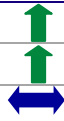


Hindustan Unilever

Estimate changes

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



	HUVR IN
Bloomberg Equity Shares (m)	2,350
M.Cap.(INRb)/(USDb)	6029.1 / 75.4
52-Week Range (INR)	2859 / 1902
1, 6, 12 Rel. Per (%)	15/20/2
12M Avg Val (INR M)	4494

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	511.9	588.0	643.6
Sales Gr. (%)	11.3	14.9	9.4
EBITDA	125.0	138.8	157.9
EBITDA mrg. (%)	24.4	23.6	24.5
Adj. PAT	88.5	97.4	112.7
Adj. EPS (INR)	37.7	41.4	47.9
EPS Gr. (%)	9.0	10.0	15.7
BV/Sh.(INR)	207.5	201.4	195.3
Ratios			
RoE (%)	18.4	20.3	24.2
RoCE (%)	24.7	27.6	32.6
Payout (%)	90.3	114.6	112.6
Valuations			
P/E (x)	68.1	61.9	53.5
P/BV (x)	12.4	12.7	13.1
EV/EBITDA (x)	47.9	43.2	38.0
Div. Yield (%)	1.3	1.9	2.1

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	61.9	61.9	61.9
DII	12.2	11.6	10.8
FII	13.3	13.7	15.1
Others	12.6	12.8	12.2

FII Includes depository receipts

CMP: INR2,566
TP: INR3,000 (+17%)
Buy

Beat on volumes led by Home Care performance

- HUVR's sales and volumes were ahead of expectations in 1QFY23 but gross profit, EBITDA, PBT and PAT were broadly in line.
- Margin pressure led by commodity cost inflation is likely to persist in 2QFY23E, before sequential improvement from 3QFY23E onwards. Within the premium personal care portfolio, skin care is ahead of pre-Covid levels although color cosmetics portfolio is still below the pre-pandemic levels despite the recent recovery in mobility.
- Signs of incipient earnings growth recovery are getting better – but only gradually – fueled by possible good monsoon, fertilizer subsidy, gradual reduction in commodity costs from the decadal high levels and recovery in premium personal care portfolio. **We maintain BUY with a TP of INR3,000.**

Robust volume growth; RM pressure leads to a miss in margin

- HUVR's reported net sales grew 19.8% YoY to INR142.7b in 1QFY23** (est. INR133.4b). EBITDA grew 14% YoY to INR32.5b (est. INR31.5b), PBT rose 16.5% YoY to INR31.0b (est. INR29.5b), while PAT (bei) was up 16.7% YoY to INR22.9b (est. INR22.1b).
- Underlying volumes jumped 6% YoY in 1QFY23 (est. 2%).
- Segmental performance: Home Care** (35% of total sales in 1QFY23) revenue was up 29.9% YoY (three-year/four-year CAGR of 12.5%/11.9%), **Personal Care** revenue (38% of total sales) jumped 17.3% YoY (three-year/four-year CAGR of 5.3%/5.0%), and **Food & Refreshment** business revenue (25% of total sales) improved 9.3% YoY.
- Segmental EBIT: Home Care** margin expanded 20bp YoY to 17.6%. However, **Personal Care** margin contracted 180bp YoY to 26.3% and **Food & Refreshment** segment margin contracted 210bp YoY to 15.9% in 1QFY23.
- Overall gross margin contracted 310bp YoY to 47.4% (est. 49.1%).
- As a percentage of sales, lower operating expenses (-170bp YoY to 11.1%), staff cost (-100bp YoY to 4.2%) and higher ad spends (+70bp YoY to 9.3%), restricted **EBITDA margin contraction by 110bp YoY to 22.8%** (est. 23.6%). Absolute ad spends surged 29.7% YoY to INR13.3b in 1QFY23.

Management conference call highlights

- Inflation was at a decadal high during the quarter. While prices of some commodities have reduced, overall inflation is still high. Rupee depreciation is also affecting gross margin adversely.
- Cost inflation in 2QFY23 is likely to be more than 1QFY23 due to higher cost inventory pipeline and with prices of most RMs still being at elevated levels.
- If commodity costs decelerate significantly, the extent of price drop will be sharper than the pace of price increases in an inflationary environment.
- Deflation could also lead to increased competitive intensity in the form of higher ad-spends, price declines, etc.

