

Hindustan Unilever

Estimate changes



TP change



Rating change



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| | |
|-----------------------|---------------|
| Bloomberg | HUVR IN |
| Equity Shares (m) | 2350 |
| M.Cap.(INRb)/(USDb) | 6349.4 / 77.4 |
| 52-Week Range (INR) | 2769 / 2393 |
| 1, 6, 12 Rel. Per (%) | -5/-5/-17 |
| 12M Avg Val (INR M) | 3911 |

Financials & Valuations (INR b)

| Y/E March | 2023 | 2024E | 2025E |
|-------------------|-------|-------|-------|
| Sales | 591.4 | 643.2 | 715.7 |
| Sales Gr. (%) | 15.5 | 8.8 | 11.3 |
| EBITDA | 136.3 | 153.0 | 173.2 |
| EBITDA mrg. (%) | 23.0 | 23.8 | 24.2 |
| Adj. PAT | 100.2 | 109.4 | 124.9 |
| Adj. EPS (INR) | 42.7 | 46.5 | 53.1 |
| EPS Gr. (%) | 13.2 | 9.1 | 14.2 |
| BV/Sh.(INR) | 213.7 | 206.3 | 197.4 |
| Ratios | | | |
| RoE (%) | 20.3 | 22.2 | 26.3 |
| RoCE (%) | 26.8 | 30.1 | 35.6 |
| Payout (%) | 91.4 | 116.0 | 116.7 |
| Valuations | | | |
| P/E (x) | 63.3 | 58.1 | 50.9 |
| P/BV (x) | 12.6 | 13.1 | 13.7 |
| EV/EBITDA (x) | 46.2 | 41.1 | 36.4 |
| Div. Yield (%) | 1.4 | 2.0 | 2.3 |

Shareholding pattern (%)

| As On | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 61.9 | 61.9 | 61.9 |
| DII | 11.6 | 11.6 | 11.6 |
| FII | 14.4 | 14.3 | 13.7 |
| Others | 12.2 | 12.2 | 12.8 |

FII Includes depository receipts

CMP: INR2,702

TP: INR3,100 (+15%)

Buy

Rural demand positive; medium-term outlook promising

- Hindustan Unilever (HUVR)'s 1QFY24 performance fell slightly short of our expectations. During the quarter, volumes grew 3% YoY vs. expectation of 7% growth, as higher inflation is adversely impacting consumer spending.
- In 1QFY24, rural market delivered volume growth. While we expect this momentum to continue; however weather patterns remain a critical factor to monitor.
- The company is normalizing A&P spends to revive volume and bring it back to pre-COVID levels, which represents 9.8% of sales. Management mentioned about funnelling the gross margin expansion towards adspends to drive volume growth. However, the 120bp YoY increase in 'other expenses' is due to a step-up in investments, the impact of new royalty incentives, and favorable benefits in the base quarter.
- The outlook for HUVR remains balanced with lower commodity costs and gradual recovery in rural demand offset by reduced leverage on pricing and increased competition from smaller players in some categories. **We reiterate our BUY rating with a TP of INR3,100.**

Performance slightly lower than estimated

- Reported net sales** grew 6.1% YoY to INR151.5b (est. INR156.7b). EBITDA grew 8.4% YoY to INR35.2b (est. INR36.6b); PBT grew 9.8% YoY to INR34b (est. INR35.1b); PAT (bei) was up 9.2% YoY to INR25b (est. INR26.5b).
- Underlying volumes grew 3% YoY (est. 7%) during the quarter.
- Segmental performance:** Home Care (35% of total sales) revenues were up 10% YoY (four-year CAGR 11.9%), Personal Care (38% of total sales) revenues rose 4.4% YoY (four-year CAGR 5.1%), and Food & Refreshment business sales (25% of total sales) were up 4.7% YoY (four-year CAGR 18.1%).
- Segmental EBIT:** Home Care margin improved 60bp YoY to 18.3% and Personal Care margin remained flat at 26.3% while Food & Refreshment margin expanded 200bp YoY to 17.9% in 1QFY24.
- Overall **gross margins** for the quarter expanded 260bp YoY and 120bp QoQ to 49.9% (est. 49.6%).
- As a percentage of sales**, increase in ad spends (up 50bp YoY to 9.8%), and other expenses (up 150bp YoY to 12.6%) as well as staff costs at 4.3% resulted in EBITDA margin stood at 23.2% (est. 23.4%).

Management conference call highlights

- HUVR's volume growth for the quarter was 3%, while the FMCG industry volumes grew in mid-single digit. However, on a two-year basis, while its volumes registered a CAGR of 5%, industry volumes were flat.
- Rural recovery appears promising, exhibiting volume growth during the quarter. However, it is crucial to monitor the current weather-related risks.
- Competitive intensity is rising as the share of smaller players increases in certain categories, driven by lower inflation.

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- The YoY rise in 'other expenses' is attributed to a step-up in investments, the impact of new royalty incentives, and favorable benefits in the base quarter
- The company has experienced a significant impact from commodity cost inflation, resulting in a loss of 600bp. However, there has been a partial recovery of 400bp as of now.

Valuation and view

- We cut our EPS estimates by ~3-4% for FY24/FY25 to reflect the management commentary on demand, pricing, higher brand investment, and higher tax rates.
- As highlighted in our [annual report note](#) earlier in Jun'23, HUVR continues to exhibit remarkable nimbleness, despite its size, led by: 1) its WIMI and cluster-based approach, 2) technological edge over its peers; and 3) strategy of funneling cost savings back into the business for growth.
- Despite its expanded scale, HUVR sustains its dexterity, outperforming peers and maintaining a trajectory of steady growth.
- With improving commentary on rural recovery and commodity cost reductions, we are optimistic that HUVR will return to the mid-to-high teens earnings growth trajectory that it exhibited for four years before the pandemic. We reiterate our **BUY rating with a TP of INR3,100**.

