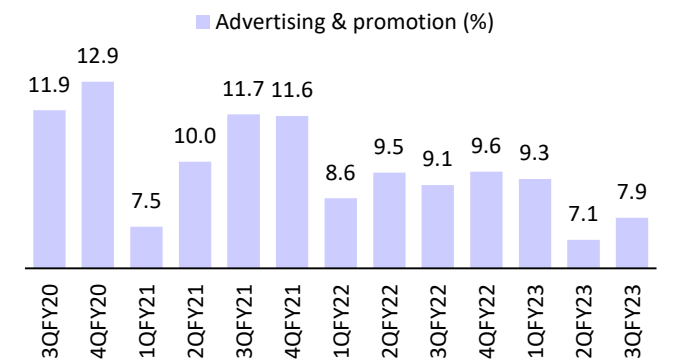
Source: Company, MOFSL

Exhibit 8: Most of the commodity prices remain at elevated levels, except for Palm Oil



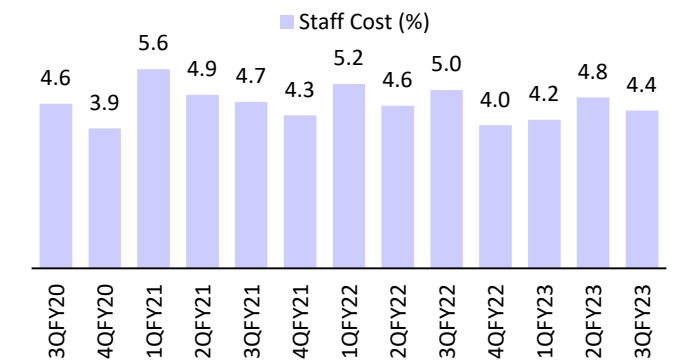
Source: Company

Exhibit 9: A&P spends declined 120bp YoY to 7.9% of sales



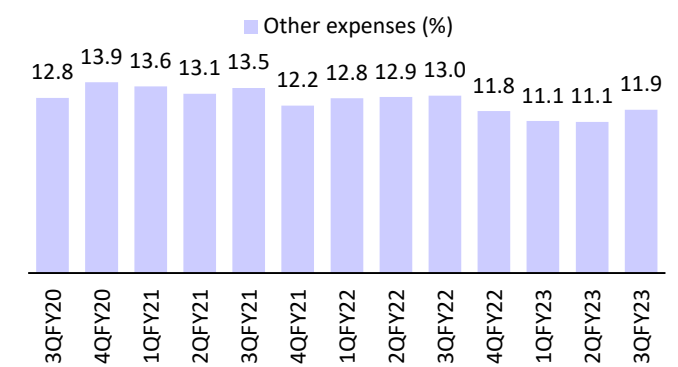
Source: Company, MOFSL

Exhibit 10: Employee expenses declined 60bp YoY to 4.4%



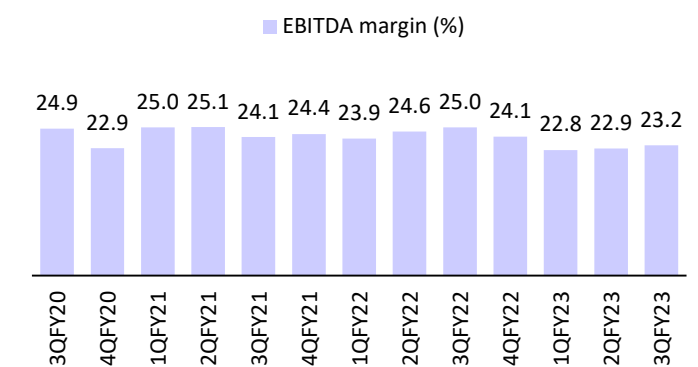
Source: Company, MOFSL

Exhibit 11: Other expenses dipped 110bp YoY to 11.9%...



Source: Company, MOFSL

Exhibit 12: ...leading to a 180bp contraction in EBITDA margin to 23.2%



Source: Company, MOFSL

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 the 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 an unprecedented EBITDA margin improvement (of over 950bp YoY) over the past 10 years ended in FY22.
- Despite being the largest consumer company in India over the past 10 years ended in FY22, HUVR's sales/EBITDA/PAT CAGR stood at a healthy 8.8%/14.3%/13.2%. Given the weak earnings growth posted by its peers in recent years, HUVR's performance has been even more impressive over the last 3/5 years, with an EBITDA CAGR of 13.1%/15.6% and a PAT CAGR of 13.7%/15.8%.