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Research analyst: Kaiwan Jal Olia (Kaiwan.O@MotilalOswal.com) | **Aditya Kasat** (Aditya.Kasat@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.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Continues to place building blocks for future growth; maintain BUY

- We raise our FY23/FY24 EPS forecasts by 6-7% due to HUVR's healthy quarterly performance.
- The company's pre-Covid earnings had been extremely strong. It reported ~18% EPS CAGR in the four years ended FY20, before steeper commodity cost inflation (v/s peers) and the over-indexed discretionary portfolio adversely impacted its earnings in FY21 and FY22. HUVR's pre-pandemic earnings growth was particularly impressive, given the weak mid-single-digit growth posted by its (much smaller) staples peers over the same period. Once the ongoing high material cost environment abates, we believe HUVR could revert to mid-teens earnings growth.
- As highlighted in the [FY22 AR update](#), the company continues to place the building blocks for future growth and has been able to do so ahead of its peers. HUVR continues to display the dexterity shown over the last decade, despite its larger size, even as it continues to grow v/s peers.
- While the pace of earnings recovery to double digit and then mid-teens will be gradual, improving narrative will keep multiples high for the bellwether FMCG company. Rolling forward to Jun'24E EPS and maintaining our target multiple of 60x result in our target price of INR3,000 – 17% upside to CMP. Maintain **BUY**.

Quarterly performance (Standalone)**(INR b)**

Y/E March	FY22				FY23E				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Domestic volume growth (%)	9.0	4.0	2.0	0.0	6.0	5.0	6.0	6.0	3.0	5.8	2.0	
Net sales	119.2	127.2	130.9	134.6	142.7	147.6	149.2	148.5	511.9	588.0	133.4	7.0%
YoY change (%)	12.8	11.2	10.4	11.0	19.8	16.0	14.0	10.3	11.3	14.9	12.0	
Gross Profit	60.1	65.7	68.2	66.7	67.6	70.1	74.9	77.5	260.7	290.0	65.5	
Margin %	50.4	51.6	52.1	49.5	47.4	47.5	50.2	52.2	50.9	49.3	49.1	
EBITDA	28.5	31.3	32.8	32.5	32.5	33.2	36.4	36.6	125.0	138.8	31.5	3.1%
YoY change (%)	7.7	9.2	14.9	9.7	14.0	6.1	11.2	12.9	10.4	11.0	10.6	
Margins (%)	23.9	24.6	25.0	24.1	22.8	22.5	24.4	24.7	24.4	23.6	23.6	
Depreciation	2.4	2.7	2.6	2.6	2.6	2.8	2.9	3.0	10.3	11.2	2.7	
Interest	0.1	0.3	0.3	0.4	0.3	0.3	0.3	0.3	1.0	1.2	0.3	
Other income	0.7	1.1	0.9	1.2	1.4	1.3	1.2	1.4	3.9	5.2	1.0	
PBT	26.6	29.5	30.9	30.7	31.0	31.4	34.5	34.7	117.7	131.6	29.5	4.9%
Tax	5.7	7.7	7.8	8.0	8.0	8.2	9.0	9.1	29.2	34.2	7.4	
Rate (%)	21.5	26.0	25.3	26.1	25.7	26.0	26.0	26.2	24.8	26.0	25.2	
PAT bei	19.6	21.9	22.9	22.8	22.9	23.3	25.5	25.6	88.5	97.4	22.1	3.6%
YoY change (%)	4.8	7.5	17.5	8.6	16.7	6.3	11.3	12.2	9.0	10.0	12.6	
Extraordinary Inc/(Exp)	-0.3	0.0	-0.7	0.6	-0.1	0.0	0.0	0.0	-0.3	-0	0.0	
Reported Profit	20.6	21.9	22.4	23.3	22.9	23.3	25.5	25.6	88.2	97.3	22.1	

E: MOFSL Estimates; Note: Quarterly PAT (bei) is as reported by the company while FY21/FY22 PAT (bei) is adjusted PAT

