

Nestlé India Limited

Annual Report Round Up

29th March 2023



- CY22 was an extraordinary year and saw several adversities such as the Omicron variant of coronavirus, impending climate concerns, the global geopolitical developments, such as the Russia-Ukraine war.
- Despite the macroeconomic volatility, high inflation and rise in cost to consumers, Nestlé India (NEST) steered through challenges and sustained its growth platforms.
- NEST navigated through the challenges and delivered growth driven by strategies of scale, efficiencies, mix and pricing. NEST delivered the highest double-digit YoY growth in a decade, which was led by sustained volume and mix-led growth.
- Total Sales and Domestic Sales for CY22 grew by 14.5% and 14.8% YoY, respectively. Domestic Sales growth was broad-based with a healthy balance of pricing and volume. Export Sales grew by 8.2% YoY.
- NEST's robust performance in e-commerce continued, fueled by Quick Commerce and Click & Mortar.
- Out-of-Home (OOH) business made a comeback and recovered its pre-COVID base. The robust growth in OOH was delivered by revamping, and resetting geography, channel and sales priority.
- NEST sustained its momentum on the strong RURBAN-focused strategy. NEST did so by sharpening its geographic focus and increasing distribution points. NEST added around 55,000 villages and 1,800 distribution touch points in CY22 and increased consumer connect through Haat activities and RURBAN smart stores.
- With a focus on premiumization as one of the future growth engines, NEST acquired Purina Petcare business. Purina delivers nutrition to pets. NEST also launched the globally renowned brand Gerber, catering to the nutrition needs of toddler segment. Gerber cereals are 'Made in India' and 'Made for India'.
- NEST launched its first ever 'direct to consumer' (D2C) platform – www.mynestle.in, that offers products manufactured by it in India. Consumers can also access gourmet recipes on the site and get free nutrition counselling. The service is launched in Delhi NCR and will subsequently be expanded to consumers in other parts of the country.
- 2023 has been declared as the International Year of Millets by the United Nations General Assembly. NEST has already incorporated millets in its sub-brand Ceregrow Grain Selection and will continue to do so across categories.

No.	Content	Slide No.
1	Nestlé India – View & Recommendation	04
2	Business Analysis	05
3	Key Performance Drivers	06
4	Financial Analysis	10
5	Environmental, Social, & Governance (ESG) Initiatives	15
6	Valuation	16
7	Exhibits	17

- NEST is India's leading FMCG company. It is a subsidiary of Nestlé S.A., a Swiss MNC which is the world's largest food & beverage company. India is among the fastest-growing markets for Nestlé SA. NEST has a presence across India with 8 manufacturing facilities and 4 branch offices.
- The company manufactures products of international quality under internationally famous brand names such as Nescafé, Maggi, Milkybar, Kit Kat, Bar-one, Milkmaid and Nestea and in recent years the Company has also introduced products of daily consumption such as Nestlé Milk, Nestlé Slim Milk, Nestlé Dahi And Nestlé Jeera Raita.
- NEST has continued to focus on volume growth even in the face of macro challenges.
- NEST is betting on premiumization as one of its growth engines and has taken action in this regard by acquiring Purina Petcare business that delivers nutrition to pets and launching globally renowned Gerber cereals catering to the nutrition needs of toddler's segment.
- NEST's focus on expanding distribution as part of its RURBAN strategy is also one of the factors helping it grow even in the face of macro concerns.

Key Information

Sector	FMCG
M-Cap (INR Mn)	18,26,220
52-week H/L (INR)	21,050/ 16,000
Volume Avg (3m K)	53
CMP (INR)	18,941
Target Price (INR)	21,805
Upside (%)	15.1%
Recommendation	ACCUMULATE

Source: NSE, KRChoksey Research

Shareholding Pattern (%)

Particulars	Dec-21	Dec-22
Promoters	62.8	62.8
FIIIs	12.4	12.1
DIIIs	7.9	9.1
Others	17.0	16.1
Total	100.0	100.0

