Motilal Oswal Financial Services

24 May 2023
4QFY24 Results Update | Sector: Consumer

ITC

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	ITC IN
Equity Shares (m)	12485
M.Cap.(INRb)/(USDb)	5510.1 / 66.2
52-Week Range (INR)	500 / 399
1, 6, 12 Rel. Per (%)	0/-16/-22
12M Avg Val (INR M)	6627

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	708.8	771.3	834.9
Sales Gr. (%)	-0.1	8.8	8.2
EBITDA	262.5	282.2	303.3
EBITDA Mrg. %	37.0	36.6	36.3
Adj. PAT	204.6	215.6	231.9
Adj. EPS (INR)	16.4	17.3	18.6
EPS Gr. (%)	9.0	5.4	7.6
BV/Sh.(INR)	59.7	62.7	66.0
Ratios			
RoE (%)	28.5	28.2	28.9
RoCE (%)	28.2	27.9	28.6
Payout (%)	83.9	80.0	80.0
Valuations			
P/E (x)	26.9	25.5	23.7
P/BV (x)	7.4	7.0	6.7
EV/EBITDA (x)	19.1	17.5	16.2
Div. Yield (%)	3.1	3.4	3.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	0.0	0.0	0.0
DII	43.8	42.0	42.1
FII	41.0	43.3	43.4
Others	15.2	14.7	14.5

FII Includes depository receipts

CMP: INR440 TP: INR515 (+17%) Buy

Steady core business performance

- ITC's Cigarette and FMCG performance was healthy, while the non-consumer business (Paper and Agribusiness) remained weak. Consolidated revenue grew 2% YoY (est. +4.5%). The Cigarette revenue increased 7.5% YoY, with volume growth of ~2% YoY (in line), price hikes of 3-4%, and remaining through mix improvement. The premium cigarette segment continued to outperform, while the value segment remained weak.
- The FMCG segment's performance was resilient, with 7% YoY revenue growth. Digital and modern trade businesses contributed significantly, comprising 31% of revenue. Despite mounting competitive pressure (from local and regional players) and weak demand, ITC reported an EBIT margin expansion on an LTL basis (adjusting for the PLI benefit in base). The EBIT margin stood at 9% during the quarter.
- The Paper business was hit by demand issues, competition from China, lower pulp prices, and higher input costs. Both revenue and margin were weak; however, a gradual recovery is likely in FY25. Agribusiness continued to see a contraction in FY24, due to trade restrictions on agri-commodities. Hotels posted a robust performance, with strong ARR and occupancy.
- **Reiterate BUY** with an SOTP-based **TP of INR515 (based on 28x FY26E P/E).**

Healthy core business; non-core remains weak

- **Consolidated performance**: ITC's 4QFY24 net revenue grew 2% YoY to INR179.2b (est. INR184.2b). EBITDA/Adj PAT remained flat YoY to INR66.3b (est. INR66.2b)/INR51.2b (est. INR51.2b).
- **Cigarette volumes rose ~2% YoY:** Cigarette sales grew 8% YoY to INR86.9b. Cigarette EBIT rose 5% YoY. EBIT margin contracted 150bp YoY to 59.4%.
- **FMCG-Others** sales grew 7% YoY to INR53.1b amid the challenging demand environment. EBIT declined 5% YoY to INR4.8b in 4QFY24. EBIT margin contracted 110bp YoY to 9%. The company began to realize PLI benefits from 4QFY23, which included benefits from previous periods, thus elevating the base comparison. On an LTL basis, EBIT increased 15% YoY with a 60bp expansion in margin. **EBITDA margin was 11.6% in 4QFY24.**
- **The Hotels business** sales grew 15% YoY to INR9.3b. The segmental EBIT rose 29% YoY to INR2.6b, while the EBIT margin expanded 300bp YoY to 28.4%.
- **The Agri business** sales declined 13% YoY to INR31.4b. The segment recorded a 39% YoY decline in EBIT to INR1.9b, while EBIT margin contracted 250bp YoY to 5.9%.
- **The Paperboards** business posted a 7% YoY decline in revenue to INR20.7b. EBIT dipped 35% YoY to INR2.9b, while EBIT margin contracted 600bp YoY to 14% during the quarter.
- **In FY24,** ITC's net sales remained flat YoY, while EBITDA/adj. PAT grew 2%/7% YoY.
- The BOD declared a final dividend of INR7.5/share. In FY24, ITC paid a total dividend of INR13.75/share.