Our investment case for HUVR

- Changes to the model have resulted in a ~2% increase in EPS estimates for FY23/FY24/FY25.
- As highlighted in our [investor day note](#) in Nov'22 and our [annual report note](#) earlier in Jun'22, HUVR continues to exhibit remarkable dexterity, despite its size, led by 1) its WIMI and cluster-based approach, 2) its technological edge over peers, and 3) funneling massive cost savings back into the business for growth.
- On rural recovery and commodity cost reduction (commentary on both is gradually getting better), we believe that HUVR will get back to the mid-to-high teens earnings growth trajectory that it exhibited for the four years before Covid.
- Maintain Buy with a TP of INR3,100 (55x FY25E EPS).

Exhibit 13: There are no material changes to our model

(INR b)	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Sales	589.7	645.3	723.2	585.7	641.0	710.3	0.7	0.7	1.8
EBITDA	137.3	159.4	182.8	135.6	156.9	180.4	1.2	1.6	1.3
PAT	100.2	114.7	132.5	98.0	112.3	130.2	2.2	2.1	1.8

Source: MOFSL

Financials and valuations

Income Statement								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	339.3	376.6	382.7	453.1	503.4	580.7	635.9	713.3
Other Oper. Income	6.0	5.6	5.1	6.9	8.6	9.0	9.4	9.9
Total Revenue	345.3	382.2	387.9	460.0	511.9	589.7	645.3	723.2
Change (%)	8.3	10.7	1.5	18.6	11.3	15.2	9.4	12.1
COGS	162.3	179.6	177.9	216.8	251.2	309.7	308.9	339.9
Gross Profit	182.9	202.6	209.9	243.2	260.7	280.0	336.5	383.3
Gross Margin (%)	53.0	53.0	54.1	52.9	50.9	47.5	52.1	-53.0
Operating Exp	110.2	116.3	113.9	130.0	135.7	142.8	177.0	200.5
% of sales	31.9	30.4	29.4	28.3	26.5	24.2	27.4	-27.7
EBITDA	72.8	86.4	96.0	113.2	125.0	137.3	159.4	182.8
Change (%)	20.3	18.7	11.1	18.0	10.4	9.8	16.1	-14.7
Margin (%)	21.1	22.6	24.8	24.6	24.4	23.3	24.7	-25.3
Depreciation	4.8	5.8	9.4	10.7	10.3	10.5	11.4	11.4
Int. and Fin. Charges	0.2	0.3	1.1	1.1	1.0	1.1	1.2	1.3
Other Income - Recurring	5.7	6.6	7.3	5.1	3.9	6.2	6.4	7.0
Profit before Taxes	73.5	86.9	92.9	106.6	117.7	131.9	153.2	177.1
Change (%)	19.4	18.3	6.9	14.8	10.4	12.0	16.2	-15.6
Margin (%)	21.7	23.1	24.3	23.5	23.4	22.7	24.1	-24.8
Tax	21.5	27.5	23.9	24.6	27.8	31.7	38.6	44.6
Deferred Tax	-1.0	-0.8	1.5	0.8	1.4	0.0	0.0	0.0
Tax Rate (%)	27.9	30.7	27.4	23.8	24.8	24.0	25.2	-25.2
Profit after Taxes	53.0	60.2	67.4	81.2	88.5	100.2	114.7	132.5
Change (%)	24.7	13.6	12.0	20.5	9.0	13.2	14.4	-15.6
Margin (%)	15.6	16.0	17.6	17.9	17.6	17.3	18.0	-18.6
Non-rec. (Exp)/Income	-0.6	-0.4	-0.1	-2.3	-0.3	-1.4	0.0	0.0
Reported PAT	52.4	59.8	67.4	79.0	88.2	98.8	114.7	132.5

Balance Sheet								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Share Capital	2.2	2.2	2.2	2.4	2.4	2.4	2.4	2.4
Reserves	68.6	74.4	78.2	472.0	485.3	472.4	460.2	447.0
Net Worth	70.8	76.6	80.3	474.3	487.6	474.8	462.5	449.4
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Employed	70.8	76.6	80.3	474.3	487.6	474.8	462.5	449.4
Gross Block	71.8	59.2	73.4	541.6	547.6	560.1	567.1	572.1
Less: Accum. Depn.	-30.4	-15.8	-22.8	-31.3	-37.3	-47.8	-59.2	-70.5
Net Fixed Assets incl Goodwill	41.4	43.4	50.6	510.3	510.3	512.4	508.0	501.6
Capital WIP	4.3	3.7	5.1	6.2	9.0	9.0	9.0	9.0
Investment in Subsidiaries	2.5	2.5	2.5	3.1	6.1	6.1	6.1	6.1
Current Investments	28.6	27.0	12.5	26.9	35.1	39.1	40.1	41.1
Deferred Charges	2.6	3.4	2.6	-59.9	-61.4	-61.4	-61.4	-61.4
Curr. Assets, L&A	92.1	98.6	122.7	134.7	136.8	144.4	148.5	156.5
Inventory	23.6	24.2	26.4	33.8	38.9	44.7	48.9	54.9
Account Receivables	11.5	16.7	10.5	16.5	19.3	22.3	24.4	27.4
Cash and Bank Balance	33.7	36.9	50.2	43.2	36.2	31.1	24.5	18.8
Others	23.3	20.8	35.7	41.2	42.4	46.3	50.7	55.4
Curr. Liab. and Prov.	100.7	102.1	115.7	147.0	148.4	174.8	187.7	203.5
Account Payables	70.1	70.7	74.0	86.3	88.6	112.0	121.8	134.3
Other Liabilities	16.4	15.9	25.6	40.3	40.9	42.9	45.0	47.3
Provisions	14.2	15.5	16.2	20.4	18.9	19.9	20.9	21.9
Net Current Assets	-8.6	-3.4	7.0	-12.3	-11.6	-30.4	-39.3	-47.0
Application of Funds	70.8	76.6	80.3	474.3	487.6	474.8	462.5	449.4