Source: BSE

Total volume growth remained positive, but revenue growth was led by pricing

	CY21	CY22
Revenue (INR Mn)	1,47,406	1,68,970
YoY Growth (%)	10.4%	14.6%

- NEST's total Sales and Domestic Sales for the year grew by 14.5% and 14.8% YoY, respectively. Domestic Sales growth was broad-based with a healthy balance of pricing and volume. Export Sales growth was 8.2% YoY.
- Including other operating income, revenue growth was 14.6% YoY.
- The growth was broad-based across segments. Total volume growth was 5.2% YoY against total sales growth of 14.5% YoY, meaning the contribution of pricing growth was higher than volumes.
- Milk Products and Nutrition sales grew by 8.7% YoY (40.6% of total sales) while sales volume declined by 0.5% YoY. Prepared Dishes and Cooking Aids revenue growth was 15.7% YoY (31.6% of total sales) and had an underlying volume growth of 5.7% YoY. Beverages portfolio sales grew by 19.3% YoY (12.0% of total sales) with a volume growth of 14.3% YoY. Confectionary sales grew by 25.0% YoY (15.8% of total sales) with a volume growth of 12.1% YoY.
- Exports grew in CY22 as NEST's focus was on promoting the Indian product portfolio, particularly in the confectionery and foods category, through both traditional and mainstream channels. Products from the prepared dishes and cooking aids category witnessed growth in key markets such as Canada, the United States, Australia, New Zealand, and Singapore. The confectionery business in the Middle East delivered strong Growth. Growth was secular across Confectionery, Beverages, Milk Products and Nutrition and Prepared Dishes and Cooking Aids Portfolio.
- NEST accelerated the RURBAN thrust by going deeper into smaller towns and cities, scaling up on-ground activation, deploying more resources, and leveraging partnerships to expand coverage.
- Growth from e-commerce channels continued with strong performance driven by MAGGI Noodles from the Prepared Dishes and Cooking Aids Portfolio, Coffee and Beverages and Confectionary portfolios. Quick commerce and Click & Mortar also enabled the growth of e-Commerce.
- NEST continued to accelerate its e-commerce footprint. The contribution of e-commerce to sales increased to 6.5% in CY22 from 5.3% in CY21. E-commerce grew by 41.0% YoY in CY22.

NEST sees positive volume growth in 3 out of 4 segments

Prepared Dishes and Cooking Aids Portfolio

- NEST's Prepared Dishes and Cooking Aids business showed strong growth momentum, with a healthy balance of product mix, pricing and volume growth in Maggi Noodles and Maggi Masala-ae-Magic. The sales/ volume growth was 15.7%/ 5.7% YoY, respectively.
- The growth was aided by strong consumer engagements and market presence with media campaigns and attractive consumer activations.
- Production capacity was ramped up across factories enabling strong growth momentum.
- Maggi Noodles saw the highest-ever distribution during the year and maintained market leadership as per Nielsen report.
- Breakfast cereals business accelerated in CY22 with a focus on driving penetration through accessible price points. Taste and nutritional benefits of its offerings were communicated to consumers through extensive sampling across metropolitan cities. Availability of breakfast cereal portfolio increased manifold resulting in strong volume growth for brands such as Nestlé Koko Krunch and Nestlé Gold.

Milk Products and Nutrition Portfolio

- Milk Product and Nutrition Portfolio registered satisfactory growth with sales growing by 8.7% YoY while volumes declined by 0.5% YoY.
- NEST expanded its offerings for toddlers aged two and above.
- NEST also brought the globally renowned and iconic brand Gerber to India with an offering that is customised to the needs of Indian toddlers, benefitting from over 90 years of Gerber's nutritional expertise.
- Milkmaid saw a strong double-digit value growth. Ready-to-drink (RTD) business saw accelerated growth for the 2nd consecutive year. These 2 businesses also contributed to the portfolio growth.
- While in-home consumption continued to grow, there was a post-pandemic revival of the out-of-home channels.

NEST sees positive volume growth in 3 out of 4 segments

Beverages Portfolio

- The Beverages portfolio growth was 19.3% YoY in terms of sales and 14.3% YoY in terms of volumes.
- The coffee and beverages business continued to witness strong growth enabled by a sharp, consistent strategy focused on recruitment and building relevance for the coffee category.
- Nescafé in-home portfolio consisting of Nescafé Classic, Nescafé Sunrise, Nescafé GOLD delivered broad-based double-digit growth and recorded the highest ever single-year growth in household penetration. The portfolio also maintained its leadership position in the category with significant growth in market share.
- Nescafé ready-to-drink and out-of-home delivered broad-based double-digit growth.
- NEST had a sharp focus on mitigating inflationary pressures by adopting several key initiatives that delivered optimizations across the value chain which allowed for sustainable growth across the portfolio.

Confectionery Portfolio

- After two pandemic-led challenging years, NEST witnessed return of the confectionary consumers in CY22.
- The portfolio registered robust growth (growth of 25.0%/ 12.1% YoY in terms of sales/ volume, respectively) and market share gains led by two iconic brands – Kitkat and Munch.

Nestlé Professional – Out-of-Home Business

- NEST's Out-of-Home (OOH) business made a strong comeback in CY22 recovering its pre-COVID base and delivering robust growth of 39.0% YoY which was an outcome of revamping, resetting geography, channel and sales priority.
- NEST built a differentiated and relevant food solutions portfolio in line with the growing industry need of standardization, versatility and delivery-friendliness.
- Geographical expansion beyond metros into Tier-1 towns, tapping tourist hot spots and focusing on geographical clusters led to growth. This expansion was supported with an enhanced chef organization, café care engineers, OOH distributors and feet on street.