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Other takeaways

- The Cigarette revenue increased 7.5% YoY, with volume growth of ~2% YoY (in line), price hikes of 3-4%, and remaining through mix improvement.
- The premium and differentiated cigarette segments continued to outperform, while the value segment remained weak.
- Competitive intensity persisted in other FMCG businesses, particularly from local and regional players in specific categories.
- FMCG's revenue growth of 7% was driven by volume, price hikes, and mix.
- The rural recovery has been slow, and the benefits are expected to accrue gradually.
- The company began to realize PLI benefits from 4QFY23, which included benefits from previous periods, thus elevating the base comparison. On an LTL basis, EBIT increased 15% YoY with a 60bp expansion in margin.
- The Agri business faced challenges due to government policy interventions aimed at food security and inflation control amid geopolitical tensions.
- The Paper business experienced stress due to Chinese market dumping, resulting in higher pulp and wood costs. Subdued realizations and increased domestic wood costs hurt margins. However, EBIT margin will recover ~500bp gradually to reach 18-20% in FY25.
- **Demerger update:** The no-objection certificates were received from stock exchanges; NCLT has scheduled a shareholder meeting on 6th Jun'24, to consider and approve the Scheme.
- ITC has opened 24 hotels in the last 24 months (Apr'22–Mar'24) and it is planning to open 27 hotels in the next 24 months (Apr'24–Mar'26E).

Valuation and view

- There are no material changes to our EPS estimates for FY25 and FY26.
- The resilient nature of its core business, amid an uncertain industry environment, and its 3-4% dividend yield make ITC a good defensive bet in the ongoing volatile interest rate environment.
- **Reiterate BUY** with an SOTP-based **TP of INR515 (based on 28x FY26E P/E).**

Consol. Quarterly Performance (INR b)

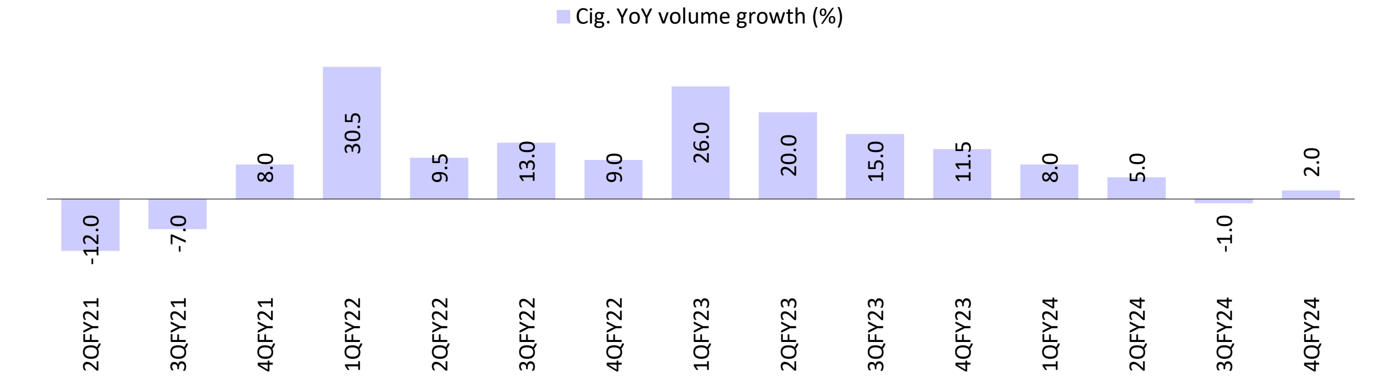
Y/E March	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Est. cigarette vol. gr. (%)	**26.0**	**20.0**	**15.0**	**11.5**	**8.0**	**5.0**	**-1.0**	**2.0**	**18.1**	**3.5**	**0.0**	
Net Sales (inc. OOI)	**184.9**	**171.1**	**177.0**	**176.3**	**171.6**	**177.7**	**180.2**	**179.2**	**709.4**	**708.8**	**184.2**	-2.7%
YoY change (%)	39.6	24.4	3.5	6.5	-7.2	3.9	1.8	1.6	16.9	-0.1	4.5	
Gross Profit	**99.4**	**103.2**	**108.1**	**108.6**	**106.1**	**107.1**	**109.8**	**113.4**	**419.3**	**436.3**	**110.5**	
Margin (%)	53.7	60.3	61.1	61.6	61.8	60.2	60.9	63.2	59.1	61.6	60.0	
EBITDA	**60.8**	**62.6**	**67.0**	**66.2**	**66.7**	**64.5**	**65.0**	**66.3**	**256.6**	**262.5**	**66.2**	0.0%
Growth (%)	36.8	24.7	19.8	18.3	9.8	3.1	-3.0	0.0	24.2	2.3	0.0	
Margins (%)	32.9	36.6	37.9	37.6	38.9	36.3	36.1	37.0	36.2	37.0	36.0	
Depreciation	4.4	4.6	4.5	4.6	4.4	4.5	4.6	4.6	18.1	18.2	4.6	
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.5	0.1	
Other Income	3.2	4.5	6.0	6.1	7.2	6.6	6.6	6.8	19.8	27.3	6.9	
PBT	**59.5**	**62.4**	**68.4**	**67.6**	**69.4**	**66.6**	**66.9**	**68.4**	**257.9**	**271.2**	**68.4**	0.0%
Tax	14.9	15.7	17.7	16.1	17.6	17.0	12.8	16.5	64.4	63.9	17.2	
Rate (%)	25.0	25.1	25.9	23.8	25.4	25.5	19.2	24.1	25.0	23.6	25.1	
Adj PAT	**43.9**	**46.2**	**50.1**	**51.2**	**51.0**	**49.0**	**53.4**	**51.2**	**191.4**	**204.6**	**51.2**	0.0%
YoY change (%)	34.0	24.4	23.4	22.0	16.3	6.0	6.7	0.0	25.6	6.9	0.0	