Quarterly performance (Standalone)

| Y/E March | FY23 | | | | FY24 | | | | FY23 | FY24E | FY24 1QE | Var. |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | | |
| Domestic volume growth (%) | 6.0 | 4.0 | 5.0 | 4.0 | 3.0 | 5.0 | 7.0 | 8.0 | 5.0 | 5.8 | 7.0 | |
| Net sales | 142.7 | 147.5 | 152.3 | 148.9 | 151.5 | 158.5 | 165.9 | 167.4 | 591.4 | 643.2 | 156.7 | -3.3% |
| YoY change (%) | 19.8 | 15.9 | 16.3 | 10.6 | 6.1 | 7.4 | 8.9 | 12.4 | 15.5 | 8.8 | 9.8 | |
| Gross Profit | 67.6 | 67.6 | 72.3 | 72.5 | 75.6 | 80.6 | 85.3 | 85.4 | 280.0 | 326.8 | 77.8 | |
| Margin % | 47.4 | 45.8 | 47.5 | 48.7 | 49.9 | 50.8 | 51.4 | 51.0 | 47.3 | 50.8 | 49.6 | |
| EBITDA | 32.5 | 33.8 | 35.4 | 34.7 | 35.2 | 37.4 | 39.8 | 40.5 | 136.3 | 153.0 | 36.6 | -3.9% |
| YoY change (%) | 14.0 | 7.8 | 7.9 | 7.0 | 8.4 | 10.9 | 12.6 | 16.8 | 9.0 | 12.3 | 12.8 | |
| Margins (%) | 22.8 | 22.9 | 23.2 | 23.3 | 23.2 | 23.6 | 24.0 | 24.2 | 23.0 | 23.8 | 23.4 | |
| Depreciation | 2.6 | 2.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.7 | 2.9 | 10.3 | 10.7 | 2.8 | |
| Interest | 0.3 | 0.3 | 0.3 | 0.2 | 0.5 | 0.3 | 0.3 | 0.1 | 1.0 | 1.1 | 0.3 | |
| Other income | 1.4 | 1.2 | 2.3 | 1.6 | 1.9 | 1.4 | 1.9 | 1.3 | 6.4 | 6.5 | 1.6 | |
| PBT | 31.0 | 32.2 | 34.8 | 33.5 | 34.0 | 35.9 | 38.8 | 38.9 | 131.4 | 147.6 | 35.1 | -3.2% |
| Tax | 8.0 | 5.8 | 8.7 | 8.7 | 8.9 | 9.4 | 10.0 | 9.9 | 31.2 | 38.2 | 8.6 | |
| Rate (%) | 25.7 | 17.9 | 25.1 | 26.1 | 26.2 | 26.1 | 25.8 | 25.5 | 23.7 | 25.9 | 24.5 | |
| PAT bei | 22.9 | 23.8 | 25.8 | 24.7 | 25.0 | 26.5 | 28.8 | 29.1 | 100.2 | 109.4 | 26.5 | -5.8% |
| YoY change (%) | 16.7 | 8.8 | 12.6 | 8.2 | 9.2 | 11.5 | 11.6 | 17.6 | 13.2 | 9.1 | 15.9 | |
| Extraordinary Inc/(Exp) | -0.1 | -0.3 | -1.0 | 0.8 | -0.4 | 0.0 | 0.0 | 0.0 | -1 | - | 0.0 | |
| Reported Profit | 22.9 | 26.2 | 25.1 | 25.5 | 24.7 | 26.5 | 28.8 | 29.3 | 99.6 | 109.4 | 26.5 | |

E: MOFSL Estimates

Key Performance Indicators

| Y/E March | FY23 | | | | FY24 | | | |
|----------------------------|-------|------|-------|------|------|------|-------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE |
| 2Y average growth % | | | | | | | | |
| Volumes | 7.5 | 4.0 | 3.5 | 2.0 | 4.5 | 4.5 | 6.0 | 6.0 |
| Sales | 16.3 | 13.6 | 13.3 | 10.8 | 13.0 | 11.7 | 12.6 | 11.5 |
| EBITDA | 10.9 | 8.5 | 11.4 | 8.4 | 11.2 | 9.3 | 10.3 | 11.9 |
| PAT | 10.7 | 8.1 | 15.0 | 8.4 | 12.9 | 10.1 | 12.1 | 12.9 |
| % sales | | | | | | | | |
| COGS | 52.6 | 54.2 | 52.5 | 51.3 | 50.1 | 49.2 | 48.6 | 49.0 |
| Staff cost | 4.2 | 4.8 | 4.4 | 4.6 | 4.3 | 5.5 | 5.4 | 3.6 |
| Advertising and Promotion | 9.3 | 7.1 | 7.9 | 8.7 | 9.8 | 10.7 | 9.9 | 12.0 |
| Others | 11.1 | 11.1 | 11.9 | 12.2 | 12.6 | 11.0 | 12.1 | 11.1 |
| Depreciation | 1.8 | 1.7 | 1.7 | 1.8 | 1.7 | 1.7 | 1.6 | 1.7 |
| YoY change % | | | | | | | | |
| COGS | 27.2 | 29.8 | 27.6 | 12.5 | 1.0 | -2.5 | 0.8 | 7.3 |
| Staff cost | -1.0 | 0.2 | -0.6 | 0.6 | 0.1 | 0.7 | 1.0 | -1.0 |
| Advertising and Promotion | 0.7 | -2.5 | -1.2 | -0.9 | 0.5 | 3.6 | 2.0 | 3.4 |
| Others | -1.7 | -1.8 | -1.0 | 0.3 | 1.5 | 0.0 | 0.1 | -1.0 |
| Other income | 104.5 | 1.8 | 150.5 | 31.1 | 35.0 | 18.0 | -15.0 | -17.6 |
| EBIT | 14.8 | 9.1 | 8.4 | 7.5 | 9.3 | 11.2 | 13.4 | 17.4 |