NEST entered the high growth pet food category in CY22

Pet Food Portfolio

- NEST acquired the Pet Food business from Purina Petcare India Pvt. Ltd., through a slump sale.
- With this, NEST has made an entry in the potentially high-growth pet food category. The portfolio has delivered a strong performance with accelerated growth in Dry Dog and Cat Food products.
- NEST's Pet Food portfolio includes globally recognized brands like Purina Supercoat and Purina Pro Plan in the Dry Dog Food range that provide complete and balanced nutrition, with no artificial colours or flavour, to help keep dogs happy and healthy.
- The Pet Food portfolio also includes Purina Friskies, and Purina Fancy Feast in the Dry and Wet Cat Food range respectively, that provide the right balance of nutrition and delicious taste.
- With a plan to bring new products and innovation, NEST has recently launched Felix Wet Cat Food, making a strong entry in one of the highest growth portfolios across the world in the Pet Food Category.
- eCommerce grew with speed and delivered high growth and market penetration for NEST's Pet Food portfolio.

- NEST continued to launch new products in India. The Company has launched over 110 new products over the last seven years.
- NEST has approximately 30 new projects in the pipeline.

Category	New Product Launch
Milk Products and Nutrition	Gerber – launched in two variants – Spinach & Carrot and Mango & Berry.
	Ceregrow- Grain Selection
	Milo- with Whey protein and jaggery was launched in Tamil Nadu
	Mishti Doi with jaggery
	Nestlé a+ Greek Yoghurt range with local fruits like Mahabaleshwar Strawberries and Alphonso Mangoes from Ratnagiri
Confectionary	Nestlé Kitkat Moodbreaks range in mixed-fruit flavour and mango flavour.
	Munch Max that has extra crunch and chocolaty flavour.
Pet Care	Purina- Felix Wet Cat Food
	Felix Wet Cat Food
Nestlé Professional – Out-of-Home	Café Menu range
	Sunrise Strong

Source: Company, KRChoksey Research

NEST managed to deliver strong double-digit topline growth but saw significant pressure on margins

- NEST delivered decade-high double-digit YoY topline growth aided by volume and broad-based performance across all categories. This growth of 14.6% YoY in revenues was despite a challenging economic environment.
- Despite an external volatile environment, inflation, price and cost to consumers, NEST steered through challenges, with its growth platforms not being compromised. NEST delivered this growth by strategies of scale, efficiencies, mix and pricing.
- There were several headwinds for the FMCG sector in India in CY22, including a sharp rise in inflation worsened further by supply chain issues with an increase in fuel costs. Rural inflation was higher than urban inflation which delayed rural consumption.
- Against the revenue growth of 14.6% YoY, the Cost of goods sold grew by 22.1% YoY, employee costs grew by 6.9% YoY and Other expenses grew by 14.4% YoY. This means that the higher gross margin pressure was partially mitigated by lower employee costs as efficiency (revenue per employee) improved.
- However, the pressure on gross margins was not entirely mitigated for the year and NEST saw pressure on the EBITDA margins, which declined by 206 bps YoY to 22.1% in CY22 from 24.2% in CY21.
- CY21 had exceptional costs of INR 2,377 mn which mainly comprises the aggregate of past service cost, settlement cost and incidental expenses incurred for the implementation of the 'Future Ready Plan' effective 1st December 2021, for certain categories of employees. The only exceptional cost in CY22 is related to impairment loss on PPE of INR 294 mn.
- PAT margin in CY22 was 14.1% vs. 14.4% in CY21, a YoY decline of 22 bps which is significantly lower pressure than at the EBITDA level. This is due to the higher exceptional costs in CY21 which were absent in CY22.

	CY21	CY22
Revenue (INR Mn)	1,47,406	1,68,970
YoY Growth (%)	10.4%	14.6%
EBITDA (INR Mn)	35,676	37,420
YoY Growth (%)	11.4%	4.9%
EBITDA Margin	24.2%	22.1%
PAT (INR Mn)	21,184	23,905
YoY Growth (%)	1.7%	12.8%
PAT Margin	14.4%	14.1%

Source: Company, KRChoksey Research

Particulars (INR Mn)	CY18	CY19	CY20	CY21	CY22
Total Net sales (Without other operating revenue)	1,12,162	1,22,953	1,32,902	1,46,649	1,67,895
Milk Products and Nutrition	51,876	56,518	61,488	62,686	68,157
Prepared dishes and cooking aids	31,053	34,982	39,108	45,813	53,006
Powdered and Liquid Beverages	15,226	15,018	14,763	16,918	20,188
Confectionery	14,007	16,435	17,543	21,231	26,545
Growth YoY%					
Total Net Sales	10.7%	9.6%	8.1%	10.3%	14.5%
Milk Products and Nutrition	7.6%	8.9%	8.8%	1.9%	8.7%
Prepared dishes and cooking aids	14.7%	12.7%	11.8%	17.1%	15.7%
Powdered and Liquid Beverages	9.8%	-1.4%	-1.7%	14.6%	19.3%
Confectionery	14.7%	17.3%	6.7%	21.0%	25.0%
Segment – Revenue Share (%)					
Milk Products and Nutrition	46.3%	46.0%	46.3%	42.7%	40.6%
Prepared dishes and cooking aids	27.7%	28.5%	29.4%	31.2%	31.6%
Powdered and Liquid Beverages	13.6%	12.2%	11.1%	11.5%	12.0%
Confectionery	12.5%	13.4%	13.2%	14.5%	15.8%