E: MOFSL estimate

Cigarette volume up ~2% YoY in 4QFY24

- The Cigarette revenue increased 7.5% YoY, with volume growth of ~2% YoY (in line), price hikes of 3-4%, and remaining through mix improvement.
- The cigarette business witnessed consolidation after a period of sustained growth.
- The premium offerings performed strongly, and cost increases in tobacco and taxes were mitigated through improved mix, strategic cost management, and calibrated pricing.
- The business continued to combat illicit trade and strengthen the market position through innovation, premiumization, and enhanced product availability, by introducing variants like 'Classic Alphatec,' 'Classic Icon,' and 'Gold Flake Indie Mint.'
- Stability in cigarette taxes, backed by enforcement actions, facilitated volume recovery and boosted demand for Indian tobacco, and generated revenue for the exchequer.
- Cigarette EBIT grew 5% YoY to INR51.6b. However, the EBIT margin for the segment contracted ~150bp YoY to 59.4% in 4QFY24.

Exhibit 1: Cigarette volume up ~2% YoY in 4QFY24



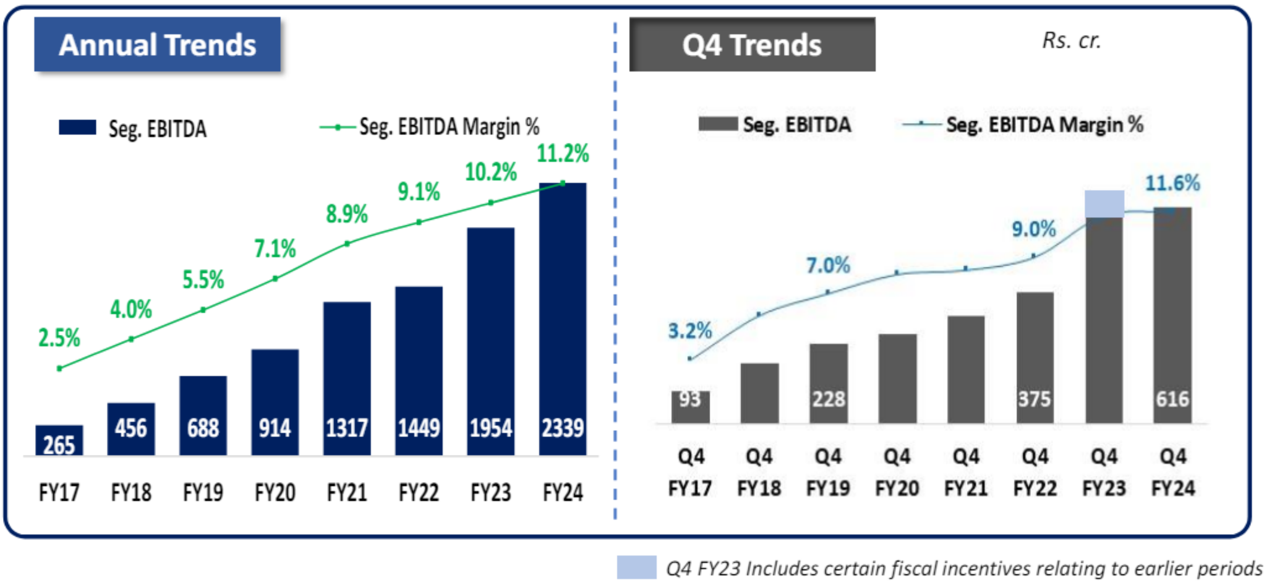
Source: Company, MOFSL

FMCG – Others: Strong growth in the overall portfolio

- Segmental sales grew 7.2% YoY to INR53.1b, led by staples, biscuits, snacks, dairy, homecare, and agarbatti. The Stationery business continued to witness strong traction.
- The EBIT declined 4.7% YoY to INR4.8b in 4QFY24. EBIT margin contracted 110bp YoY to 9%. However, ITC began to realize the PLI benefits from 4QFY23, which included benefits from previous periods, thereby elevating the base comparison. On an LTL basis, EBIT increased 15% YoY with a 60bp expansion in margin.
- The product portfolio focuses on strengthening the core businesses, expanding value-added adjacencies, and building new growth vectors. Over 100 new products were launched, focusing on health & nutrition, hygiene, and protection & care.
- Strategic portfolio augmentation, agile, and purposeful innovation are being increased to address the evolving consumer needs and accelerate premiumization.
- There was a sequential uptick in certain commodity prices.

- Competitive intensity remained high, particularly from local and regional players in certain categories.
- The digitally powered eB2B platform, UNNATI, scaled up to cover nearly 0.7m outlets, boosting retailer engagements and analytics. The digitally-enabled sales, along with modern trade, now account for 31% of sales in branded packaged foods, personal care products, incense sticks, and safety matches (up from 17% in FY20).