Exhibit 1: Segmental performance

| Segment Revenue (INR b) | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Home Care | 38.0 | 38.4 | 41.9 | 47.5 | 49.3 | 51.4 | 55.2 | 56.4 | 54.3 |
| Personal Care | 45.7 | 50.0 | 51.8 | 47.1 | 53.6 | 55.6 | 57.2 | 51.9 | 56.0 |
| Foods & Refreshments | 33.2 | 36.2 | 34.7 | 37.0 | 36.3 | 37.6 | 37.0 | 37.9 | 38.0 |
| Others | 2.3 | 2.6 | 2.6 | 3.0 | 3.5 | 2.9 | 2.9 | 2.7 | 3.3 |
| Net Segment Revenue | 119.2 | 127.2 | 130.9 | 134.6 | 142.7 | 147.5 | 152.3 | 148.9 | 151.5 |
| Growth YoY (%) | | | | | | | | | |
| Home Care | 11.9 | 15.7 | 23.0 | 23.7 | 29.9 | 34.0 | 31.6 | 18.7 | 10.0 |
| Personal Care | 13.2 | 10.3 | 6.9 | 3.6 | 17.3 | 11.2 | 10.5 | 10.1 | 4.4 |
| Foods & Refreshments | 12.2 | 7.2 | 3.3 | 5.3 | 9.3 | 3.7 | 6.8 | 2.6 | 4.7 |
| Others | 32.2 | 25.7 | 0.8 | 30.2 | 54.9 | 10.6 | 13.2 | -9.6 | -7.1 |
| Net Segment Revenue | 12.8 | 11.2 | 10.4 | 11.0 | 19.8 | 15.9 | 16.3 | 10.6 | 6.1 |
| Saliency (%) | | | | | | | | | |
| Home Care | 32 | 30 | 32 | 35 | 35 | 35 | 36 | 38 | 36 |
| Personal Care | 38 | 39 | 40 | 35 | 38 | 38 | 38 | 35 | 37 |
| Foods & Refreshments | 28 | 28 | 26 | 27 | 25 | 25 | 24 | 25 | 25 |
| 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 | 6.6 | 7.3 | 8.6 | 9.4 | 8.7 | 8.9 | 10.6 | 10.6 | 9.9 |
| Personal Care | 12.9 | 13.9 | 14.4 | 12.4 | 14.1 | 14.0 | 14.4 | 13.5 | 14.7 |
| Foods & Refreshments | 6.0 | 6.6 | 6.5 | 7.1 | 5.8 | 7.4 | 6.6 | 6.8 | 6.8 |
| Others | 0.5 | 0.9 | 0.7 | 1.0 | 1.3 | 1.0 | 1.2 | 1.2 | 1.2 |
| Total Segment Results | 26.0 | 28.7 | 30.2 | 29.8 | 29.9 | 31.3 | 32.8 | 32.1 | 32.6 |
| Growth YoY (%) | | | | | | | | | |
| Home Care | 3.9 | 7.4 | 33.7 | 15.6 | 31.3 | 22.1 | 22.8 | 12.5 | 14.0 |
| Personal Care | 13.5 | 4.7 | 2.0 | -1.3 | 9.6 | 0.4 | -0.3 | 9.5 | 4.3 |
| Foods & Refreshments | 3.1 | 18.8 | 36.6 | 24.0 | -3.7 | 12.0 | 2.3 | -4.8 | 17.8 |
| Others | 10.2 | 54.5 | 46.0 | 39.1 | 138.9 | 17.6 | 61.6 | 26.0 | -7.0 |
| Total Segment Results | 8.4 | 9.4 | 17.1 | 10.2 | 14.8 | 9.1 | 8.4 | 7.5 | 9.3 |
| Segmental EBIT margin (%) | | | | | | | | | |
| Home Care | 17.4 | 19.0 | 20.6 | 19.8 | 17.6 | 17.3 | 19.2 | 18.7 | 18.3 |
| Personal Care | 28.1 | 27.8 | 27.8 | 26.2 | 26.3 | 25.1 | 25.1 | 26.1 | 26.3 |
| Foods & Refreshments | 18.1 | 18.3 | 18.6 | 19.3 | 15.9 | 19.8 | 17.9 | 17.9 | 17.9 |
| Others | 23.9 | 32.2 | 28.3 | 31.8 | 36.9 | 34.2 | 40.4 | 44.3 | 36.9 |
| Total | 21.8 | 22.5 | 23.1 | 22.2 | 20.9 | 21.2 | 21.5 | 21.5 | 21.5 |
| EBIT margin change YoY (bps) | | | | | | | | | |
| Home Care | -134 | -147 | 166 | -138 | 19 | -168 | -138 | -104 | 64 |
| Personal Care | 7 | -148 | -134 | -129 | -184 | -270 | -271 | -15 | -2 |
| Foods & Refreshments | -160 | 179 | 454 | 290 | -214 | 148 | -77 | -138 | 200 |
| Others | -476 | 601 | 876 | 205 | 1,296 | 205 | 1,212 | 1,253 | 7 |
| Total | -90 | -37 | 133 | -16 | -92 | -132 | -158 | -62 | 62 |

#an inordinately high number; Source: Company, MOFSL

**Highlights from management commentary****Operational environment**

- HUVR's volume growth for the quarter was 3%, while the FMCG industry volumes grew in mid-single digits. However, on a two-year basis, while HUVR volumes registered a CAGR of 5%, industry volumes were flat.
- The company's volume growth on a two-year CAGR basis is 5% ahead of the market.
- The company is focused on increasing its customer base and sustaining its volume growth.

- Rural recovery appears promising, exhibiting positive volume growth during the quarter. However, it is crucial to monitor the current weather-related risks
- Currently, the business is capturing an impressive 75% market share both in volume and value.
- Price growth would remain flattish or decline if the RM costs continue at their current levels.
- FMCG industry price growth was 22% in the last two years.
- The company expects a gradual recovery in volume, due to the high level of cumulative inflation.
- Competitive intensity rising as the share of smaller players rises in certain categories, driven by lower inflation.