Source: Company, KRChoksey Research

Research Analyst

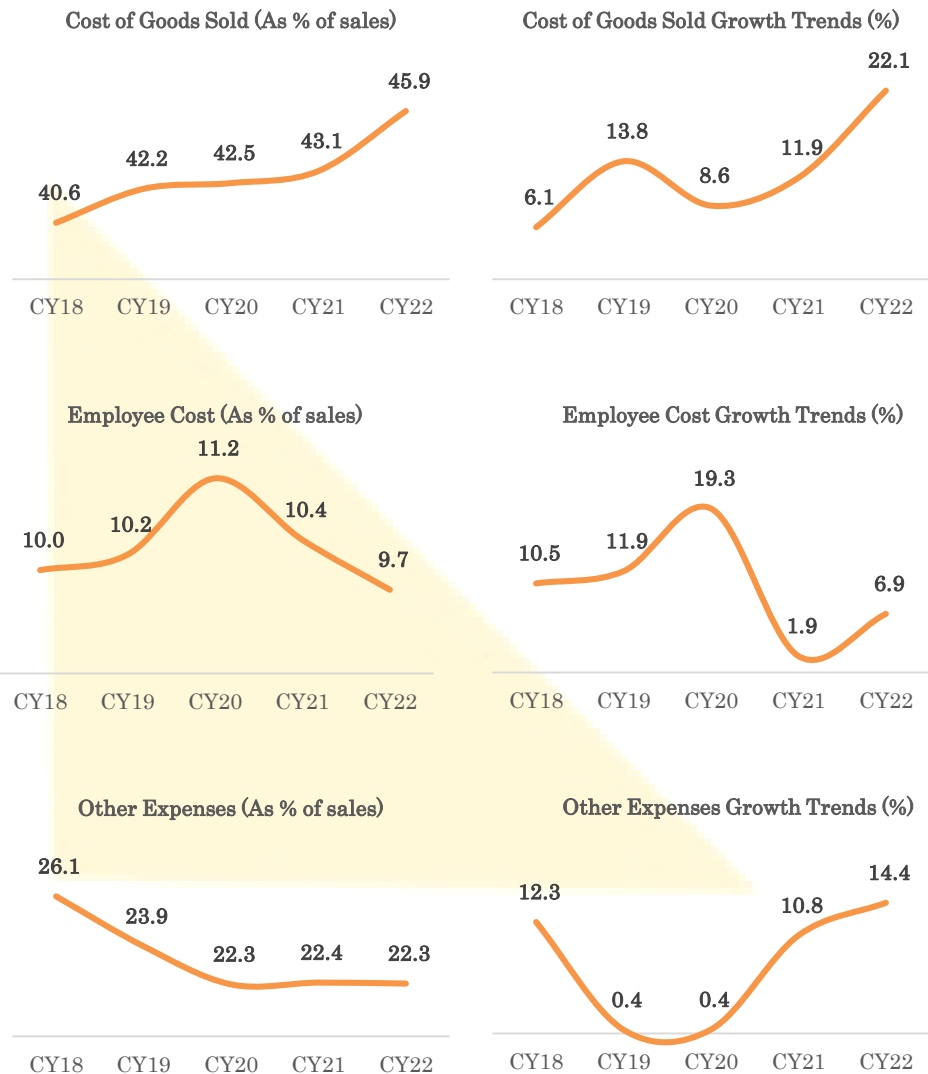
Abhishek Agarwal, research5@krchoksey.com, +91-22-6696 5540

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com

- Like the rest of the world, India was impacted by decadal high commodity prices in CY22. As a result, NEST's Cost of Goods sold as % of sales went up to 45.9% in CY22 vs. 43.1% in CY21.
- Employee costs as % of sales reduced to 9.7% in CY22 from 10.4% in CY21, indicating improved efficiency and partly mitigating the input cost pressures.
- Other expenses as % of sales remained flattish at 22.3% in CY22 vs. 22.4% in CY21.
- Within other expenses, power and fuel costs as % of sales went up by 62 bps YoY. NEST reduced the intensity of advertising and sales promotion as a % of sales, which reduced by 112 bps YoY. NEST has consistently reduced advertising and sales promotion as a % of sales for the last 4 years.
- Outlook:** Uncertainties remain in terms of food inflation, acceleration of war and fears of a recession in parts of the world. NEST's approach is to be boringly consistent in such times than being brilliantly erratic. NEST will continue to focus on building volumes, deepening RURBAN expansion, and bringing innovations with the support of Nestlé Group's Global Research & Development network. The Company plans to astutely manage value and simultaneously nudge the premiumization trend that is driving economic recovery in parts.



