

BSE SENSEX 64,049 S&P CNX 19,122

CMP: INR24,263 TP: INR23,900 (-1%) Neutral



Stock Info

Bloomberg	NEST IN
Equity Shares (m)	96
M.Cap.(INRb)/(USD\$b)	2339.3 / 28.1
52-Week Range (INR)	24745 / 17880
1, 6, 12 Rel. Per (%)	10/10/11
12M Avg Val (INR M)	1381
Free float (%)	37.2

Financials Snapshot (INR b)

Y/E Dec	CY22	FY24E	FY25E
Sales	169.0	246.2	229.0
Sales Gr. (%)	14.6	45.7	-7.0
EBITDA	37.1	57.4	54.6
Margin (%)	22.0	23.3	23.9
Adj. PAT	23.9	38.0	35.5
Adj. EPS (INR)	247.9	298.3	367.7
EPS Gr. (%)	3.1	20.3	23.3
BV/Sh.(INR)	255.0	253.4	281.1

Ratios

RoE (%)	105.2	155.0	137.6
RoCE (%)	98.6	144.8	129.3
Payout (%)	84.7	100.6	92.5

Valuations

P/E (x)	97.8	81.3	65.9
P/BV (x)	95.1	95.7	86.3
EV/EBITDA (x)	62.2	40.2	42.3
Div. Yield (%)	0.9	1.2	1.4

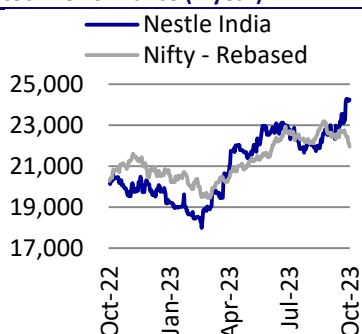
*Note: FY24 is 15-month period as the company changed its accounting year-end from December to March

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	62.8	62.8	62.8
DII	9.3	9.1	8.9
FII	12.1	12.4	12.1
Others	15.8	15.8	16.3

FII Includes depository receipts

Stock Performance (1-year)



Long term prospects remain encouraging

Nestle held an analyst call to provide a business update. Here are the key takeaways:

- Strong double-digit growth across all portfolios in 9M CY23:** NEST delivered 15.1% YoY growth in domestic sales during the 9M CY23, complemented by a remarkable 30% surge in the out-of-home category. Key product segments, including milk products and nutrition, prepared dishes, cooking aids, confectionery, and beverages, experienced notable growth rates of 15.3%, 10.7%, 21.4%, and 18.6% YoY, respectively, in the same period. The cumulative 4-year domestic sales and volume CAGR for CY18-22 reached 11.3% and 6.7%, reflecting NEST's sustained momentum in achieving positive volume-driven revenue growth and expanding market penetration.
- Expansive Reach and Rural Growth:** NEST's distribution network has witnessed an expansion, reaching a total of 5.2mn outlets, including a direct presence in 1.6mn outlets. The company has successfully extended its coverage to almost 107,000 villages, a substantial increase from the 61,000 villages in CY21. NEST aims to further augment its rural footprint, targeting 120,000 villages by CY24. The implementation of a strategic Rurban (semi-urban and rural) approach has proven effective in deploying more personnel on the ground, improving in-shop visibility, and boosting HAAT activations. Currently addressing an ~487mn people in India, NEST aspires to reach a staggering 700mn by the year 2030.
- NPD sales remain healthy:** New product sales for NEST have consistently shown a performance, hovering around the 6% mark. The company envisions these innovative offerings to constitute 10% of its total sales in the long term, aligning with the dynamic demands of consumers. Over the past seven years, NEST has introduced an impressive lineup of 125 new products, and the momentum continues with 10 additional innovative products currently in the pipeline for the year.
- Nestle's R&D Initiatives:** Nestle's R&D endeavors are dedicated to crafting product offerings that prioritize both consumer well-being and environmental sustainability. The emphasis on accelerated time-to-market, achieved through distinct science and technology-driven innovations, reinforces the foundation for future product developments.
- Investment Focus:** NEST has committed ~INR50bn in investments of CY23-25, with an allocation of INR 9bn specifically earmarked for cutting-edge facilities in Odisha. In the preceding period of CY20-23, the company reinforced its manufacturing and supply-chain capabilities through substantial investments totalling INR 26bn.
- Sustainability initiatives** in packaging, responsible procurement, renewable energy, water usage reduction, and equal employment opportunities are all encouraging. NEST has made 6x higher investments in sustainability in CY23 vs. CY20 and has 60 people engaged in sustainability.

Pratik Bipinchandra Prajapati – Research Analyst (Pratik.Prajapati@MotilalOswal.com)

Tanu Jindal – Research Analyst (Tanu.Jindal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

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

- **Input cost inflation, if sustained, could pose a significant challenge to earnings.**
We believe that the company has done a stellar job in terms of double-digit volume-led revenue growth, new product launches, higher ad spends compared to the past, and ongoing distribution expansion. Nevertheless, it is true that largely benign commodity costs have been a tailwind for NEST in recent years. If the ongoing input cost inflation remains at elevated levels, then it could impact either NEST's volume growth or its earnings.

Valuation view

- There is no material change to our FY24* and FY25 EPS estimates.
- The long-term narratives for NEST's revenue and earnings growth are highly attractive. India's Packaged Foods segment offers strong growth opportunities. This is particularly true for NEST, which has a strong pedigree and distribution strength. The successful implementation of the company's volume-led growth strategy in recent years provides confidence in its execution as well.
- NEST's distribution expansion and its ability to sustain a high proportion of NPD sales are also encouraging.
- However, at 81.3x/65.9x FY24E/25E EPS, the stock's valuations are expensive. We value the stock at **65x FY25E** EPS to arrive at a TP of **INR23,900**. We maintain our **Neutral** stance.