Key Performance Indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
2Y average growth %								
Volumes	6.5	9.0	9.5	15.5	7.5	4.5	4.0	3.0
Sales	8.6	13.7	15.7	22.8	16.3	13.6	12.2	10.6
EBITDA	3.8	13.3	15.8	26.5	10.9	7.6	13.0	11.3
PAT	5.9	9.3	16.4	25.9	10.7	6.9	14.4	10.4
% sales								
COGS	49.6	48.4	47.9	50.5	52.6	52.5	49.8	47.8
Staff cost	5.2	4.6	5.0	4.0	4.2	4.5	4.6	5.8
Advertising and Promotion	8.6	9.5	9.1	9.6	9.3	9.9	10.4	10.3
Others	12.8	12.9	13.0	11.8	11.1	10.5	10.8	11.3
Depreciation	2.0	2.1	1.9	1.9	1.8	1.9	1.9	2.0
YoY change %								
COGS	16.1	14.6	14.8	18.0	27.2	25.9	18.5	4.5
Staff cost	-0.4	-0.3	0.3	-0.3	-1.0	0.0	-0.4	1.8
Advertising and Promotion	1.0	-0.4	-2.6	-2.1	0.7	0.3	1.3	0.7
Others	-0.9	-0.2	-0.6	-0.4	-1.7	-2.3	-2.2	-0.5
Other income	-57.1	-25.2	-6.2	11.9	104.5	12.0	30.0	15.7
EBIT	8.4	9.4	17.1	10.2	14.8	6.2	11.1	12.7

Exhibit 1: Segmental performance

Particulars (INR b)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Segment Revenue									
Home Care	33.9	33.2	34.1	38.4	38.0	38.4	41.9	47.5	49.3
Personal Care	40.4	45.4	48.4	45.5	45.7	50.0	51.8	47.1	53.6
Foods & Refreshments	29.6	33.8	33.6	35.1	33.2	36.2	34.7	37.0	36.3
Others	1.7	2.1	2.6	2.3	2.3	2.6	2.6	3.0	3.5
Net Segment Revenue	105.6	114.4	118.6	121.3	119.2	127.2	130.9	134.6	142.7
Growth YoY (%)									
Home Care	-2.1	-1.6	-1.4	14.6	11.9	15.7	23.0	23.7	29.9
Personal Care	-12.0	-0.2	9.7	19.7	13.2	10.3	6.9	3.6	17.3
Foods & Refreshments	51.7	82.9	79.9	96.4	12.2	7.2	3.3	5.3	9.3
Others	55.5	130.8	241.3	222.2	32.2	25.7	0.8	30.2	54.9
Net Segment Revenue	4.4	16.1	20.9	34.6	12.8	11.2	10.4	11.0	19.8
Saliency (%)									
Home Care	32	29	29	32	32	30	32	35	35
Personal Care	38	40	41	37	38	39	40	35	38
Foods & Refreshments	28	30	28	29	28	28	26	27	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)									
Home Care	6.4	6.8	6.5	8.1	6.6	7.3	8.6	9.4	8.7
Personal Care	11.3	13.3	14.1	12.5	12.9	13.9	14.4	12.4	14.1
Foods & Refreshments	5.8	5.6	4.7	5.8	6.0	6.6	6.5	7.1	5.8
Others	0.5	0.6	0.5	0.7	0.5	0.9	0.7	1.0	1.3
Total Segment Results	24.0	26.2	25.8	27.1	26.0	28.7	30.2	29.8	29.9
PBT	24.1	26.6	26.0	28.2	26.3	29.5	30.9	30.7	30.9
Growth YoY (%)									
Home Care	-8.9	13.9	2.7	27.7	3.9	7.4	33.7	15.6	31.3
Personal Care	-16.5	1.0	12.9	32.5	13.5	4.7	2.0	-1.3	9.6
Foods & Refreshments	53.6	90.1	41.6	155.6	3.1	18.8	36.6	24.0	-3.7
Others	#	#	L/P	#	10.2	54.5	46.0	39.1	138.9
Total Segment Results	-1.5	18.8	16.7	49.6	8.4	9.4	17.1	10.2	14.8
Saliency (%)									
Home Care	26.4	25.5	24.9	28.8	25.1	24.6	28.0	30.6	28.2
Personal Care	47.0	49.9	54.4	44.4	48.9	47.1	46.6	40.3	45.7
Foods & Refreshments	24.1	21.0	18.2	20.4	22.8	22.5	20.9	23.2	18.7
Others	2.0	2.1	1.9	2.4	2.1	2.9	2.4	3.1	4.2
Total Segment Results	99.6	98.5	99.5	96.0	98.9	97.1	97.9	97.2	96.8
PBT	100	100	100	100	100	100	100	100	100
Segmental EBIT margin (%)									
Home Care	18.8	20.4	18.9	21.1	17.4	19.0	20.6	19.8	17.6
Personal Care	28.1	29.3	29.2	27.5	28.1	27.8	27.8	26.2	26.3
Foods & Refreshments	19.7	16.5	14.1	16.4	18.1	18.3	18.6	19.3	15.9
Others	28.7	26.2	19.5	29.7	23.9	32.2	28.3	31.8	36.9
Total	22.7	22.9	21.8	22.3	21.8	22.5	23.1	22.2	20.9
EBIT margin change YoY (bps)									
Home Care	-139	278	75	216	-134	-147	166	-138	19
Personal Care	-152	34	81	266	7	-148	-134	-129	-184
Foods & Refreshments	24	63	-381	379	-160	179	454	290	-214
Others	2,684	2,399	2,220	2,419	-476	601	876	205	1,296
Total	-136	51	-80	223	-90	-37	133	-16	-92