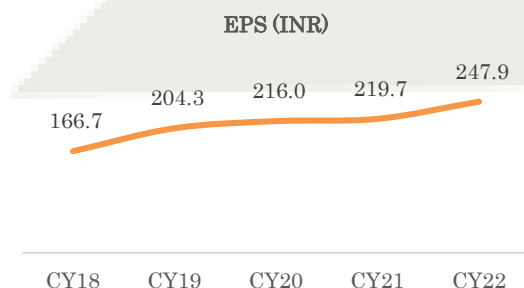
Source: Company, KRChoksey Research

- Gross profit improved by 9.0% YoY to INR 91,471 mn. Gross margin declined by 280 bps YoY to 54.1% in CY22 from 56.9% in CY21. Gross margin pressure was on account of the unprecedented input cost inflation witnessed in CY22.

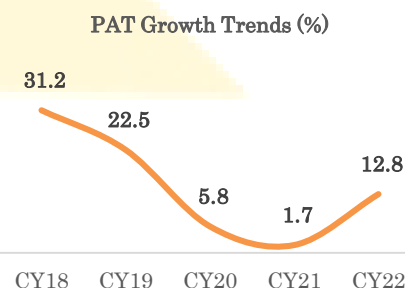
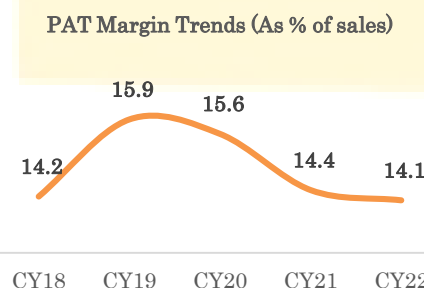
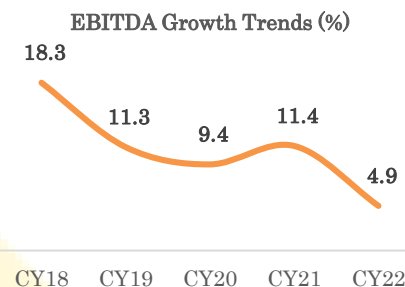
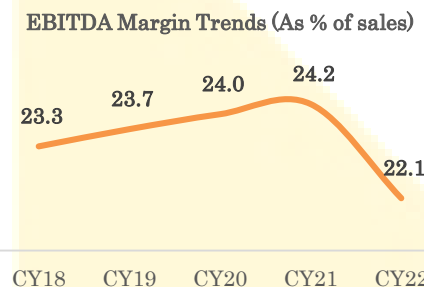
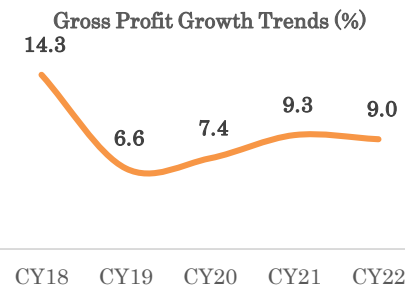
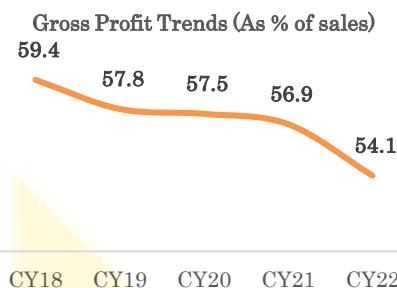
- EBITDA for CY22 grew by 4.9% YoY to INR 37,420 mn. EBITDA margin declined by 206 bps YoY to 22.1%. The pressure on gross margins was partly mitigated by lower employee costs as % of sales.

- PAT grew by 12.8% YoY to INR 23,905 mn while PAT margin contracted by 22 bps YoY to 14.1%. Lower exceptional costs in CY22 contributed to the lower contraction in PAT margins vs. EBITDA margin.

- EPS for CY22 was INR 247.9, which is a growth of 12.8% YoY. EPS growth ramped up in CY22 vs. the previous 2 years.