Costs and margins

- Commodity cost benefit led the gross margin expansion both on a QoQ and YoY basis.
- A&P spends return to pre-Covid levels to revive volume growth.
- The company has experienced a significant impact from commodity cost inflation, resulting in a loss of 600bp. However, there has been a partial recovery of 400bp as of now.
- The YoY increase in 'Other expenses' is attributed to a step-up in investments, the impact of new royalty incentives, and favorable benefits in the base quarter.
- Consumers are purchasing higher-priced inventory due to the company's destocking strategy.
- Price reduction benefit will be visible in the next two-three quarters.

Segmental highlights

Home care

- Volumes grew in mid-single digits.
- Market development and premiumization led the double-digit growth in both fabric care and household category.

Beauty and personal care

- BPC grew in mid-single digits
- Strong performance in premium portfolio led to double-digit growth in skin care and color cosmetics.
- The Hair Care segment achieved a mid-single-digit UVG, driven by the strong performance of brands like Treseemme, Indulekha, and Clinic Plus.
- Skin Cleansing had a modest volume-led growth with Lux and Hamam continuing to outperform. Additionally, the company implemented price reductions during the quarter.
- The Oral Care segment delivered strong double-digit growth, led by Closeup.
- The company's new launches included Dove Men+ Care range, Indulekha Soap, and Pond's Anti Pigmentation Serum.

Food & Refreshment

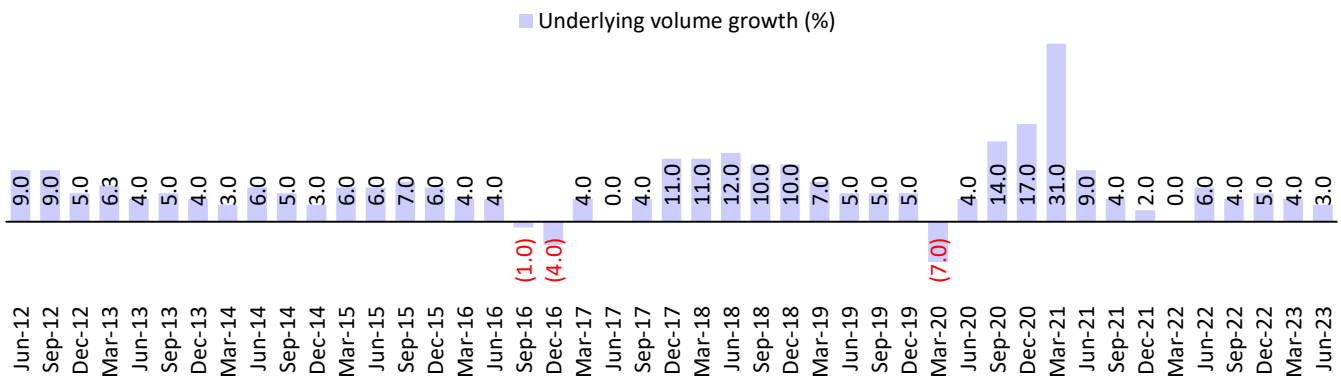
- The tea segment witnessed modest volume-led growth as consumers continued to downgrade their choices, opting for loose tea over premium teas due to higher inflation in the latter.
- The Health Food Drinks (HFD) category experienced strong growth, driven by the strong performance of both Horlicks and Boost.
- The food segment achieved mid-single digit growth, primarily fueled by the strong performance in Ketchup and Food Solutions categories.
- The Ice Cream segment recorded mid-single digit growth, despite facing exceptionally high base and the impact of unseasonal rains.
- The company’s new launches include Horlicks Millet Biscuits, range of Knorr Chinese Sauces, and Bru Cold Coffee.

Other points

- In 1QFY24, the effective tax rate stood at 26.5% and is expected to decrease on a full-year basis.