- The FMCG businesses are expanding their export footprints, now spanning over 70 countries. The Production-linked Incentive (PLI) scheme has further boosted the company's exports in categories such as biscuits & cakes, snacks, dairy, and ready-to-eat products.

Exhibit 2: Segmental EBITDA and EBITDA margin



Source: Company Presentation

Paperboards, Paper, and Packaging

- Paper and Paperboard sales declined 6.7% YoY to INR20.7b in 4QFY24.
- EBIT declined 34.6% YoY to INR2.9b, while EBIT margin contracted 600bp YoY to 14%. It was hit primarily by a sharp drop in realizations, and an increased cost of inputs (mainly wood and coal).
- Strategic investments in high-pressure recovery boilers and proactive capacity augmentation in value-added paperboards partly mitigated the pressure on margins.
- Capacity utilization at the newly commissioned Nadiad unit in Gujarat is being ramped up to efficiently serve proximal markets.
- The sustainable paperboards/packaging solutions portfolio witnessed strong growth with innovation platforms.
- The wholly owned subsidiary, ITC Fibre Innovations Limited, is setting up a premium molded fiber product manufacturing facility in Badiyakhedi, Madhya Pradesh, which has been commissioned during the quarter.

Agri Business

- In 4QFY24, revenue declined 13% YoY to INR31.4b. The segment recorded a 39% YoY decline in EBIT to INR1.9b, while the EBIT margin contracted 250bp YoY to 5.9%.
- The Agri business faced challenges due to government policy interventions aimed at food security and inflation control amid geopolitical tensions.
- The strategic portfolio, comprising value-added agri products and leaf tobacco, delivered 18% YoY revenue growth.
- Margins under pressure due to a significant rise in green leaf prices.
- Strategic sourcing support for Branded Packaged Foods includes wheat, dairy, beverages, and spices.
- IIVL, a subsidiary, is commissioning a state-of-the-art facility for manufacturing and exporting nicotine and nicotine derivative products; exports to the EU have commissioned in 4QFY24.
- Growth in Leaf Tobacco & Value Added Agri products is propelled by strong customer relationships and agile execution by calling up ITCMAARS, a crop-agnostic 'phygital' AgriTech platform, across nine states, with over 1,650 Farmer Producer Organisations (FPOs) and 1.5m farmers added to the network.