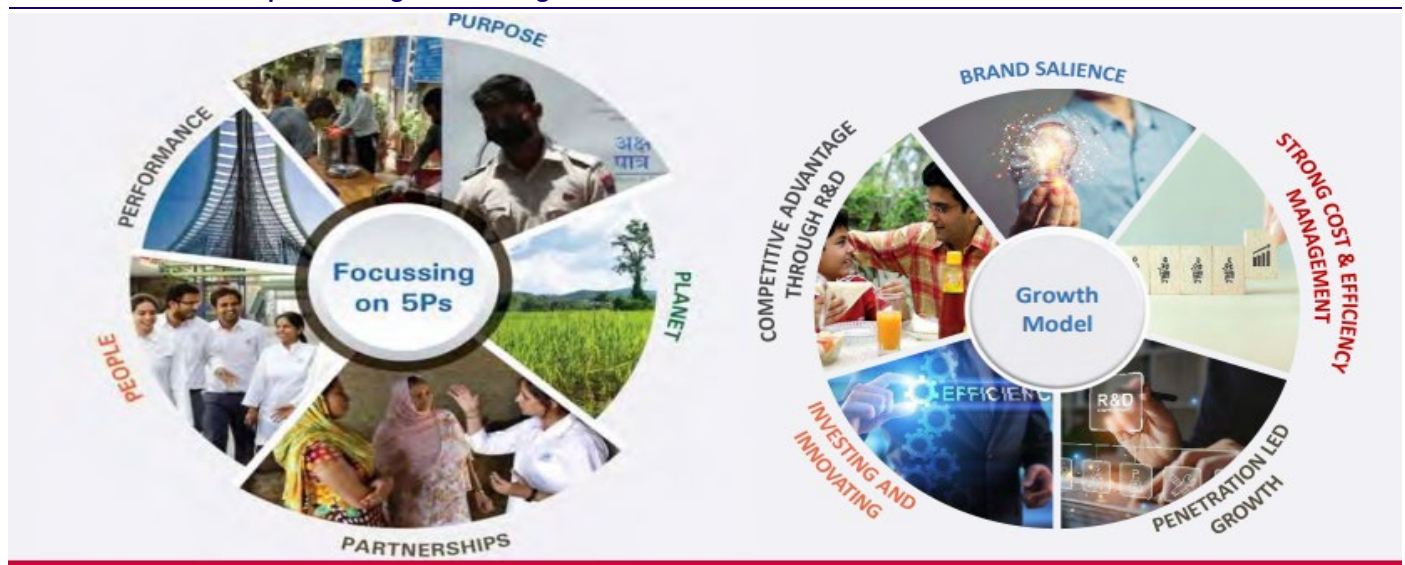
Key takeaways

- Nestle Global has identified India as one of its fastest-growing markets. The company, renowned for its commitment to cutting-edge technology, has established six high-end, automated facilities globally, including one in Odisha.
- In pursuit of innovation and excellence, Nestle Global invests significantly in research and development. With an expenditure of USD1.2bn, its focus areas include nutrition, product quality and life-cycle sustainability of products, contributing to a broad and impactful product base.
- Nestle India is poised for a balanced future, harmonizing growth and profitability. With a committed investment of INR50bn during CY2023-25, with INR9bn dedicated to high-tech facilities in Odisha. Investments of INR26bn during CY20-23 fortified its manufacturing and supply chain capabilities.
- NEST's current addressable market is ~487m people in India and it targets to reach ~700m by 2030.
- The company is actively seeking M&A opportunities that align with its long-term strategy, focusing on value addition and reasonable valuations.
- NEST has implemented price hikes across its portfolio. However, it is challenging to roll back prices due to the upward trend in green coffee and milk prices.
- The pet care category, particularly cat food, is gaining attention, prompting the management to concentrate on its growth in India.
- While Espresso holds promise, regulatory and duty-related issues in India need to be resolved before its launch.
- Certain categories, such as noodles and coffee, are experiencing high consumer attraction, but the nutrition category might take some time to gain significant attention.
- The company faces competition in hyper-local categories like noodles and coffee. Noodle entrants contend with quality and safety sensitivity. In the coffee

segment, local players struggle due to soaring coffee bean prices, making sustainability challenging.

- The competition has been seen from the smaller and regional players, but NEST has enough capabilities to compete with them. The company has won consumer trust through its taste and quality.
- The premium portfolio saw 2-2.5x higher growth than the other portfolio and also saw growth in the smaller parts in India.
- NEST reported a domestic sale volume CAGR of 6.7% and a domestic sales CAGR of 11.3% over CY18-22.

Exhibit 1: NEST roadmap is focusing on 5Ps and growth model

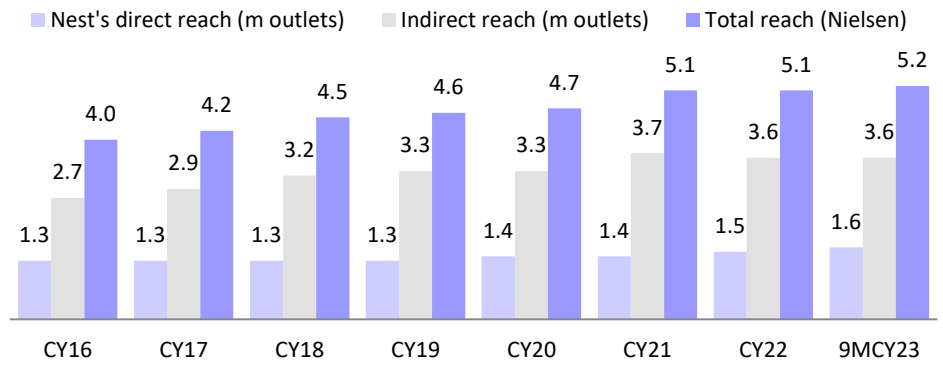


Source: Company, MOFSL

Distribution and consumer clusters

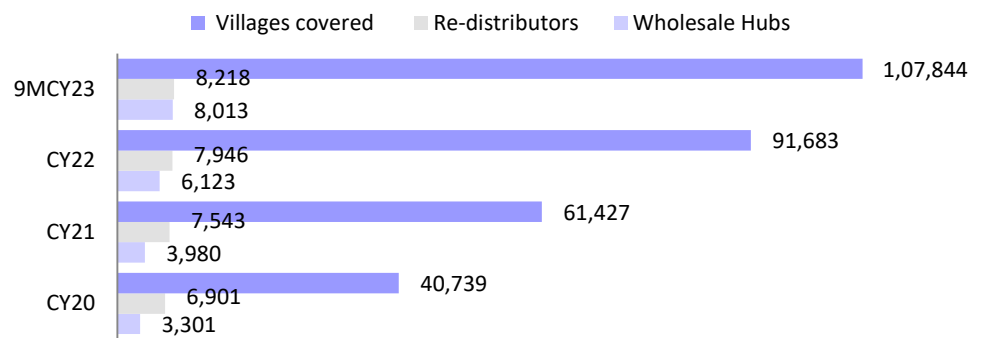
- NEST's distribution reach has increased to 5.2m outlets, with a direct reach of 1.6m.
- The RURBAN strategy aims to expand its presence in underpenetrated small towns and large villages. It has increased the feet on streets, enhance in-shop visibility and increased HAAT activation.
- NEST now covers nearly 107,844 villages (vs. 40,739 in CY20) and targets to reach 120,000 villages by CY24.
- NEST has more than 2,000 distributors strategically fostering long-term partnerships, boasting around 360 distributors with over two decades of association.
- Its Swabhimaan Project to empower and encourage rural women has over 1,600 women entrepreneurs in 14 states, who generate business of ~INR80mn.
- NEST has more than 4,500 suppliers and has strong long-term relationships with them. More than 3,000 suppliers have been associated with NEST for over 10 years.
- There are 700+ One Nestle kiosks with 12m+ footfalls.