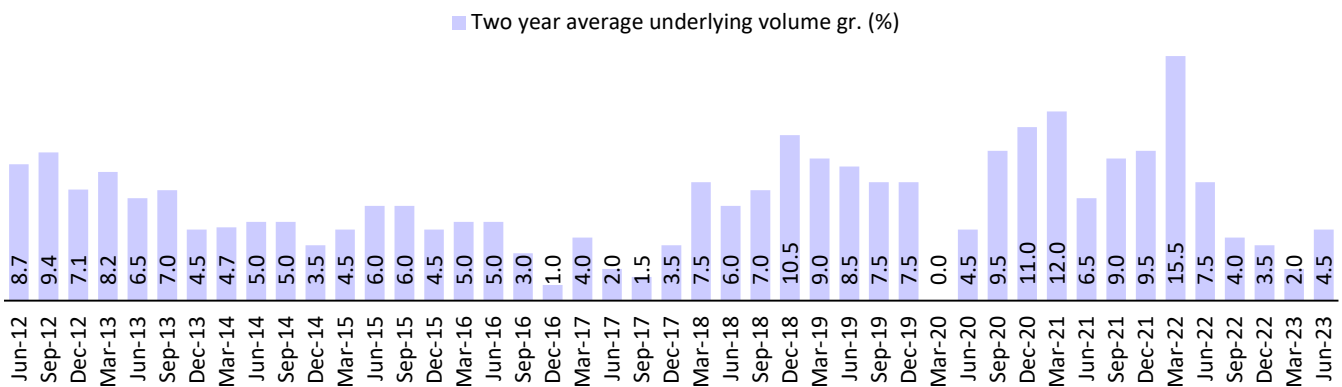
Story in charts

Exhibit 2: Volume grew 3% YoY



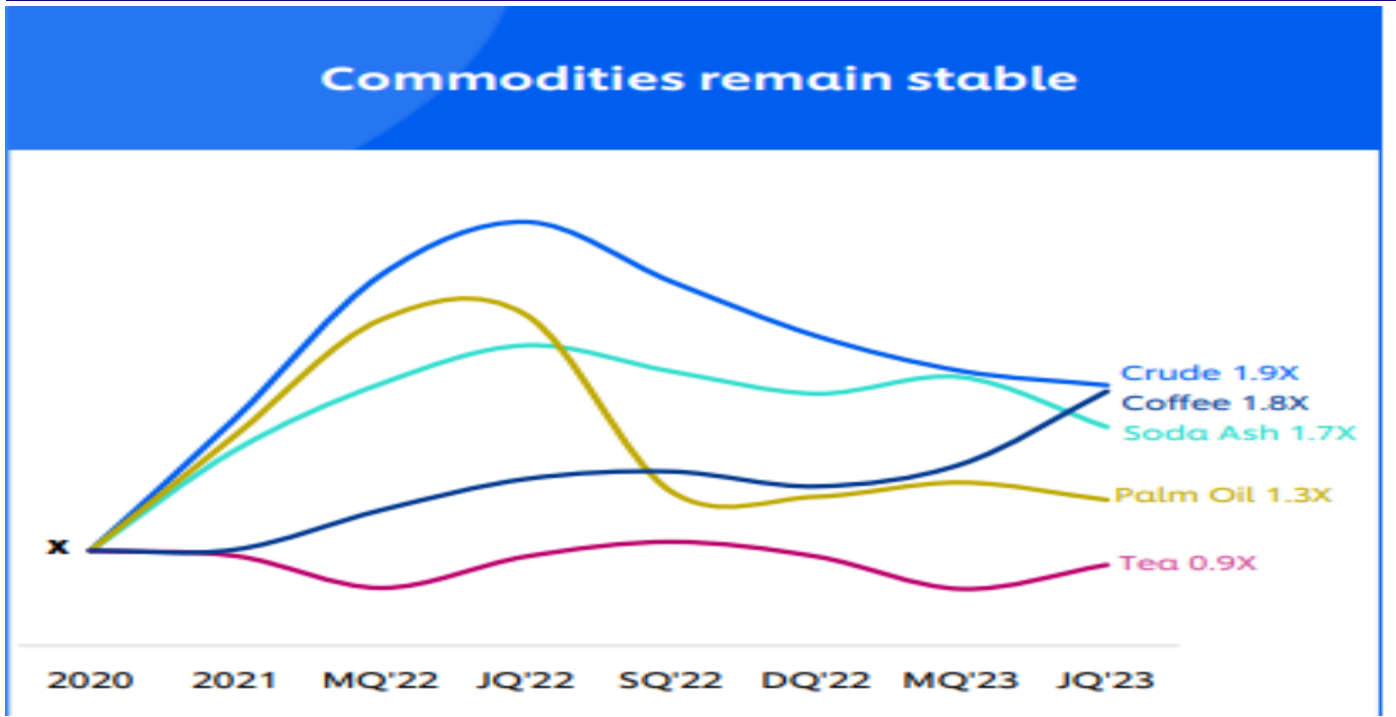
Source: Company, MOFSL

Exhibit 3: On a two-year average basis, underlying volumes rose 4.5% YoY



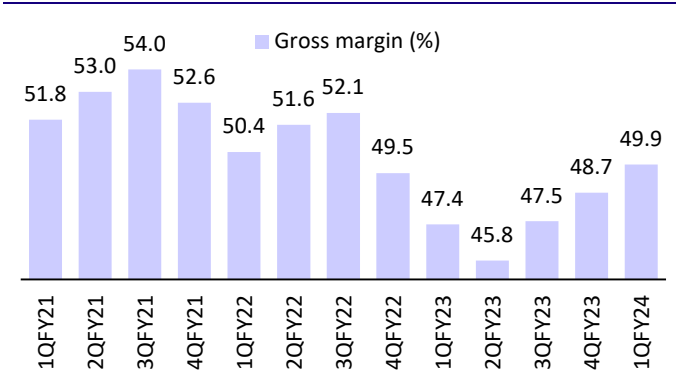
Source: Company, MOFSL

Exhibit 4: Commodity prices soften on a YoY basis



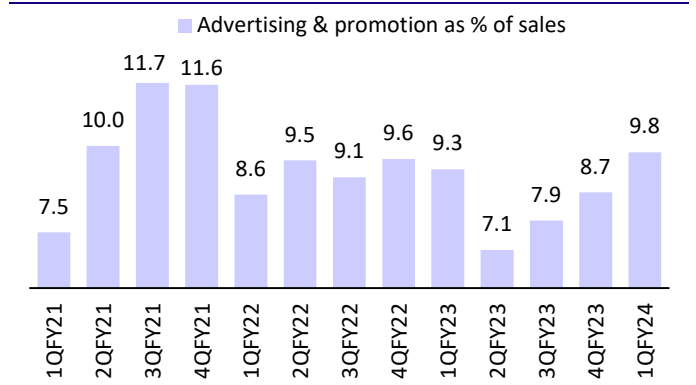
Source: Company presentation

Exhibit 5: Gross margin expanded 260bp YoY...



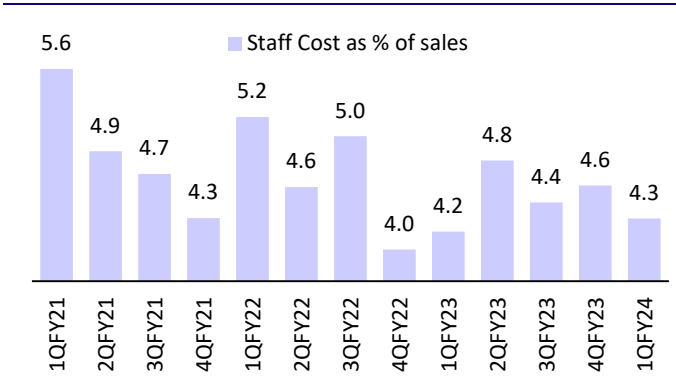
Source: Company, MOFSL

Exhibit 6: ...A&P spends increased 50bp YoY to 9.8%...



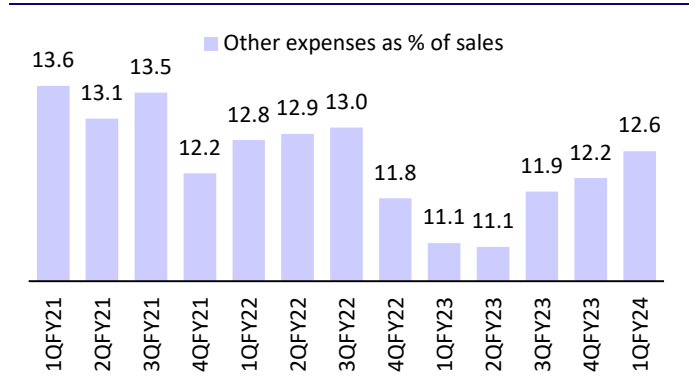
Source: Company, MOFSL

Exhibit 7: ...employee expenses flat YoY to 4.3%...