Hotels

- Revenue grew 15% YoY to INR9.3b in 4QFY24. Segment EBITDA margin expanded 340bp YoY to 38.2%.
- Segmental EBIT grew 29% YoY to INR2.6b. This margin expansion was driven by higher RevPAR, operating leverage, and structural cost interventions.
- There is a robust pipeline of management contracts across Mementos, Welcomhotel, Storii, Fortune, and WelcomHeritage brands. Management is anticipating phased openings in the coming quarters.
- ITC's subsidiary, WelcomHotels Lanka (Private) Limited, successfully launched ITC Ratnadipa, a 352-room hotel in Colombo, in Apr'24.
- **Demerger update:** The no-objection certificates were received from stock exchanges; NCLT has scheduled a shareholder meeting on 6th Jun'24, to consider and approve the Scheme.
- ITC has opened 24 hotels in the last 24 months (Apr'22–Mar'24) and it is planning to open 27 hotels in the next 24 months (Apr'24–Mar'26E).

ITC Infotech

- ITC Infotech delivered revenue growth of 13% YoY to INR9.9b. EBITDA grew 37% YoY to INR2.1b with an EBITDA margin of ~21.9%.
- Investments are being made towards capability building in strategic focus areas and infrastructure.
- There is a strong TCV pipeline of healthy signings.

Key exhibits

Exhibit 3: Segmental information

Segmental Information	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Net sales (INR b)								
Cigarettes	74.6	76.4	80.9	80.8	83.6	83.3	83.0	86.9
FMCG - Others	44.6	48.9	48.5	49.5	51.7	53.0	52.2	53.1
Hotels	5.8	5.6	7.4	8.1	6.2	6.8	8.7	9.3
Agri business	74.9	40.4	33.1	36.1	57.3	39.9	32.7	31.4
Paper and packaging	22.7	22.9	23.1	22.2	21.2	20.7	20.8	20.7
Sales growth (YoY)								
Cigarettes	28.6	22.8	16.2	12.6	11.9	9.1	2.6	7.5
FMCG - Others	19.5	21.0	18.3	19.3	16.0	8.4	7.6	7.2
Hotels	334.4	80.2	49.2	98.5	7.6	20.5	18.0	15.1
Agri business	82.3	43.1	(35.9)	(17.6)	(23.6)	(1.3)	(1.0)	(13.1)
Paper and packaging	43.3	25.0	12.7	1.8	(6.5)	(9.5)	(9.7)	(6.7)
Volume growth (YoY)								
Cigarettes	26.0	20.0	15.0	11.5	8.0	5.0	(1.0)	2.0
EBIT (INR b)								
Cigarettes	44.7	46.3	48.6	49.2	49.4	50.0	49.7	51.6
FMCG - Others	2.1	3.2	3.5	5.0	4.3	4.4	4.3	4.8
Hotels	1.2	0.9	1.5	2.0	1.3	1.3	2.3	2.6
Agri business	2.8	3.6	4.4	3.0	3.5	3.6	3.8	1.9
Paper and packaging	6.1	6.3	6.1	4.4	4.7	3.1	3.0	2.9
EBIT growth (YoY)								
Cigarettes	29.1	23.2	16.1	12.8	10.6	7.9	2.1	4.9
FMCG - Others	18.7	17.4	42.9	111.2	109.8	36.5	23.3	(4.7)
Hotels	L/P	L/P	181.9	L/P	15.5	53.1	56.4	29.0
Agri business	45.2	19.4	25.2	24.7	24.4	0.8	(12.8)	(38.8)
Paper and packaging	56.0	54.0	35.2	(1.0)	(23.1)	(50.0)	(51.3)	(34.6)
EBIT margin (%)								
Cigarettes	59.9	60.7	60.1	60.8	59.2	60.1	59.9	59.4
FMCG - Others	4.6	6.6	7.3	10.2	8.4	8.3	8.3	9.0
Hotels	20.0	15.5	20.2	25.3	21.5	19.7	26.8	28.4
Agri business	3.8	8.8	13.2	8.4	6.2	9.0	11.6	5.9
Paper and packaging	27.0	27.5	26.3	20.0	22.2	15.2	14.2	14.0
EBIT margin change (%)								
Cigarettes	0.2	0.2	(0.0)	0.1	(0.7)	(0.6)	(0.3)	(1.5)
FMCG - Others	(0.0)	(0.2)	1.3	4.4	3.7	1.7	1.1	(1.1)
Hotels	139.4	31.4	9.5	32.5	1.5	4.2	6.6	3.0
Agri business	(1.0)	(1.7)	6.4	2.9	2.4	0.2	(1.6)	(2.5)
Paper and packaging	2.2	5.2	4.4	(0.6)	(4.8)	(12.3)	(12.1)	(6.0)