#an inordinately high number; Source: Company, MOFSL



Highlights from the management commentary

Performance, operating environment and outlook

- Decent underlying volume growth of 6% YoY in 1QFY23 (1QFY21 and 1QFY22 both witnessed the adverse impacts of Covid wave 1 and wave 2, respectively).
- HUVR gained market share in more than 75% of its business.
- Broader markets grew in mid-single digit in sales with volumes being negative. Rural market continued to lag the urban market. 1QFY22 base was more favorable and hence 1QFY23 performance was marginally better than Mar'22 in overall sales growth perspective.
- Inflation was at a decadal high during the quarter. While prices of some commodities have reduced, overall inflation is still high. Rupee depreciation is also affecting gross margin adversely.
- Growth will be price led as well in the near term.
- Increase in the fertilizer subsidy by government will augur well for the rural market, on expectation of a good recovery of monsoon.

Costs and margins

- Material cost pressure to continue in 2QFY23. Expect sequential margin improvement from 3QFY23 onwards.
- Cost inflation in 2QFY23 is likely to be more than 1QFY23 due to higher cost inventory pipeline and with prices of most RMs still being at elevated levels.
- Crude oil, caustic soda, barley, soda ash etc. have seen sequential increase. Tea, conversely, is seeing cost deflation despite Assam floods. Palm oil decline was witnessed only in the last two weeks of 1QFY23.
- If commodity costs decelerate significantly, the extent of price drop will be sharper than the pace of price increases in an inflationary environment.
- Deflation could also lead to increased competitive intensity in the form of higher ad-spends, price declines, etc.
- Staff costs-to-sales ratio was down led by Covid-related expenses in base quarter and better operating leverage in 1QFY23.