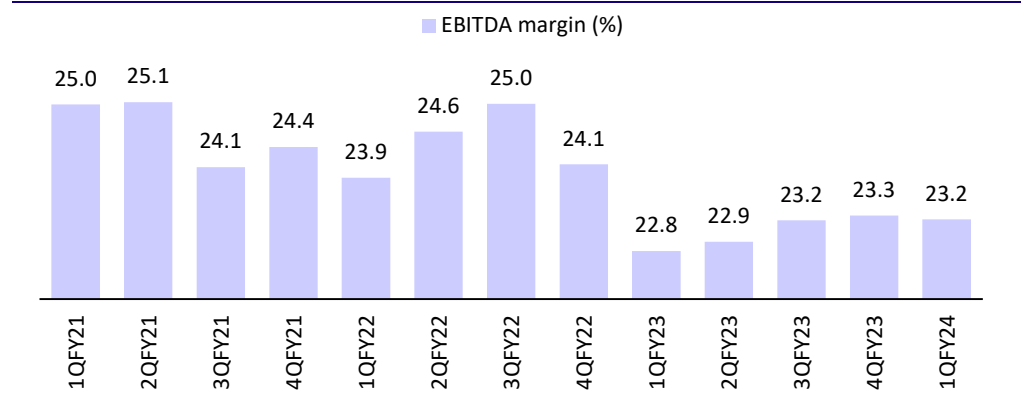


Source: Company, MOFSL

Exhibit 8: ...other expenses increased 150bp YoY to 12.6%...



Source: Company, MOFSL

Exhibit 9: ...leading to 50bp expansion of EBITDA margin

Source: MOFSL, Company

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, achieving strong double-digit growth 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.
- 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 over the years.
- Despite being the largest consumer company in India over the past decade ending FY23, HUVR's sales/EBITDA/PAT CAGR stood at a healthy 8.7%/13.0%/12.1%. 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 12.4%/13.4% and a PAT CAGR of 14.1%/13.6%.

Our investment case for HUVR

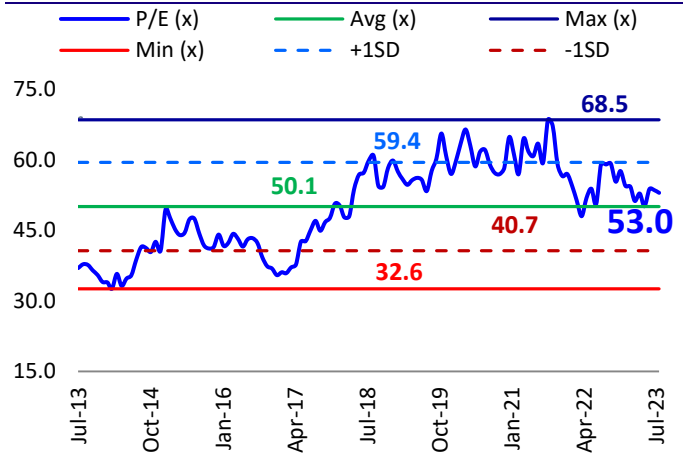
- We cut our EPS estimates by ~3-4% for FY24/FY25 to reflect the management commentary on demand, pricing, higher brand investment, and higher tax rates.
- As highlighted in our [annual report note](#) earlier in Jun'23, HUVR continues to exhibit remarkable nimbleness, despite its size, led by: 1) its WiMI and cluster-based approach, 2) technological edge over its peers; and 3) strategy of funneling cost savings back into the business for growth.
- Despite its expanded scale, HUVR sustains its dexterity, outperforming peers and maintaining a trajectory of steady growth.
- With improving commentary on rural recovery and commodity cost reductions, we are optimistic that HUVR will return to the mid-to-high teen earnings growth trajectory that it exhibited for four years before the pandemic. We reiterate our **BUY rating with a TP of INR3,100.**

Exhibit 10: We cut our estimate ~3-4% for FY24/FY25

| (INR b) | New estimates | | Old estimates | | Change | |
|---------|---------------|-------|---------------|-------|--------|-------|
| | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E |
| Sales | 643.2 | 715.7 | 651.2 | 725.9 | -1.2% | -1.4% |
| EBITDA | 153.0 | 173.2 | 155.6 | 177.3 | -1.7% | -2.3% |
| PAT | 109.4 | 124.9 | 113.8 | 128.5 | -3.9% | -2.8% |