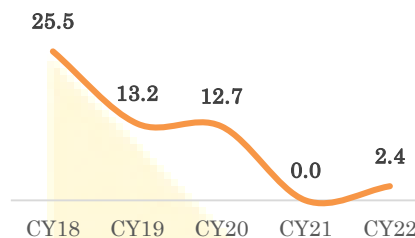


Source: Company, KRChoksey Research

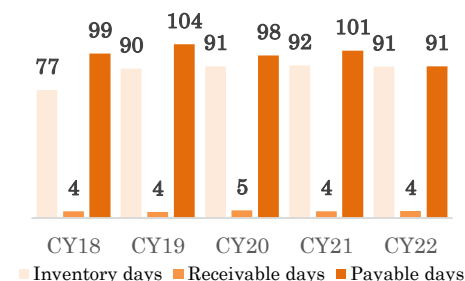


- **Working capital:** Working Capital for NEST saw some uptick in CY22 after a sharp drop seen in CY21. This was led by a jump in current investments, cash, and other current assets and a lesser increase in current liabilities than current assets.
- **Dividend:** In CY22 the company has recommended a final dividend of INR 75 per equity share and 2 interim dividends of INR 25 and INR 120 per equity share, respectively. The total dividend declared for the year stands at INR 220 per equity share compared to INR 200 per equity share in CY21, a 10.0% increase.

Working Capital Trends
(As % of Sales)



Working Capital Days



Particulars	CY21	CY22
Special Dividend	0.00	0.00
Interim Dividend	135.00	145.00
Final Dividend	65.00	75.00
Dividend per share	200.00	220.00
YoY Growth	0.0%	10.0%
Total (INR Mn)	19,283	21,212
YoY Growth	0.0%	10.0%

Source: Company, KRChoksey Research

- NEST aspires to protect and restore the planet's resources by accelerating its sustainability efforts and taking initiatives on climate, packaging, sourcing and water.
- From CY07 to CY22, for every ton of production, NEST reduced the usage of energy by around 36.0%, water usage by around 51.0%, generation of wastewater by around 38.0% and specific direct Green House Gas emissions by 52.0%.
- Strengthening the brands' climate commitment, Kitkat Ecobreaks #Breaksforgood campaign focused on reducing the use of wasteful plastics by urging the youth to give the planet a break and placing 100 recycled benches, across popular youth hangouts and colleges.
- **Sourcing:**
 - NEST engages with rice, wheat and spice farmers for good agricultural practices, helping them grow safe, high-quality raw materials, and develop resilient, sustainable farms.
 - NEST continued working with coffee farmers as part of the Nescafé Plan, to reduce the amount of water when growing coffee crops. NEST continued partnering with dairy farmers on environmental sustainability programmes and touching the lives of spice farmers, with a focus on responsible sourcing, traceability and transparency, through the Maggi Spice Plan.
 - NEST is committed to increasing responsibly sourced ingredients such as fresh milk, palm oil, cocoa, wheat, spices, rice and green coffee. During CY22, 73% of inputs were sourced sustainably.
- **Societal initiatives:** NEST engaged over 10 mn beneficiaries through nutrition awareness, rural development, water and sanitation facilities. CY22 marked the 7th year of 'Project Jagriti', an important milestone in community service, continuing in its course of creating an enabling environment in health, nutrition and hygiene practices by reaching out to vulnerable communities. NEST continued being a 'Force for Good', supporting more than 1.5 mn Indians with numerous initiatives of meals, medical supplies and other essentials.
- **Logistics Re-imagined:** Usage of alternate fuel CNG/Electric Vehicles increased from 0.0% in CY19 to 4.0% in CY22. Vehicle Payload Utilization improved from 90.3% in CY19 to 94.0% in CY22. Usage of bigger-size vehicles increased from 5.9% in CY19 to 10.2% in CY22. The use of railways increased from 0.2% in CY19 to 6.0% in CY22.

- Nestlé India (NEST) has continued to see volume growth which is broad-based across most categories, despite the tough macro environment. The Company has seen positive growth across town classes in all 4 quarters of CY22. The growth has remained positive despite some lowering of growth rates in some town classes due to price hikes in Lower Unit Packs (LUPs). Consistent focus on volume growth and improving distribution and rural reach under RURBAN approach are contributing to broad-based growth. Through procurement strategies, internal savings programs, enhanced efficiency and calibrated pricing decisions, NEST has delivered consistent QoQ EBITDA margin improvement in Q3CY22 and Q4CY22, post the bottom in Q2CY22.
- We expect revenue and Adj. PAT to grow at a CAGR of 10.8% and 18.6% over CY22-CY24E, respectively. We like NEST for its focus on penetration-led growth, especially in RURBAN. We also like the focus on premiumization, and cost rationalization and expect these factors to aid margins going ahead.
- The shares are trading at 60.6x/53.6x its CY23E/CY24E EPS estimates, respectively.
- We continue to apply P/E of 61.7x on CY24E EPS of INR 353.2 and maintain our target price of INR 21,805 per share (unchanged) with an upside potential of 15.1% from the CMP. Accordingly, we maintain an “ACCUMULATE” recommendation on the shares of Nestle India.