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Basic (INR)								
EPS	24.5	27.8	31.2	34.6	37.7	42.7	48.8	56.4
Cash EPS	26.7	30.5	35.6	39.1	42.0	47.1	53.6	61.3
BV/Share	32.7	35.4	37.2	201.8	207.5	202.0	196.8	191.2
DPS	20.0	22.0	25.0	40.5	34.0	47.5	54.0	62.0
Payout %	98.9	95.7	96.2	117.2	90.3	111.4	110.7	109.9
Valuation (x)								
P/E	108.2	95.3	84.9	76.7	70.4	62.1	54.3	47.0
Cash P/E	99.3	86.9	74.5	67.7	63.1	56.3	49.4	43.3
EV/Sales	16.8	15.1	14.8	13.6	12.3	10.7	9.7	8.7
EV/EBITDA	78.3	66.0	59.1	54.6	49.5	45.1	38.9	33.9
P/BV	81.1	74.9	71.3	13.1	12.8	13.1	13.5	13.9
Dividend Yield (%)	0.8	0.8	0.9	1.5	1.3	1.8	2.0	2.3
Return Ratios (%)								
RoE incl. Goodwill	78.1	81.7	86.0	29.3	18.4	20.8	24.5	29.1
RoCE incl. Goodwill	108.6	118.3	119.8	38.8	24.7	27.6	33.0	39.1
Working Capital Ratios								
Debtor (Days)	12.3	16.2	10.0	13.3	14.0	14.0	14.0	14.0
Asset Turnover (x)	4.8	4.9	4.8	1.0	1.0	1.2	1.4	1.6
Leverage Ratio								
Debt/Equity (x)	0.0	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	FY25E
OP/(loss) before Tax	72.9	85.2	90.9	104.9	117.4	131.9	153.2	177.1
Financial other income	-2.8	-0.8	-1.6	0.6	-2.0	-6.2	-6.4	-7.0
Depreciation	4.8	5.2	9.4	10.7	10.4	10.5	11.4	11.4
Net Interest Paid	-2.5	-3.0	-3.9	-2.4	-1.1	1.1	1.2	1.3
Direct Taxes Paid	-21.9	-26.9	-24.7	-23.7	-27.2	-31.7	-38.6	-44.6
(Incr)/Decr in WC	8.6	-2.6	3.0	-0.6	-7.9	13.8	2.3	2.1
CF from Operations	59.1	57.3	73.1	89.6	89.6	119.4	123.2	140.3
Other Items	4.9	4.5	-8.5	11.9	-1.5	7.5	9.0	9.6
(Incr)/Decr in FA	-8.3	-7.2	-7.0	-39.5	-7.4	-12.5	-7.0	-5.0
Free Cash Flow	50.9	50.0	66.0	50.0	82.2	106.9	116.2	135.3
(Pur)/Sale of Investments	7.8	3.3	22.5	23.9	-7.9	-4.0	-1.0	-1.0
CF from Invest.	4.4	0.5	7.0	-3.7	-16.8	-9.0	1.0	3.6
Dividend Paid	-39.0	-45.5	-62.4	-88.1	-75.2	-111.6	-126.9	-145.7
Others	-7.6	-9.2	-4.3	-4.7	-4.7	-3.9	-3.9	-3.9
CF from Fin. Activity	-46.5	-54.6	-66.8	-92.8	-79.8	-115.5	-130.8	-149.6
Incr/Decr of Cash	17.0	3.2	13.3	-7.0	-7.0	-5.1	-6.6	-5.7
Add: Opening Balance	16.7	33.7	36.9	50.2	43.2	36.2	31.1	24.5
Closing Balance	33.7	36.9	50.2	43.2	36.2	31.1	24.5	18.8

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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