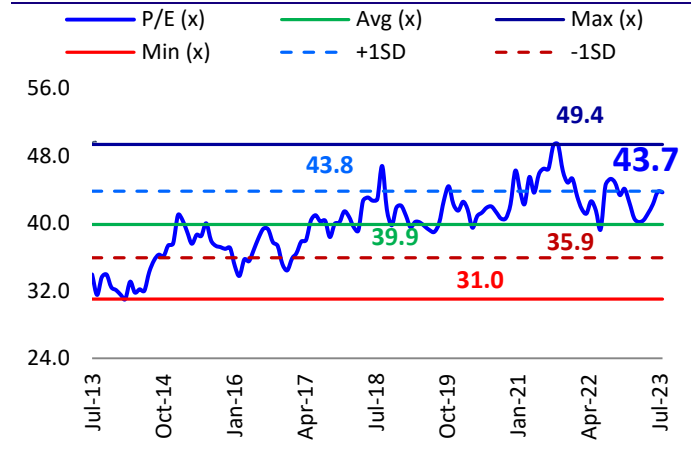
Source: MOFSL

Exhibit 11: P/E (x) for HUVR



Source: Bloomberg, MOFSL

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



Source: Bloomberg, MOFSL

Financials and valuations

| Income Statement | | | | | | | (INR m) | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Net Sales | 3,39,260 | 3,76,600 | 3,82,730 | 4,53,110 | 5,03,360 | 5,81,540 | 6,32,816 | 7,04,828 |
| Other Oper. Income | 5,990 | 5,640 | 5,120 | 6,850 | 8,570 | 9,900 | 10,395 | 10,915 |
| Total Revenue | 3,45,250 | 3,82,240 | 3,87,850 | 4,59,960 | 5,11,930 | 5,91,440 | 6,43,211 | 7,15,742 |
| Change (%) | 8.3 | 10.7 | 1.5 | 18.6 | 11.3 | 15.5 | 8.8 | 11.3 |
| COGS | 1,62,320 | 1,79,600 | 1,77,930 | 2,16,770 | 2,51,240 | 3,11,440 | 3,16,394 | 3,43,671 |
| Gross Profit | 1,82,930 | 2,02,640 | 2,09,920 | 2,43,190 | 2,60,690 | 2,80,000 | 3,26,817 | 3,72,072 |
| Gross Margin (%) | 53.0 | 53.0 | 54.1 | 52.9 | 50.9 | 47.3 | 50.8 | 52.0 |
| Operating Exp | 1,10,170 | 1,16,270 | 1,13,920 | 1,29,950 | 1,35,660 | 1,43,680 | 1,73,796 | 1,98,836 |
| EBITDA | 72,760 | 86,370 | 96,000 | 1,13,240 | 1,25,030 | 1,36,320 | 1,53,021 | 1,73,236 |
| Change (%) | 20.3 | 18.7 | 11.1 | 18.0 | 10.4 | 9.0 | 12.3 | 13.2 |
| Margin (%) | 21.1 | 22.6 | 24.8 | 24.6 | 24.4 | 23.0 | 23.8 | 24.2 |
| Depreciation | 4,780 | 5,820 | 9,380 | 10,690 | 10,250 | 10,300 | 10,738 | 11,423 |
| Int. and Fin. Charges | 200 | 280 | 1,060 | 1,080 | 980 | 1,010 | 1,132 | 1,188 |
| Other Income - Recurring | 5,690 | 6,640 | 7,330 | 5,130 | 3,930 | 6,400 | 6,464 | 6,984 |
| Profit before Taxes | 73,470 | 86,910 | 92,890 | 1,06,600 | 1,17,730 | 1,31,410 | 1,47,614 | 1,67,608 |
| Change (%) | 19.4 | 18.3 | 6.9 | 14.8 | 10.4 | 11.6 | 12.3 | 13.5 |
| Margin (%) | 21.7 | 23.1 | 24.3 | 23.5 | 23.4 | 22.6 | 23.3 | 23.8 |
| Tax | 21,480 | 27,480 | 23,940 | 24,580 | 27,780 | 29,220 | 38,232 | 42,740 |
| Tax Rate (%) | 27.9 | 30.7 | 27.4 | 23.8 | 24.8 | 23.7 | 25.9 | 25.5 |
| Profit after Taxes | 52,990 | 60,220 | 67,430 | 81,240 | 88,520 | 1,00,240 | 1,09,382 | 1,24,868 |
| Change (%) | 24.7 | 13.6 | 12.0 | 20.5 | 9.0 | 13.2 | 9.1 | 14.2 |
| Margin (%) | 15.6 | 16.0 | 17.6 | 17.9 | 17.6 | 17.2 | 17.3 | 17.7 |
| Reported PAT | 52,370 | 59,780 | 67,380 | 78,970 | 88,180 | 99,620 | 1,09,382 | 1,24,868 |