Exhibit 2: NEST has notably strengthened its distribution reach in recent years



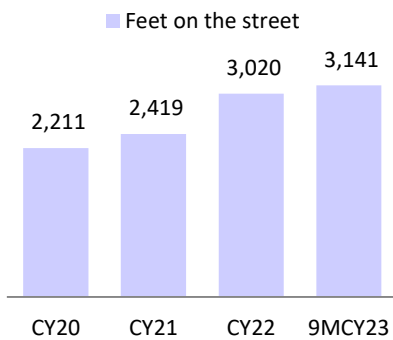
Source: Company, MOFSL

Exhibit 3: NEST aims to reach 120,000 villages by CY24



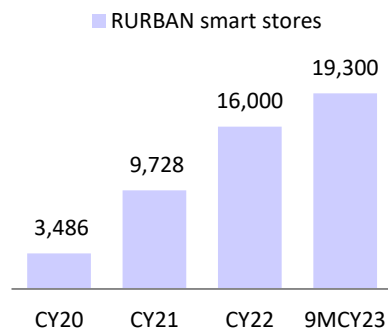
Source: Company, MOFSL

Exhibit 4: RURBAN feet on street



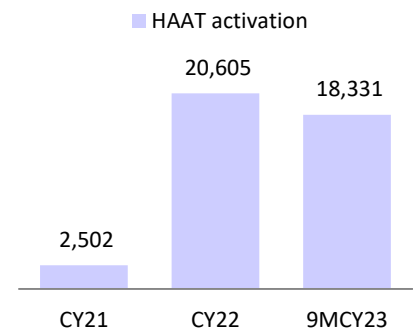
Source: Company, MOFSL

Exhibit 5: RURBAN smart stores



Source: Company, MOFSL

Exhibit 6: HAAT activity as consumer engagement

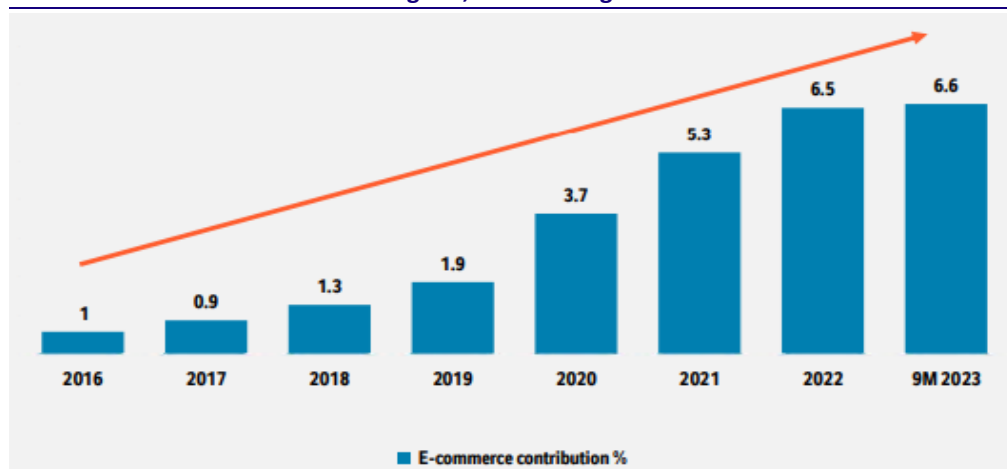


Source: Company, MOFSL

E-commerce and Innovation

- NEST saw 20% growth in E-commerce in 9MCY23 vs. 9MCY22, with quick commerce leading the surge with an impressive 50% growth.

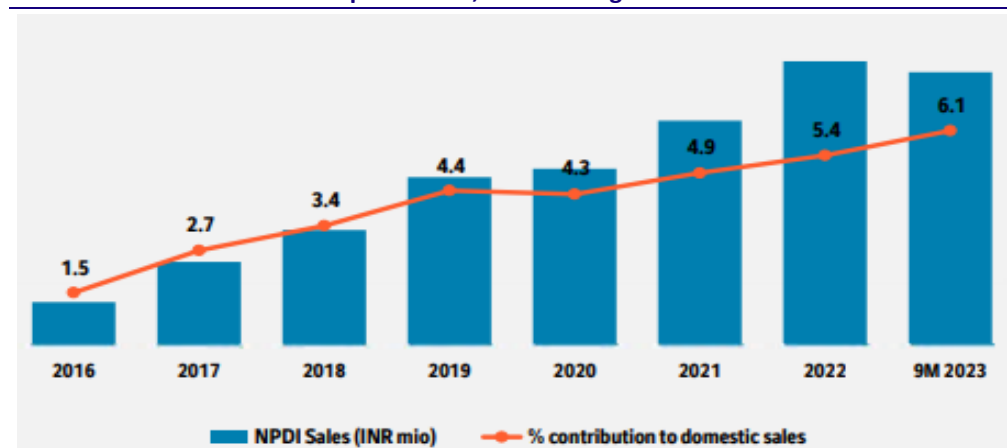
Exhibit 7: E-commerce continues to grow, contributing to 6.6% of 9MCY23 sales



Source: Company, MOFSL

- NEST has launched over 125 new products in the last seven years and currently has 10 new projects in the pipeline. It plans to focus on innovations in both core and niche categories.
- Innovation currently contributes to over 6% of sales, with a target to reach 10% in the long term. This reflects its commitment to staying at the forefront of evolving consumer needs.

Exhibit 8: Innovation shows improvement, contributing over 6% of 9MCY23 sales



Source: Company, MOFSL

Nestle's R&D Initiatives

- NEST’s global R&D network plays a crucial role in accelerating innovation-led growth across markets.
- R&D efforts focus on creating product propositions that are not only beneficial for consumers, but are also environmentally sustainable.
- Significant improvements in the innovation process have led to a speed-to-market enhancement, decreasing the average time for new product launches by nearly 60% from CY16 to CY22.

- The focus on innovation over renovation has resulted in a 10% increase, with both contributing to approximately 30% of sales.
- Product launches have seen a substantial 23% increase in CY22 vs. CY20.
- NEST files over 500 patents annually, with 90% of them filed in the last year, indicating a continuous commitment to pioneering.
- The innovation focus includes the introduction of nutritious and tasty millet-based propositions. A proprietary millet transformation process ensures stability, taste, and convenience without preservatives.
- NEST places a strong emphasis on sustainability, with initiatives to reduce packaging, carbon footprint, and drive process efficiencies.
- Efforts are made to engineer high-performing and environmentally friendly packaging.
- A pilot project in Andhra Pradesh focuses on regenerative agriculture to restore barren land, aligning with the company's commitment to sustainability.
- These R&D initiatives showcase NEST's commitment to innovation, sustainability, and creating products that align with evolving consumer preferences.
- Its global R&D network also supports innovation-led growth. It transformed its innovation process, which led to a significant improvement in speed-to-market and product differentiation.

Exhibit 9: Transformation in the innovation process



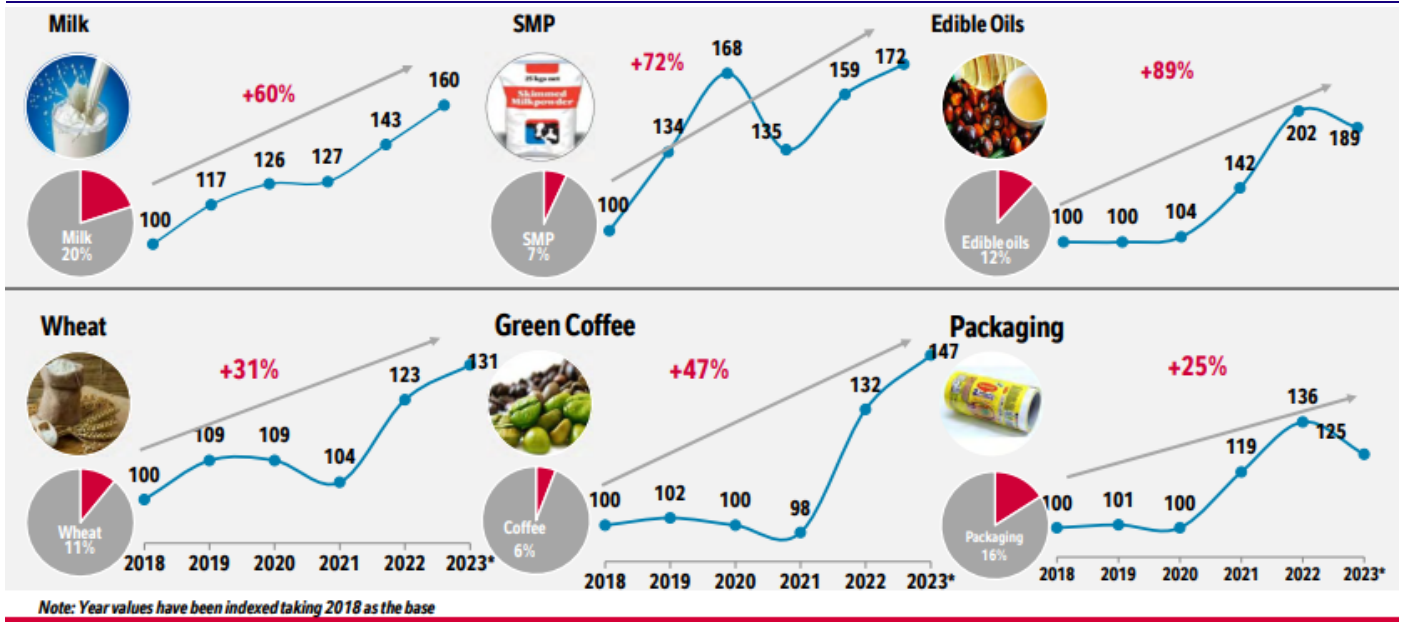
Source: Company, MOFSL

Financial highlights

- Domestic sales grew 15.1% YoY in 9MCY23, with strong double-digit growth across all products.
- NEST reported a domestic volume CAGR of 6.7% and a domestic sales CAGR of 11.3% over CY18-22.
- Milk products and nutrition/Prepared dishes & cooking aids/out of home/confectionary/beverages grew 15.3%/10.7%/30%/21.4%/18.6% YoY in 9MCY23.
- Commodity costs continued to see sharp inflation over the years. However, in 3QCY23, it saw an expansion in gross margin, driven by improved realization and softening input costs.
- NEST has set up its 10th factory in Odisha with a capex of ~INR9bn.