Valuation and view

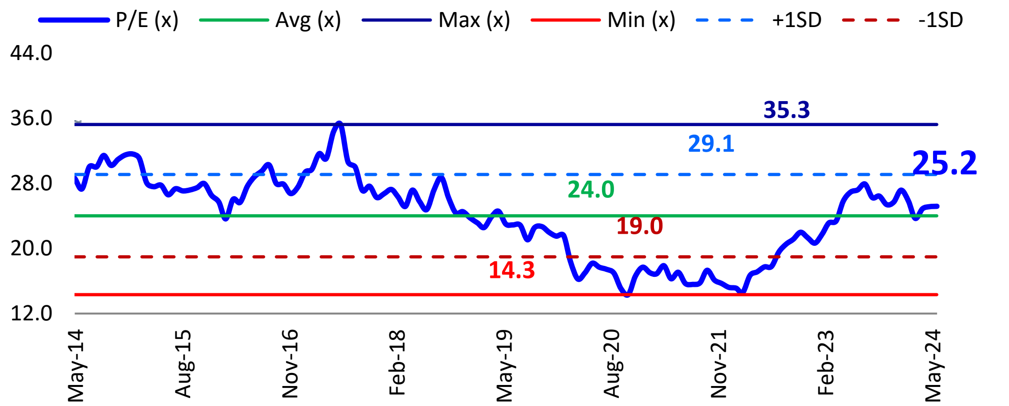
- There are no material changes to our EPS estimates for FY25 and FY26.
- The resilient nature of its core business, amid an uncertain industry environment, and its 3-4% dividend yield make ITC a good defensive bet in the ongoing volatile interest rate environment.
- **Reiterate BUY** with an SOTP-based **TP of INR515 (based on 28x FY26E P/E).**

Exhibit 4: There are no material changes to our EPS estimates for FY25 and FY26

	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	771.3	834.9	777.9	845.5	-0.9	-1.3
EBITDA	282.2	303.3	280.2	300.9	0.7	0.8
PAT	215.6	231.9	214.0	230.0	0.7	0.8

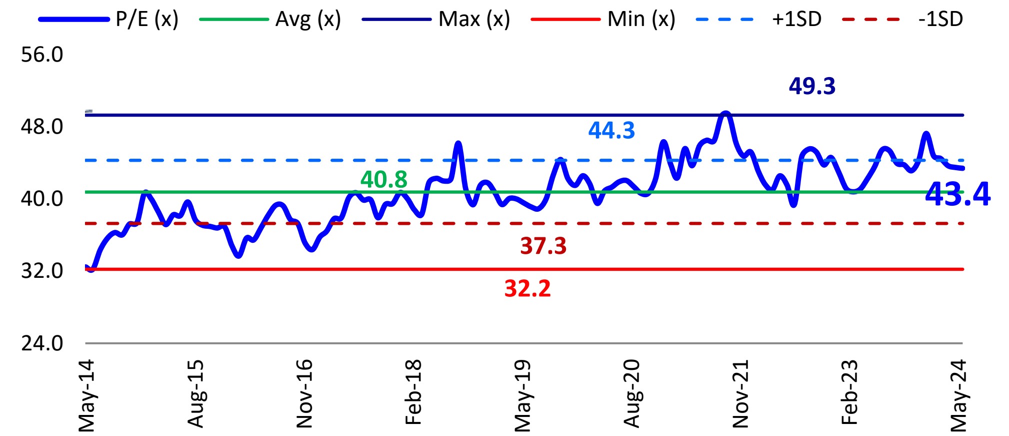
Source: Company, MOFSL

Exhibit 5: P/E for ITC (x)



Source: Bloomberg, MOFSL

Exhibit 6: Consumer sector P/E (x)