Exhibits: Quarterly Income Statement

Particulars (INR Mn)	Q4CY22	Q3CY22	Q4CY21	QoQ	YoY	CY22	CY21	YoY
Sales	42,568	46,018	37,480	-7.5%	13.6%	1,68,970	1,47,406	14.6%
Total Expenditure	32,704	35,978	28,893	-9.1%	13.2%	1,31,550	1,11,730	17.7%
Cost of Raw Materials	20,060	19,528	16,629	2.7%	20.6%	76,521	61,541	24.3%
Purchase of Stock	950	798	680	19.0%	39.7%	3,480	2,617	33.0%
Changes in Inventories	-1,795	1,452	-1,163	-223.6%	54.3%	-2,503	-676	270.3%
Employee Cost	4,070	4,200	3,889	-3.1%	4.6%	16,355	15,299	6.9%
Other Expenses	9,419	10,000	8,858	-5.8%	6.3%	37,697	32,949	14.4%
EBITDA	9,864	10,041	8,587	-1.8%	14.9%	37,420	35,676	4.9%
EBITDA Margins (%)	23.2%	21.8%	22.9%	135 bps	26 bps	22.1%	24.2%	-206 bps
Depreciation	987	982	1,060	0.5%	-6.9%	4,030	3,910	3.1%
EBIT	8,878	9,059	7,527	-2.0%	17.9%	33,390	31,766	5.1%
EBIT Margins (%)	20.9%	19.7%	20.1%	117 bps	77 bps	19.8%	21.5%	-179 bps
Interest Expense	448	372	436	20.5%	2.8%	1546	2017	-23.4%
Other Income	296	306	274	-3.6%	8.0%	1010	1202	-15.9%
PBT	8,725	8,994	7,365	-3.0%	18.5%	32,854	30,950	6.2%
Exceptional item	134	0	2,365	NA	-94.3%	294	2,377	-87.6%
Tax	2,310	2,379	1,205	-2.9%	91.7%	8,655	7,389	17.1%
PAT	6,281	6,615	3,795	-5.0%	65.5%	23,905	21,184	12.8%
PAT Margin (%)	14.8%	14.4%	10.1%	38 bps	463 bps	14.1%	14.4%	-22 bps
EPS	65.1	68.6	39.4	-5.1%	65.5%	247.9	222.5	11.4%
Adj. PAT	6,415	6,615	6,160	-3.0%	4.1%	24,200	23,561	2.7%
Adj. PAT margin	15.1%	14.4%	16.4%	70 bps	-137 bps	14.3%	16.0%	-166 bps
Adj. EPS	66.5	68.6	63.9	-3.0%	4.1%	251.0	244.4	2.7%

Source: Company, KRChoksey Research

Research Analyst

Abhishek Agarwal, research5@krchoksey.com, +91-22-6696 5540

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com

INR Mn	CY20	CY21	CY22	CY23E	CY24E
Revenues	1,33,500	1,47,406	1,68,970	1,88,467	2,07,314
COGS	56,739	63,482	77,499	83,729	90,325
Gross profit	76,761	83,924	91,471	1,04,738	1,16,988
Employee cost	15,010	15,299	16,355	17,598	19,112
Other expenses	29,737	32,949	37,697	41,463	45,609
EBITDA	32,015	35,676	37,420	45,677	52,267
EBITDA Margin	24.0%	24.2%	22.1%	24.2%	25.2%
Depreciation & amortization	3,704	3,910	4,030	4,441	5,861
EBIT	28,311	31,766	33,390	41,236	46,406
Other income	1,459	1,202	1,010	1,131	1,244
Interest expense	1,642	2,017	1,546	1,877	1,877
Exceptional items	0	2,377	294	0	0
PBT	28,128	28,573	32,560	40,490	45,773
Tax	7,304	7,389	8,655	10,365	11,718
PAT	20,824	21,184	23,905	30,125	34,055
Adj. PAT	20,824	23,561	24,200	30,125	34,055
EPS (INR)	216.0	219.7	247.9	312.4	353.2
Adj. EPS	216.0	244.4	251.0	312.4	353.2

Source: Company, KRChoksey Research

Exhibits: Income Statement (Other Expenses)

Other Expenses (INR Mn)	CY18	CY19	CY20	CY21	CY22
Finished goods handling, transport and distribution	5,256	5,524	5,806	6,975	7,921
Advertising and sales promotion	7,294	7,853	7,636	7,725	6,956
Power and fuel	3,442	3,405	3,137	4,081	5,726
General licence fees (net of taxes)	4,927	5,472	5,935	6,545	7,499
Information technology and management information systems	841	870	1,188	1,129	1,272
Maintenance and repairs	925	928	957	987	1,147
Rates and taxes	75	64	33	67	75
Travelling	799	852	466	410	888
Rent	560	0	0	0	0
Contract manufacturing charges	364	358	482	741	757
Consumption of stores and spare parts	539	528	549	622	734
Training	490	406	100	143	325
Withholding tax on general licence fees	493	547	594	655	750
Laboratory (quality testing)	214	201	233	266	298
Market research	302	259	270	373	360
Milk collection and district development	156	158	156	178	171
Security charges	134	136	146	153	180
Exchange difference (net)	135	12	63	2	126
Loss/(Profit) on Property, Plant & Equipment sold/scrapped/written off (net)	-10	-16	-49	-40	-63
Insurance	54	58	65	94	110
Miscellaneous	1,192	1,364	1,369	1,561	1,738
Provisions	1,037	249	140	-250	163
CSR expense	274	383	464	534	563
Total Other Expenses	29,492	29,609	29,737	32,949	37,697