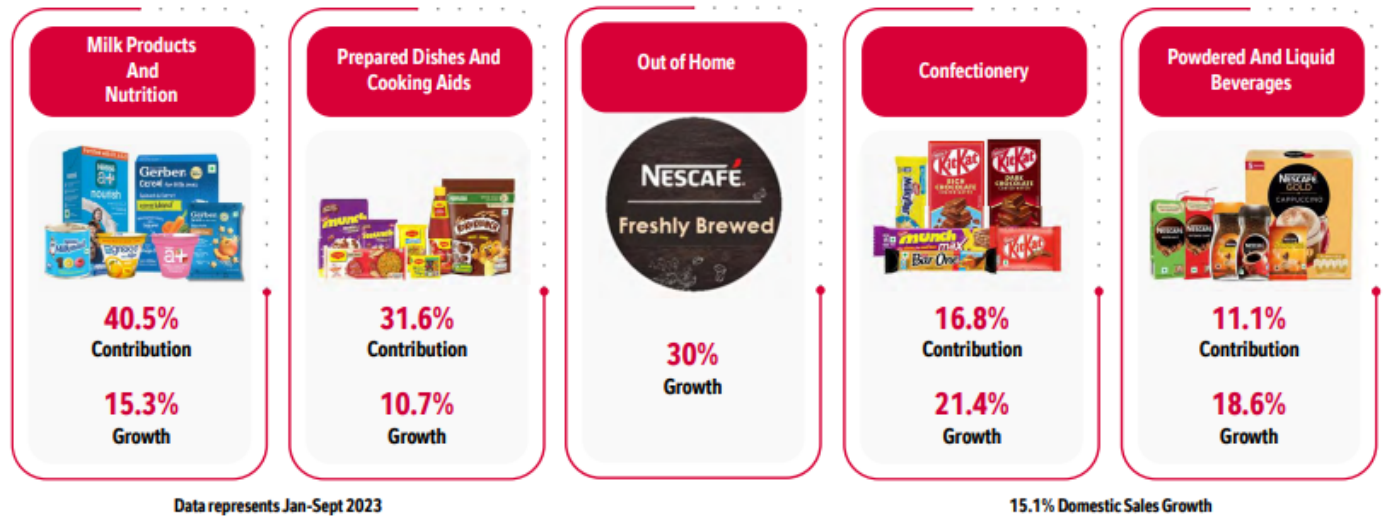
- It is consistently increasing media spending — 1.4x in CY22 vs. base level in CY17. The shift toward digital is prominent, with digital spending varying from 20% to 60% across categories.

Exhibit 10: Input costs continue to see high inflation



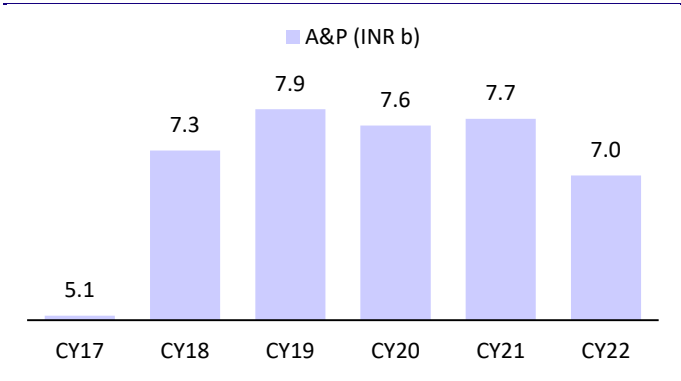
Source: Company, MOFSL

Exhibit 11: Double-digit growth across all products groups



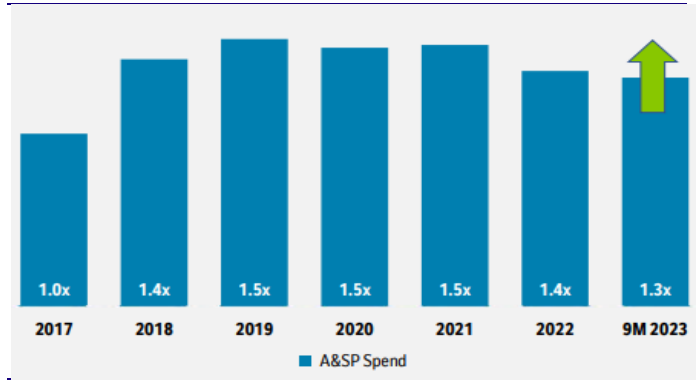
Source: Company, MOFSL

Exhibit 12: A&P spends grew at a CAGR of 6.6% over CY17-22



Source: Company, MOFSL

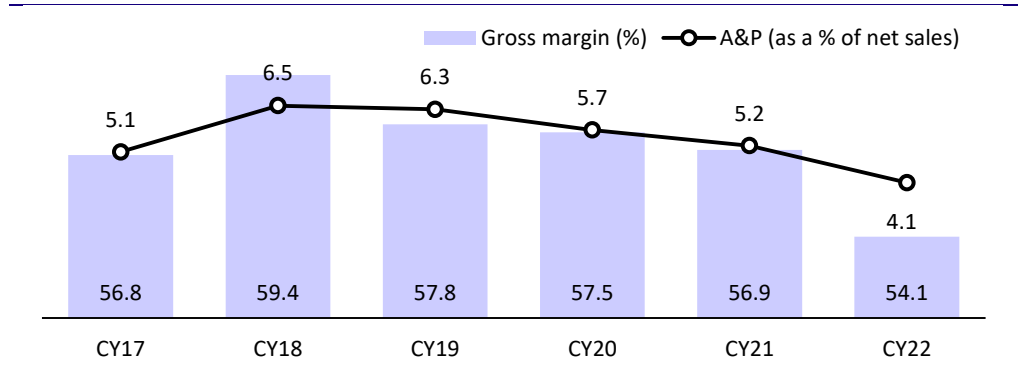
Exhibit 13: Asset turnover up YoY



Source: Company, MOFSL

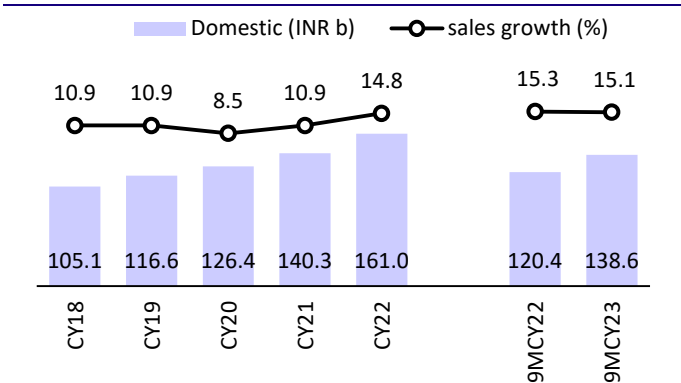
- It is no coincidence that NEST witnessed its highest ad spend increase and highest ad spend to sales ever in CY18, when its gross margin was also at the highest level. Since then, the company’s ad spends have reduced by 230bp in CY22. It disclosed ad-spends at 1.3x higher in 9MCY23 vs. the base year CY17 but did not share the absolute amount.