Source: Bloomberg, MOFSL

Financials and valuations

Income Statement								(INR b)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**
Net Sales	**498.6**	**513.9**	**531.6**	**652.0**	**765.2**	**768.4**	**836.1**	**905.0**
Operational Income	15.1	19.9	38.8	45.4	55.8	59.6	64.8	70.2
Total Revenue	**483.5**	**494.0**	**492.7**	**606.7**	**709.4**	**708.8**	**771.3**	**834.9**
Change (%)	11.3	2.2	-0.3	23.1	16.9	-0.1	8.8	8.2
Gross Profit	**309.3**	**320.6**	**291.4**	**342.8**	**419.3**	**436.3**	**470.5**	**509.3**
Margin (%)	64.0	64.9	59.1	56.5	59.1	61.6	61.0	61.0
Other operating expenditure	125.3	128.0	121.4	136.2	162.7	173.8	188.3	206.0
EBITDA	**184.1**	**192.6**	**170.0**	**206.6**	**256.6**	**262.5**	**282.2**	**303.3**
Change (%)	11.7	4.6	-11.7	21.5	24.2	2.3	7.5	7.5
Margin (%)	38.1	39.0	34.5	34.1	36.2	37.0	36.6	36.3
Depreciation	14.0	16.4	16.5	17.3	18.1	18.2	19.2	20.2
Int. and Fin. Charges	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.6
Other Inc. - Recurring	21.7	26.0	26.3	18.4	19.8	27.3	29.7	32.1
Profit before Taxes	**191.4**	**201.6**	**179.5**	**207.2**	**257.9**	**271.2**	**292.2**	**314.6**
Change (%)	12.7	5.3	-11.0	15.5	24.5	5.1	7.8	7.7
Margin (%)	39.6	40.8	36.4	34.2	36.4	38.3	37.9	37.7
Tax	61.9	48.5	44.6	53.1	64.5	61.7	73.6	79.2
Deferred Tax	1.2	-4.0	0.9	-0.7	-0.1	2.2	0.0	0.0
Tax Rate (%)	33.0	22.0	25.4	25.3	25.0	23.6	25.2	25.2
Profit after Taxes	**124.6**	**152.7**	**130.3**	**150.6**	**186.8**	**204.6**	**215.6**	**231.9**
Change (%)	15.3	22.5	-14.6	15.5	24.1	9.5	5.4	7.6
Margin (%)	25.8	30.9	26.4	24.8	26.3	28.9	28.0	27.8
Reported PAT	**127.9**	**146.0**	**131.6**	**152.4**	**191.4**	**204.6**	**215.6**	**231.9**

Balance Sheet								(INR b)
Y/E March	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**
Share Capital	12.3	12.3	12.3	12.3	12.4	12.5	12.5	12.5
Reserves	579.2	640.4	585.6	602.4	679.1	732.6	770.3	811.8
Net Worth	**591.4**	**652.7**	**597.9**	**614.8**	**691.6**	**745.1**	**782.8**	**824.2**
Loans	0.1	0.1	0.1	0.1	0.4	0.1	0.5	0.5
Deferred Liability	19.9	15.7	16.8	16.1	15.8	20.7	20.7	20.7
Capital Employed	**611.4**	**668.5**	**614.8**	**630.9**	**707.7**	**765.9**	**803.9**	**845.4**
Gross Block	324.4	364.2	396.5	423.4	457.6	476.6	503.3	530.0
Less: Accum. Depn.	130.6	147.0	163.5	180.8	198.9	217.1	236.2	256.5
Net Fixed Assets	**193.8**	**217.2**	**233.1**	**242.6**	**258.7**	**278.3**	**267.1**	**273.6**
Capital WIP	41.3	32.5	40.0	32.0	29.8	28.5	22.8	18.2
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	**250.4**	**286.6**	**248.7**	**248.4**	**294.2**	**311.1**	**326.1**	**341.1**
Current	133.5	179.5	148.5	122.6	172.3	129.4	144.4	159.4
Non-current	117.0	107.2	100.2	125.8	121.8	181.7	181.7	181.7
Curr. Assets, L&A	**231.8**	**236.8**	**210.2**	**239.2**	**275.6**	**299.6**	**360.5**	**403.6**
Inventory	79.4	89.7	104.0	108.6	117.7	141.5	124.0	134.2
Account Receivables	40.4	25.6	25.0	24.6	29.6	40.3	32.1	34.8
Cash and Bank Balance	41.5	72.8	41.0	36.8	48.8	72.2	122.5	147.8
Others	70.5	48.7	40.2	69.2	79.5	45.6	81.9	86.8
Curr. Liab. and Prov.	**102.5**	**100.8**	**113.8**	**127.6**	**146.8**	**147.8**	**165.5**	**180.1**
Account Payables	35.1	36.3	43.2	44.2	46.6	48.0	51.4	55.6
Other Liabilities	62.7	59.9	65.3	75.7	98.6	98.2	102.4	111.1
Net Current Assets	**129.3**	**136.0**	**96.4**	**111.6**	**128.8**	**151.8**	**195.1**	**223.6**
Application of Funds	**614.9**	**672.3**	**618.2**	**634.6**	**711.5**	**769.7**	**811.1**	**856.5**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Basic (INR)								
EPS	**10.2**	**12.4**	**10.6**	**12.2**	**15.0**	**16.4**	**17.3**	**18.6**
Cash EPS	11.3	13.8	11.9	13.6	16.5	17.8	18.8	20.2
BV/Share	48.2	53.1	48.6	49.9	55.6	59.7	62.7	66.0
DPS	5.8	10.2	10.8	11.5	15.5	13.8	14.8	15.8
Payout %	66	85	101	93	101	84	80	80
Valuation (x)								
P/E	43.3	35.4	41.6	36.0	29.3	26.9	25.5	23.7
Cash P/E	38.9	32.0	36.9	32.3	26.7	24.7	23.4	21.8
EV/Sales	10.2	9.8	9.6	7.8	6.6	6.5	5.9	5.4
EV/EBITDA	27.7	26.1	30.0	24.7	19.7	19.1	17.5	16.2
P/BV	9.1	8.3	9.1	8.8	7.9	7.4	7.0	6.7
Dividend Yield (%)	1.3	2.3	2.4	2.6	3.5	3.1	3.4	3.6
Return Ratios (%)								
RoE	22.3	24.5	20.8	24.8	28.6	28.5	28.2	28.9
RoCE	22.2	24.6	20.9	24.9	29.0	28.2	27.9	28.6
RoIC	44.0	49.5	40.8	47.2	55.2	54.2	57.3	63.2
Working Capital Ratios								
Debtor (Days)	25	24	19	15	14	18	17	15
Asset Turnover (x)	0.8	0.8	0.9	1.0	1.1	1.0	1.0	1.1