Source: Company, KRChoksey Research

Research Analyst

Abhishek Agarwal, research5@krchoksey.com, +91-22-6696 5540

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com

INR Mn	CY20	CY21	CY22	CY23E	CY24E
Property, plant and equipment	19,680	26,530	27,058	35,617	49,756
Capital work-in-progress	6,386	2,462	3,584	3,584	3,584
Right of use assets	2,114	3,417	3,379	3,379	3,379
Investments	7,408	7,107	5,602	5,602	5,602
Loans & other financial assets	466	492	558	558	558
Deferred tax assets	199	258	256	256	256
Other non-current assets	894	14,453	14,449	14,449	14,449
Total non-current assets	37,147	54,720	54,886	63,445	77,584
Inventories	14,165	15,927	19,288	20,838	22,480
Investments	7,229	633	2,174	2,174	2,174
Trade receivables	1,649	1,660	1,919	2,065	2,272
Cash and cash equivalents	17,548	7,185	9,266	10,081	5,926
Other Balances with Banks	151	169	190	190	190
Loans	132	107	103	103	103
Other financial assets	590	508	583	650	715
Current tax assets	387	1,434	1,381	1,540	1,694
Total current assets	41,851	27,622	34,902	37,641	35,553
TOTAL ASSETS	78,997	82,341	89,787	1,01,086	1,13,137
Equity share capital	964	964	964	964	964
Other equity	19,229	18,500	23,628	29,652	36,463
Total equity	20,193	19,464	24,592	30,617	37,428
Borrowings	317	275	267	267	267
Lease Liabilities	658	1,903	1,907	1,907	1,907
Provisions	32,683	32,853	32,052	35,750	39,325
Other non-current liabilities	221	200	174	194	213
Total non-current liabilities	33,878	35,230	34,398	38,117	41,711
Borrowings	31	66	34	34	34
Trade payables	15,166	17,482	19,338	20,893	22,539
Lease Liabilities	469	421	498	498	498
Other financial liabilities	6,612	6,588	6,680	6,680	6,680
Other current liabilities	1,588	1,703	2,640	2,640	2,640
Provisions	1,060	1,388	1,607	1,607	1,607
Total current liabilities	24,926	27,647	30,798	32,352	33,998
Total liabilities	58,804	62,878	65,196	70,469	75,709
TOTAL EQUITY AND LIABILITIES	78,997	82,341	89,787	1,01,085	1,13,137

Source: Company, KRChoksey Research

Research Analyst

Abhishek Agarwal, research5@krchoksey.com, +91-22-6696 5540

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com

Cash Flow Statement INR Mn	CY20	CY21	CY22	CY23E	CY24E
Net Cash Generated From Operations	24,545	22,360	27,374	38,641	43,703
Net Cash Flow from/(used in) Investing Activities	(3,215)	(19,203)	(3,917)	(11,849)	(18,737)
Net Cash Flow from Financing Activities	(19,559)	(20,200)	(21,227)	(25,977)	(29,121)
Net Inc/Dec in cash equivalents	1,771	(17,043)	2,230	815	(4,155)
Opening Balance	12,932	17,548	7,185	9,266	10,081
Adjustments	2,845	6,680	(149)	0	0
Closing Balance Cash and Cash Equivalents	17,548	7,185	9,266	10,081	5,926

Key Ratio	CY20	CY21	CY22	CY23E	CY24E
EBITDA Margin (%)	24.0%	24.2%	22.1%	24.2%	25.2%
Tax rate (%)	26.0%	25.9%	26.6%	25.6%	25.6%
Net Profit Margin (%)	15.6%	14.4%	14.1%	16.0%	16.4%
RoE (%)	103.1%	108.8%	97.2%	98.4%	91.0%
RoCE (%)	137.8%	160.4%	134.1%	133.4%	123.0%
EPS (INR)	216.0	219.7	247.9	312.4	353.2

Source: Company, KRChoksey Research

ANALYST CERTIFICATION:

I, Abhishek Agarwal (CA, CFA L3 Cleared), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered Research Entity vide SEBI Registration No. INH000001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

The information and opinions in this report have been prepared by KRCSSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Abhishek Agarwal (CA, CFA L3 Cleared), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Abhishek Agarwal (CA, CFA L3 Cleared), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

Visit us at www.krchoksey.com

KR Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

Research Analyst

Abhishek Agarwal, research5@krchoksey.com, +91-22-6696 5540

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com