Exhibit 14: NEST’s A&P as a percentage of sales peaked in CY18 which coincided with its highest-ever reported gross margin



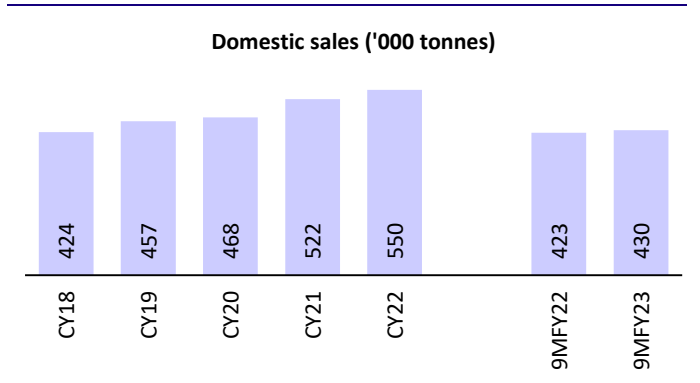
Source: Company, MOFSL

Exhibit 15: Domestic sales saw 11.3% CAGR over CY18-22...



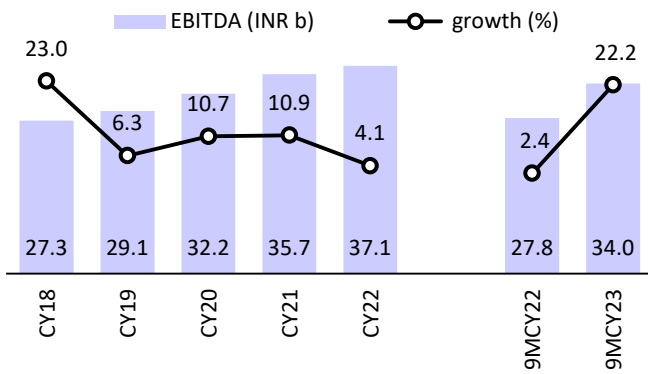
Source: Company, MOFSL

Exhibit 16: ...with 6.7% CAGR in domestic sales volume



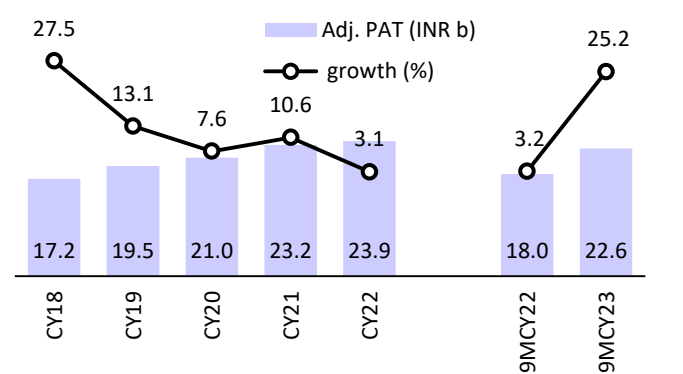
Source: Company, MOFSL

Exhibit 17: EBITDA saw 8% CAGR over CY18-22...



Source: Company, MOFSL

Exhibit 18: ...with 8.6% CAGR in Adj. PAT



Source: Company, MOFSL

ESG initiatives and commitments

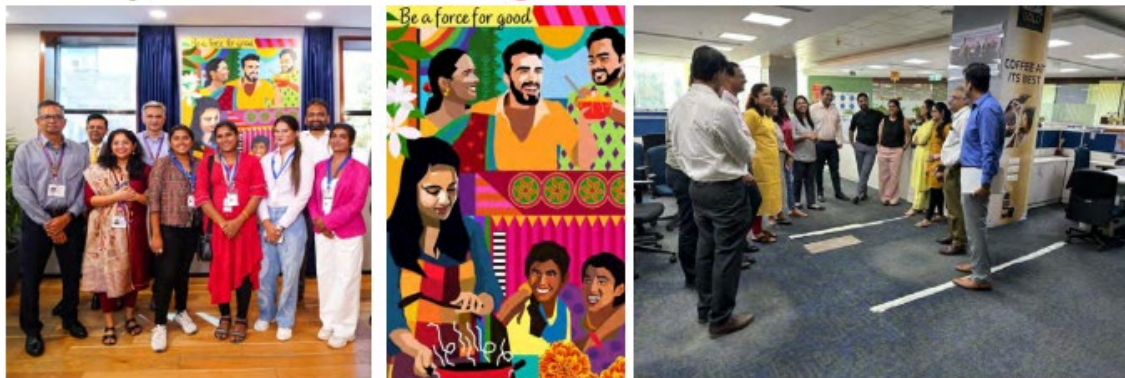
- NEST has made 6x higher investment in sustainability in CY23 vs. CY20 and has 60 people engaged in sustainability.
- It aims to use coal-free manufacturing locations by mid CY24 and fossil fuel-free by CY25. Stubble briquettes will be used in Moga factory to reduce stubble burning.
- It manages plastic responsibly and all their brands have been plastic-neutral for the past three years.
- The company takes multiple interventions to reduce GHGE in dairy value chain. Around 100k dairy farmers are engaged and ~340mn kg milk collected last year.
- About 55% of coffee is procured sustainably with engagement of ~5,000 coffee farmers.
- It committed to sustainable agriculture in spices by ~100% traceability of cumin, coriander, chilly and turmeric and engaging ~1,250 spice farmers across 8 states.
- Over the last 15 years, NEST has reduced its direct GHG emissions by 52%, water usage by 51%, wastewater generation by 38% and its energy usage by 36%.
- **Efficiency in transport:** NEST increased payload from 90% to 94% in the last 3 years. Also, it is increasingly using railways to 6% from 0.2% in last 3 years. It introduced LNG fleet and is using high CHG and electric vehicles.
- Women account for over 60% of the company's workforce in the new Sanand mega plant. Overall 25% of employees are women vs. 16% in 2016, and 12 people with disabilities work on the production line.

Exhibit 19: Facets of sustainable journey



Source: Company, MOFSL

Exhibit 20: Improving gender balance



Diverse workforce

- 50% of the Board of Directors are women
- Multi-generational workforce
- Over 25% of the employees are women

Empowered women - charting Nestlé's future

- Women are key part of the management, salesforce and factories
- Empowerment with safer and hygienic choices for women in the field
- Travel assistance for women in their third trimester and flexi working for returning mothers