| Balance Sheet | | | | | | | (INR m) | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Share Capital | 2,164 | 2,165 | 2,160 | 2,350 | 2,350 | 2,350 | 2,350 | 2,350 |
| Reserves | 68,590 | 74,430 | 78,150 | 4,71,990 | 4,85,250 | 4,99,860 | 4,82,343 | 4,61,511 |
| Net Worth | 70,754 | 76,595 | 80,310 | 4,74,340 | 4,87,600 | 5,02,210 | 4,84,693 | 4,63,861 |
| Capital Employed | 70,754 | 76,595 | 80,310 | 4,74,340 | 4,87,600 | 5,02,210 | 4,84,693 | 4,63,861 |
| Gross Block | 71,787 | 59,240 | 73,400 | 5,41,570 | 5,47,640 | 5,58,290 | 5,65,290 | 5,70,291 |
| Less: Accum. Depn. | -30,367 | -15,810 | -22,840 | -31,300 | -37,300 | -44,240 | -54,978 | -66,402 |
| Net Fixed Assets incl Goodwill | 41,420 | 43,430 | 50,560 | 5,10,270 | 5,10,340 | 5,14,050 | 5,10,312 | 5,03,889 |
| Capital WIP | 4,300 | 3,730 | 5,130 | 6,230 | 9,010 | 10,200 | 10,200 | 10,200 |
| Investment in Subsidiaries | 2,540 | 2,540 | 2,500 | 3,100 | 6,100 | 9,810 | 9,810 | 9,810 |
| Current Investments | 28,570 | 26,950 | 12,500 | 26,850 | 35,120 | 28,130 | 29,130 | 30,130 |
| Deferred Charges | 2,550 | 3,390 | 2,610 | -59,860 | -61,410 | -63,250 | -63,250 | -63,250 |
| Curr. Assets, L&A | 92,110 | 98,615 | 1,22,720 | 1,34,710 | 1,36,800 | 1,56,060 | 1,73,574 | 1,73,346 |
| Inventory | 23,590 | 24,220 | 26,360 | 33,830 | 38,900 | 40,310 | 48,678 | 54,218 |
| Account Receivables | 11,470 | 16,730 | 10,460 | 16,480 | 19,320 | 27,350 | 24,272 | 27,034 |
| Cash and Bank Balance | 33,730 | 36,880 | 50,170 | 43,210 | 36,180 | 44,220 | 52,337 | 39,307 |
| Others | 23,320 | 20,785 | 35,730 | 41,190 | 42,400 | 44,180 | 48,286 | 52,787 |
| Curr. Liab. and Prov. | 1,00,736 | 1,02,060 | 1,15,710 | 1,46,960 | 1,48,360 | 1,52,790 | 1,85,083 | 2,00,265 |
| Account Payables | 70,130 | 70,700 | 73,990 | 86,270 | 88,640 | 93,910 | 1,23,116 | 1,35,106 |
| Other Liabilities | 16,376 | 15,860 | 25,560 | 40,270 | 40,850 | 41,740 | 43,827 | 46,018 |
| Provisions | 14,230 | 15,500 | 16,160 | 20,420 | 18,870 | 17,140 | 18,140 | 19,140 |
| Net Current Assets | -8,626 | -3,445 | 7,010 | -12,250 | -11,560 | 3,270 | -11,510 | -26,918 |
| Application of Funds | 70,754 | 76,595 | 80,310 | 4,74,340 | 4,87,600 | 5,02,210 | 4,84,693 | 4,63,860 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS | 24.5 | 27.8 | 31.2 | 34.6 | 37.7 | 42.7 | 46.5 | 53.1 |
| Cash EPS | 26.7 | 30.5 | 35.6 | 39.1 | 42.0 | 47.0 | 51.1 | 58.0 |
| BV/Share | 32.7 | 35.4 | 37.2 | 201.8 | 207.5 | 213.7 | 206.3 | 197.4 |
| DPS | 20.0 | 22.0 | 25.0 | 40.5 | 34.0 | 39.0 | 54.0 | 62.0 |
| Payout % | 99 | 96 | 96 | 117 | 90 | 91 | 116 | 117 |
| Valuation (x) | | | | | | | | |
| P/E | 110.4 | 97.1 | 86.6 | 78.2 | 71.7 | 63.3 | 58.1 | 50.9 |
| Cash P/E | 101.2 | 88.6 | 76.0 | 69.1 | 64.3 | 57.4 | 52.9 | 46.6 |
| EV/Sales | 17.1 | 15.4 | 15.1 | 13.9 | 12.5 | 10.8 | 9.9 | 8.9 |
| EV/EBITDA | 79.9 | 67.3 | 60.2 | 55.7 | 50.4 | 46.2 | 41.1 | 36.4 |
| P/BV | 82.7 | 76.4 | 72.7 | 13.4 | 13.0 | 12.6 | 13.1 | 13.7 |
| Dividend Yield (%) | 0.7 | 0.8 | 0.9 | 1.5 | 1.3 | 1.4 | 2.0 | 2.3 |
| Return Ratios (%) | | | | | | | | |
| RoE incl. Goodwill | 78.1 | 81.7 | 86.0 | 29.3 | 18.4 | 20.3 | 22.2 | 26.3 |
| RoCE incl. Goodwill | 108.6 | 118.3 | 119.8 | 38.8 | 24.7 | 26.8 | 30.1 | 35.6 |
| Working Capital Ratios | | | | | | | | |
| Debtor (Days) | 12 | 16 | 10 | 13 | 14 | 17 | 14 | 14 |
| Asset Turnover (x) | 4.8 | 4.9 | 4.8 | 1.0 | 1.0 | 1.2 | 1.3 | 1.5 |
| 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 | FY22 | FY23 | FY24E | FY25E |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| OP/(loss) before Tax | 72,850 | 85,220 | 90,920 | 1,04,900 | 1,17,390 | 1,30,790 | 1,47,614 | 1,67,608 |
| Financial other income | -2,800 | -770 | -1,630 | 630 | -1,970 | -2,430 | -6,464 | -6,984 |
| Depreciation | 4,780 | 5,240 | 9,380 | 10,690 | 10,400 | 10,450 | 10,738 | 11,423 |
| Net Interest Paid | -2,460 | -2,950 | -3,940 | -2,420 | -1,090 | -3,240 | 1,132 | 1,188 |
| Direct Taxes Paid | -21,880 | -26,850 | -24,650 | -23,670 | -27,200 | -30,680 | -38,232 | -42,740 |
| (Incr)/Decr in WC | 8,640 | -2,610 | 2,970 | -560 | -7,890 | -8,630 | 22,897 | 2,379 |
| CF from Operations | 59,130 | 57,280 | 73,050 | 89,570 | 89,640 | 96,260 | 1,37,685 | 1,32,875 |
| Other Items | 4,880 | 4,460 | -8,470 | 11,910 | -1,460 | 14,050 | 6,464 | 6,984 |
| (Incr)/Decr in FA | -8,270 | -7,240 | -7,020 | -39,540 | -7,440 | -8,610 | -7,000 | -5,000 |
| Free Cash Flow | 50,860 | 50,040 | 66,030 | 50,030 | 82,200 | 87,650 | 1,30,685 | 1,27,874 |
| (Pur)/Sale of Investments | 7,790 | 3,270 | 22,490 | 23,900 | -7,930 | -4,000 | -1,000 | -1,000 |
| CF from Invest. | 4,400 | 490 | 7,000 | -3,730 | -16,830 | 1,440 | -1,536 | 984 |
| Dividend Paid | -38,960 | -45,460 | -62,440 | -88,110 | -75,190 | -84,590 | -1,26,900 | -1,45,700 |
| Others | -7,550 | -9,160 | -4,320 | -4,690 | -4,650 | -5,070 | -1,132 | -1,188 |
| CF from Fin. Activity | -46,510 | -54,620 | -66,760 | -92,800 | -79,840 | -89,660 | -1,28,032 | -1,46,888 |
| Incr/Decr of Cash | 17,020 | 3,150 | 13,290 | -6,960 | -7,030 | 8,040 | 8,117 | -13,030 |
| Add: Opening Balance | 16,710 | 33,730 | 36,880 | 50,170 | 43,210 | 36,180 | 44,220 | 52,337 |
| Closing Balance | 33,730 | 36,880 | 50,170 | 43,210 | 36,180 | 44,220 | 52,337 | 39,307 |

E: MOFSL Estimates

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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 |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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