Cash Flow Statement (INR b)

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
OP/(loss) before Tax	191.5	200.3	179.5	207.2	259.2	271.4	292.2	314.6
Financial other income	-4.2	-8.0	-0.1	0.2	-3.0	-6.6	0.3	0.3
Depreciation and Amort.	14.0	16.4	16.5	17.3	18.1	18.2	19.2	20.2
Interest Paid	-12.7	-14.7	-15.3	-6.9	-15.3	-16.6	-8.4	-9.1
Direct Taxes Paid	-58.0	-50.2	-44.6	-53.1	-62.5	-61.2	-73.6	-79.2
Incr in WC	-4.8	3.0	6.1	-18.5	-7.7	-33.4	7.0	-3.2
CF from Operations	**125.8**	**146.9**	**142.0**	**146.3**	**188.8**	**171.8**	**236.7**	**243.7**
Other items	-27.4	44.7	14.6	3.5	24.0	42.0	27.1	9.1
Incr Decr in FA	31.4	24.1	39.9	18.8	26.9	34.6	21.0	22.1
Free Cash Flow	**94.4**	**122.8**	**102.2**	**127.5**	**161.8**	**137.2**	**215.7**	**221.6**
Pur of Investments	-14.2	54.4	-37.9	-0.3	43.7	-29.6	15.0	15.0
CF from Invest.	**-44.6**	**-33.8**	**12.7**	**-15.0**	**-46.7**	**37.1**	**-8.9**	**-28.1**
Issue of shares	9.7	6.3	0.0	0.0	24.8	14.4	0.0	0.0
Incr in Debt	-0.1	0.0	0.0	0.0	-0.6	-0.6	0.3	0.0
Net Interest Paid	1.0	0.4	0.0	0.0	0.4	0.5	0.0	0.0
Dividend Paid	77.3	87.1	186.5	135.6	154.0	199.0	177.9	190.4
Others	0.0	-0.5	0.0	0.0	0.1	0.1	0.0	0.0
CF from Fin. Activity	**-68.7**	**-81.8**	**-186.4**	**-135.6**	**-130.1**	**-185.5**	**-177.6**	**-190.3**
Incr of Cash	**12.5**	**31.3**	**-31.7**	**-4.3**	**12.0**	**23.4**	**50.3**	**25.3**
Add: Opening Balance	29.0	41.5	72.8	41.0	36.8	48.8	72.2	122.5
Closing Balance	**41.5**	**72.8**	**41.0**	**36.8**	**48.8**	**72.2**	**122.5**	**147.8**

E: MOFSL Estimates

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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