New parental leave policy

- 26 weeks leave for primary caregiver
- 4 weeks leave for secondary caregiver

Source: Company, MOFSL

Exhibit 21: NEST's segment-wise performance

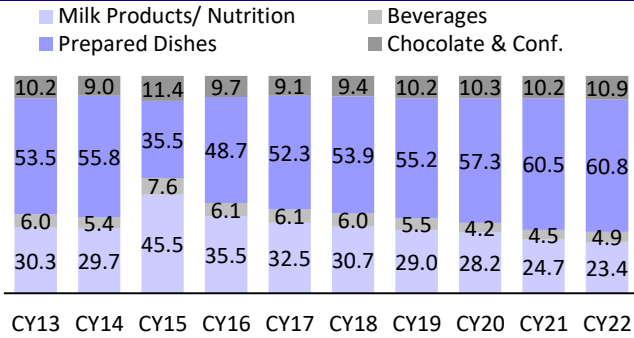
	2013	2014	2015	2016*	2017	2018	2019	2020	2021	2022
Volume (MT)[#]										
Milk Products	138,772	135,591	131,980	128,751	130,796	137,066	138,941	1,38,402	1,34,669	1,34,034
Beverages	27,717	24,673	22,130	22,092	24,423	27,013	26,380	20,772	24,507	28,020
Prepared Dishes & Cooking Aids	245,443	254,553	103,138	176,871	210,427	240,879	264,072	2,81,392	3,29,567	3,48,225
Chocolate & Confectionery	46,718	41,080	33,083	35,289	36,803	42,197	49,033	50,358	55,648	62,401
Total	458,650	455,897	290,331	363,003	402,449	447,155	478,426	4,90,924	5,44,391	5,72,680
Volume (as a % of total)[#]										
Milk Products (MT)	30%	30%	45%	35%	33%	31%	29%	28%	25%	23%
Beverages (MT)	6%	5%	8%	6%	6%	6%	6%	4%	5%	5%
Prepared Dishes & Cooking Aids (MT)	54%	56%	36%	49%	52%	54%	55%	57%	61%	61%
Chocolate & Confectionery	10%	9%	11%	10%	9%	9%	10%	10%	10%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Volume Growth (%)[#]										
Milk Products	-1.1%	-2.3%	-2.7%	-2.4%	1.6%	4.8%	1.4%	-0.4%	-2.7%	-0.5%
Beverages	9.3%	-11.0%	-10.3%	-0.2%	10.6%	10.6%	-2.3%	-21.3%	18.0%	14.3%
Prepared Dishes & Cooking Aids	3.8%	3.7%	-59.5%	71.5%	19.0%	14.5%	9.6%	6.6%	17.1%	5.7%
Chocolate & Confectionery	-2.2%	-12.1%	-19.5%	6.7%	4.3%	14.7%	16.2%	2.7%	10.5%	12.1%
Total	1.9%	-0.6%	-36.3%	25.0%	10.9%	11.1%	7.0%	2.6%	10.9%	5.2%
Weighted average volume growth[#]	2.0%	-0.3%	-25.3%	34.6%	11.5%	11.3%	7.2%	3.0%	11.6%	5.4%
Price (INR/Kg)[#]										
Milk Products	293	337	354	360	368	378	407	444	465	509
Beverages	478	543	604	582	568	564	569	711	690	720
Prepared Dishes & Cooking Aids	110	116	127	131	129	129	132	139	139	152
Chocolate & Confectionery	275	305	336	332	332	332	335	348	382	425
Total	205	222	290	259	252	251	257	271	269	293
Price Growth (%)[#]										
Milk Products	6.7%	15.0%	4.9%	1.8%	2.4%	2.7%	7.5%	9.2%	4.8%	9.2%
Beverages	7.9%	13.7%	11.2%	-3.6%	-2.4%	-0.7%	1.0%	24.8%	-2.9%	4.4%
Prepared Dishes & Cooking Aids	7.0%	5.8%	9.5%	2.8%	-1.8%	0.2%	2.8%	4.9%	0.0%	9.5%
Chocolate & Confectionery	12.4%	10.8%	10.1%	-1.2%	0.0%	0.0%	1.0%	3.9%	9.5%	11.5%
Total	7.2%	8.6%	30.7%	-10.7%	-2.8%	-0.4%	2.5%	5.3%	-0.5%	8.8%
Weighted-average price growth[#]	7.7%	11.6%	7.3%	0.9%	0.3%	1.2%	4.5%	9.0%	3.1%	9.1%
Gross Sales (INR m)										
Milk Products	40,712	45,752	46,694	46,350	48,196	51,876	56,518	61,488	62,686	68,157
Beverages	13,241	13,398	13,360	12,861	13,870	15,226	15,018	14,763	16,918	20,188
Prepared Dishes & Cooking Aids	26,982	29,613	13,141	23,176	27,071	31,053	34,982	39,108	45,813	53,006
Chocolate & Confectionery	12,864	12,532	11,109	11,709	12,214	14,007	16,435	17,543	21,231	26,545
Total	93,799	101,295	84,304	94,096	101,351	112,162	122,953	1,32,902	1,46,649	1,67,895
Gross Sales (as a % of total)										
Milk Products	43%	45%	55%	49%	48%	46%	46%	46%	43%	41%
Beverages	14%	13%	16%	14%	14%	14%	12%	11%	12%	12%
Prepared Dishes & Cooking Aids	29%	29%	16%	25%	27%	28%	28%	29%	31%	32%
Chocolate & Confectionery	14%	12%	13%	12%	12%	12%	13%	13%	14%	16%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross Sales Growth (%)										
Milk Products	5.5%	12.4%	2.1%	-0.7%	4.0%	7.6%	8.9%	8.8%	1.9%	8.7%
Beverages	17.9%	1.2%	-0.3%	-3.7%	7.8%	9.8%	-1.4%	-1.7%	14.6%	19.3%
Prepared Dishes & Cooking Aids	11.0%	9.7%	-55.6%	76.4%	16.8%	14.7%	12.7%	11.8%	17.1%	15.7%
Chocolate & Confectionery	10.0%	-2.6%	-11.4%	5.4%	4.3%	14.7%	17.3%	6.7%	21.0%	25.0%
Total	9.3%	8.0%	-16.8%	11.6%	7.7%	10.7%	9.6%	8.1%	10.3%	14.5%

* Slight impact of implementation of Goods and Services Tax (GST) on the CY16 financial statements

Source: Company, MOFSL

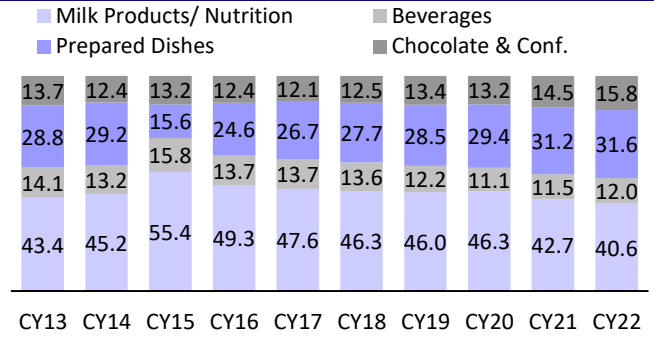
Story in charts

Exhibit 22: Segmental volume contribution



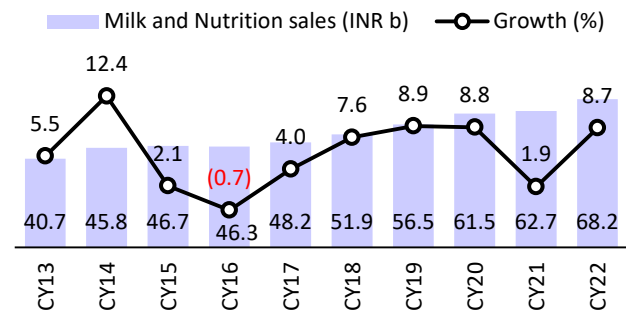
Source: Company, MOFSL

Exhibit 23: Segmental sales contribution



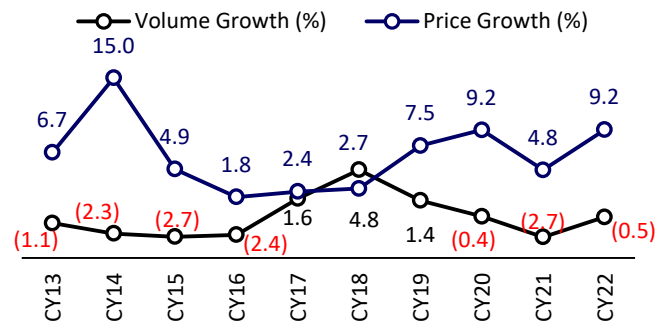
Source: Company, MOFSL

Exhibit 24: Milk Products sales up 8.7% in CY22...



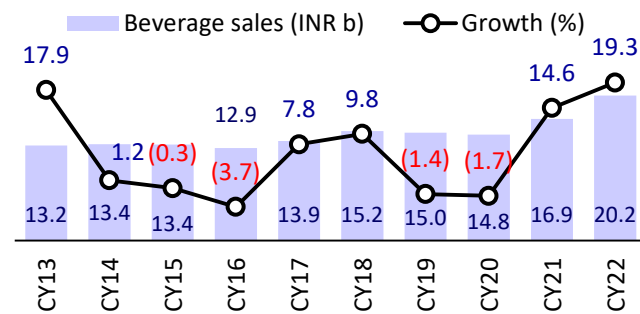
Source: Company, MOFSL

Exhibit 25: ...led by price growth of 9.2% in CY22



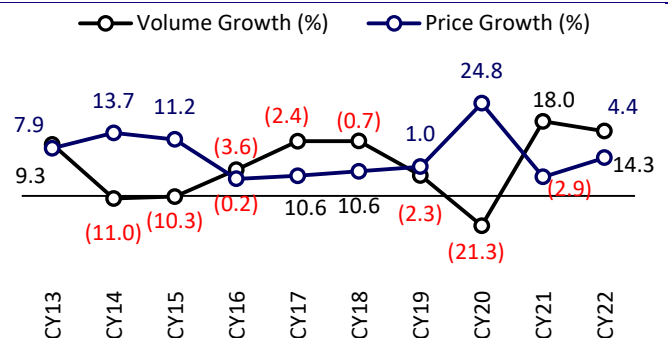
Source: Company, MOFSL

Exhibit 26: Beverages up 19.3% YoY in CY22...



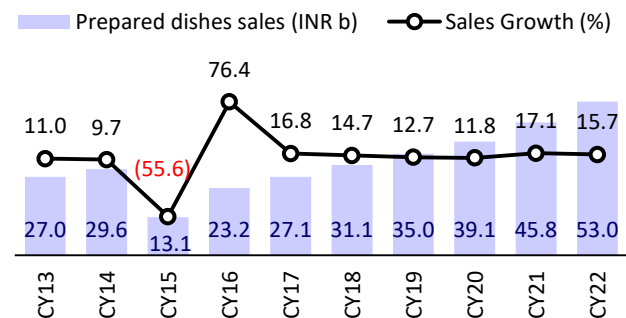
Source: Company, MOFSL

Exhibit 27: ...with price up 14.3% and volume by 4.4% in CY22



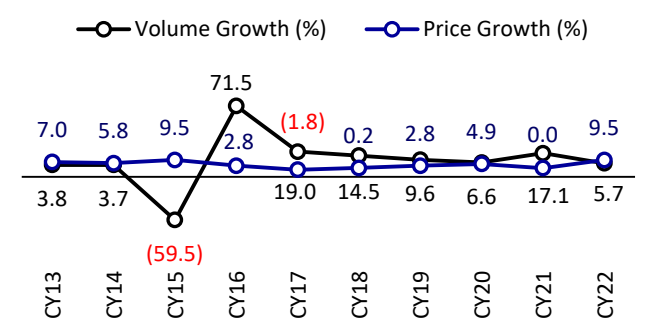
Source: Company, MOFSL

Exhibit 28: Prepared dishes up 15.7% YoY in CY22...



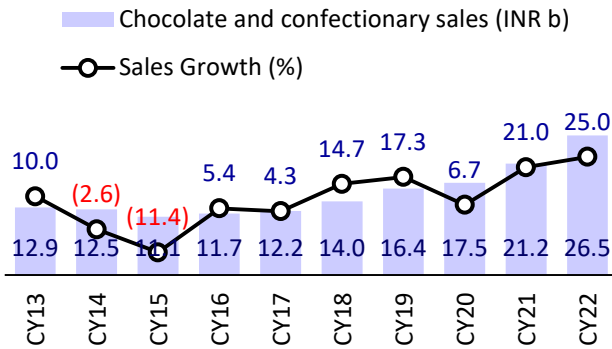
Source: Company, MOFSL

Exhibit 29: ...with price up 9.5% and volume by 5.7% in CY22



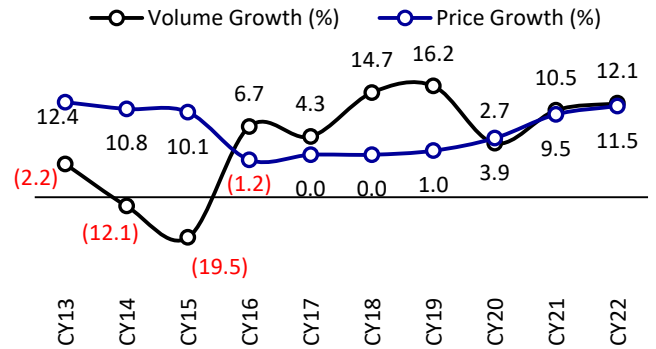
Source: Company, MOFSL

Exhibit 30: Confectionery up 25% YoY in CY22...



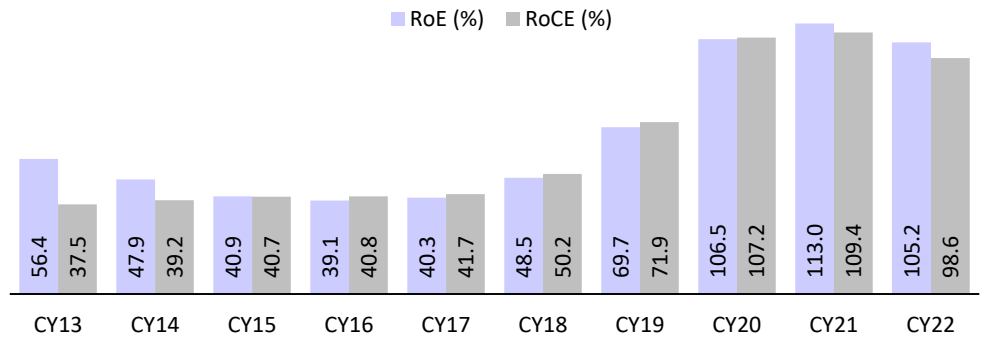
Source: Company, MOFSL

Exhibit 31: ...led by volume/price growth of 12.1%/11.5% in CY22



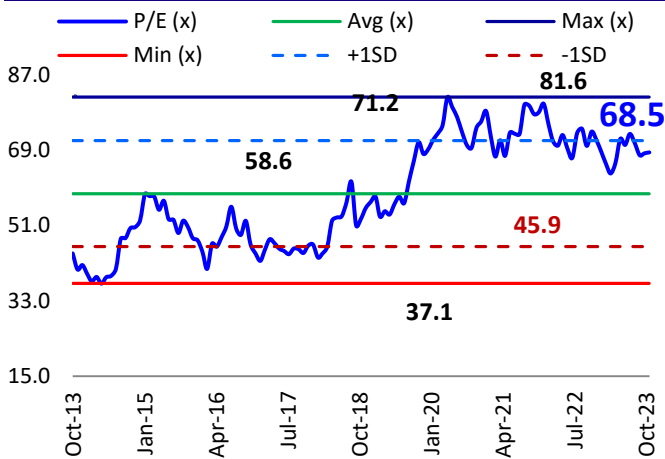
Source: Company, MOFSL

Exhibit 32: NEST RoE/RoCE improved continuously over the period



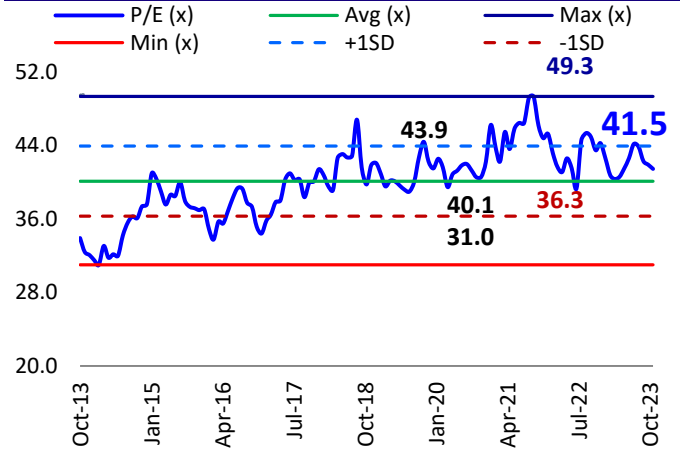
Source: Company, MOFSL

Exhibit 33: NEST P/E (x)



Source: Company, MOFSL

Exhibit 34: Consumer P/E (x)



Source: Company, MOFSL

Financials and valuations

Income Statement

Y/E December	CY17	CY18	CY19	CY20	CY21	CY22	FY24*	FY25
Net Sales	100.1	112.9	123.7	133.5	147.4	169.0	246.2	229.0
Change (%)	9.5	12.8	9.5	7.9	10.4	14.6	45.7	-7.0
Gross Profit	56.8	67.0	71.4	76.8	83.9	91.5	137.8	131.0
Margin (%)	56.8	59.4	57.8	57.5	56.9	54.1	56.0	57.2
Other Expenditure	34.6	39.7	42.4	44.6	48.3	54.3	80.4	76.3
EBITDA	22.2	27.3	29.1	32.2	35.7	37.1	57.4	54.6
Change (%)	9.4	23.0	6.3	10.7	10.9	4.1	54.6	-4.8
Margin (%)	22.2	24.2	23.5	24.1	24.2	22.0	23.3	23.9
Depreciation	3.4	3.4	3.7	3.7	3.9	4.0	5.6	6.3
Int. and Fin. Ch.	0.9	1.1	1.3	1.6	2.0	1.5	1.9	1.8
Other Inc.- Rec.	1.8	2.6	2.5	1.5	1.2	1.0	1.6	1.3
PBT	19.6	25.4	26.5	28.3	30.9	32.6	51.5	47.8
Change (%)	13.1	29.5	4.3	6.6	9.4	5.2	58.1	-7.0
Margin (%)	19.6	22.5	21.4	21.2	21.0	19.3	20.9	20.9
Tax	6.1	8.2	7.1	7.3	7.7	8.7	13.5	12,392
Tax Rate (%)	31.3	32.3	26.6	25.8	25.0	26.6	26.2	25.9
Adjusted PAT	13.5	17.2	19.5	21.0	23.2	23.9	38.0	35.5
Change (%)	13.2	27.5	13.1	7.6	10.6	3.1	58.9	-6.7
Margin (%)	13.5	15.2	15.7	15.7	15.7	14.1	15.4	15.5
Non-rec. (Exp)/Inc.	1.2	1.1	0.2	0.1	2.0	0.0	0.0	0.0
Reported PAT	12.3	16.1	19.2	20.8	21.2	23.9	38.0	35.5

Balance Sheet

Y/E December	2017	2018	2019	2020	2021	2022	2023E	FY25
Share Capital	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Reserves	33.2	35.8	18.2	19.2	19.9	23.6	23.5	26.1
Net Worth	34.2	36.7	19.2	20.2	20.8	24.6	24.4	27.1
Loans	0.4	0.4	0.5	1.5	2.7	2.7	2.7	2.7
Capital Employed	34.6	37.1	19.7	21.7	23.5	27.3	27.1	29.8
Gross Block	33.6	34.9	34.9	40.0	51.2	54.7	67.7	86.7
Less: Accum. Depn.	7.4	10.8	13.8	18.2	21.2	24.3	29.2	35.5
Net Fixed Assets	26.2	24.0	21.1	21.8	29.9	30.4	38.5	51.3
Capital WIP	0.9	1.1	1.4	6.4	2.5	3.6	3.6	3.6
Investments	19.8	26.6	18.3	15.5	22.2	22.2	22.8	19.8
Current	13.9	19.3	10.1	7.2	0.6	2.2	2.4	1.4
Non-current	5.9	7.3	8.2	8.3	21.6	20.1	20.5	18.4
Curr. Assets, L&A	26.7	29.2	30.9	35.1	27.2	33.3	31.0	33.5
Inventory	9.0	9.7	12.8	14.2	15.8	19.3	17.2	20.3
Account Receivables	0.9	1.2	1.2	1.6	1.7	1.9	1.6	1.9
Cash and Bank Balance	14.6	16.1	13.1	17.7	7.4	9.5	8.9	7.7
Others	2.2	2.2	3.7	1.6	2.4	2.6	3.4	3.6
Curr. Liab. and Prov.	37.8	43.2	51.9	57.3	58.6	62.5	69.1	78.6
Account Payables	9.8	12.4	14.9	15.2	17.3	19.3	23.5	26.6
Other Liabilities	4.2	4.6	7.0	8.4	7.0	9.5	7.7	9.1
Provisions	23.8	26.2	29.9	33.7	34.2	33.7	37.9	43.0
Net Curr. Assets	-11.1	-14.0	-21.0	-22.2	-31.4	-29.2	-38.1	-45.2
Def. Tax Liability	-1.2	-0.6	-0.1	0.2	0.3	0.3	0.3	0.3
Appl. of Funds	34.6	37.1	19.7	21.7	23.5	27.3	27.1	29.8

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E December	2017	2018	2019	2020	2021	2022	2023E	FY25
Basic (INR)								
EPS	140.0	178.6	202.0	217.4	240.6	247.9	298.3	367.7
Cash EPS	175.5	213.4	240.4	255.8	281.1	289.7	349.1	432.6
BV/Share	354.8	381.0	199.0	209.4	216.2	255.0	253.4	281.1
DPS	86.0	115.0	342.0	200.0	200.0	210.0	300.0	340.0
Payout (%)	61.4	64.4	169.3	92.0	83.1	84.7	100.6	92.5
Valuation (x)								
P/E	173.2	135.8	120.0	111.5	100.8	97.8	81.3	65.9
Cash P/E	138.2	113.6	100.9	94.8	86.3	83.7	69.5	56.1
EV/Sales	23.0	20.3	18.7	17.3	15.7	13.7	9.4	10.1
EV/EBITDA	103.7	84.0	79.4	71.7	64.8	62.2	40.2	42.3
P/BV	68.4	63.6	121.8	115.8	112.2	95.1	95.7	86.3
Dividend Yield (%)	0.4	0.5	1.4	0.8	0.8	0.9	1.2	1.4
Return Ratios (%)								
RoE	40.3	48.5	69.7	106.5	113.0	105.2	155.0	137.6
RoCE	41.7	50.2	71.9	107.2	109.4	98.6	144.8	129.3
Working Capital Ratios								
Debtor (Days)	3.2	4.1	3.7	4.5	4.1	4.2	3.0	3.0
Asset Turnover (x)	2.8	3.1	4.3	6.5	6.6	6.7	7.2	8.1
Leverage Ratio								
Debt/Equity (x)	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1

Cash Flow Statement

Y/E December	2017	2018	2019	2020	2021	2022	2023E	FY25
(INR b)								
OP/(loss) before Tax	18.4	24.3	26.7	28.1	28.8	32.6	38.6	47.8
Int./Div. Received	1.4	2.5	2.4	1.4	1.2	0.5	1.2	1.3
Depn. and Amort.	3.4	3.4	3.7	3.7	3.9	4.0	4.9	6.3
Interest Paid	0.0	0.0	0.0	0.2	0.0	0.0	1.7	1.8
Direct Taxes Paid	6.0	8.8	6.7	7.0	7.3	8.4	9.8	12.4
Incr in WC	3.7	4.1	1.6	1.0	-1.5	-0.3	8.3	5.9
CF from Operations	18.2	20.5	23.0	24.5	22.7	27.4	42.4	48.2
Others	0.6	-2.6	11.7	4.4	-5.6	2.5	1.2	1.3
Incr in FA	2.0	1.6	1.5	4.7	7.3	5.4	13.0	19.0
Free Cash Flow	16.2	18.9	21.4	19.8	15.4	22.0	29.4	29.2
Pur of Investments	1.1	1.6	0.2	0.0	0.0	1.2	0.6	-3.0
CF from Invest.	-2.4	-5.8	10.0	-0.4	-12.9	-4.0	-12.4	-14.7
Incr in Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	8.3	10.9	29.5	18.9	19.3	20.2	28.9	32.8
Others	-1.7	-2.3	-6.5	-0.7	-0.9	-1.0	-1.7	-1.8
CF from Fin. Activity	-10.0	-13.2	-36.0	-19.6	-20.2	-21.2	-30.6	-34.6
Incr/Decr of Cash	5.8	1.5	-3.0	4.6	-10.3	2.1	-0.6	-1.2
Add: Opening Balance	8.8	14.6	16.1	13.1	17.7	7.4	9.5	8.9
Closing Balance	14.6	16.1	13.1	17.7	7.4	9.5	8.9	7.7

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

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. This report and information herein is solely for informational purpose and may 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. 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. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. 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 MOFSL 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 themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.