Segmental highlights

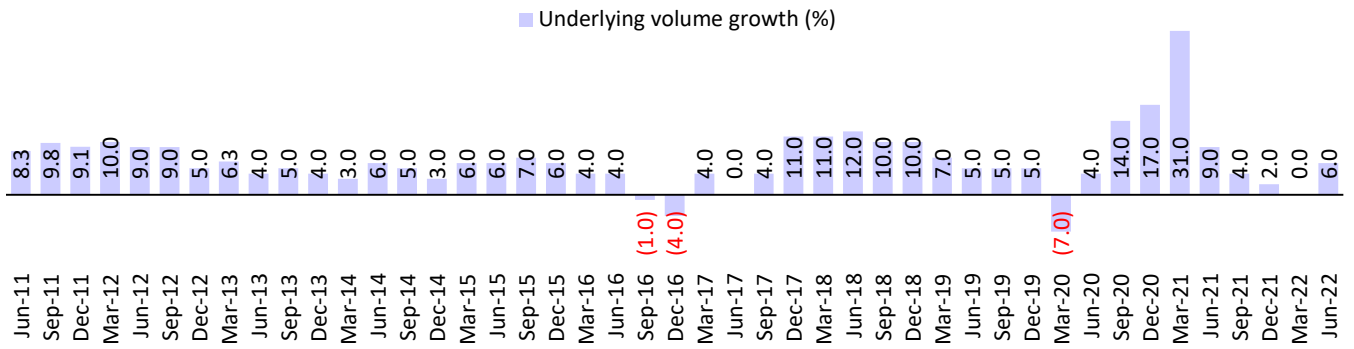
- Stellar performance in ice creams boosted sales but affected margins adversely.
- Fabric wash did very well with high single-digit volume growth (continuing good performance witnessed in 4QFY22) and liquid and fabric conditioner doing very well. HUVR is gaining share in bars, powder as well as liquids.
- Household care grew in high double-digit on sales propelled by dishwash and surface cleaners.
- Soaps witnessed price-led double-digit sales growth.
- Glow and Lovely continued to be affected adversely by slowdown in discretionary consumption.
- Color cosmetics portfolio is still marginally below the pre-Covid levels.
- Hair care reported double-digit growth fueled by premium portfolio growth and market share gains.
- Market share and penetration in health drinks portfolio was strong. However, growth was hurt by inflation and Covid. Cost of Horlicks mixed with milk rose sharply to INR18 from INR12. Management is confident of medium-to-long-term growth prospects.

Other points

- Shikhar app has reached 950,000 retail outlets.
- One-off tax credits in 1QFY23 led to 11% PAT growth v/s 17% PAT (bei) growth.
- Finance income is higher than usual because of a one-off and higher treasury yields.
- Estimated tax rate for the full year should be 26%.

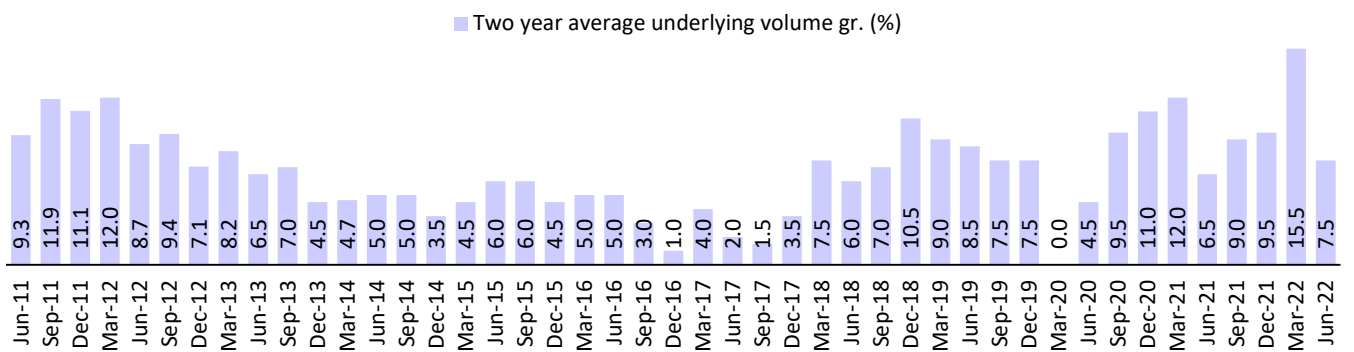
Story in charts

Exhibit 2: Volume grew 6% YoY



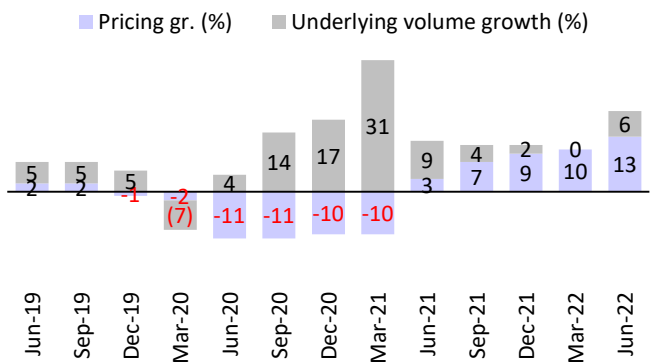
Source: Company, MOFSL

Exhibit 3: On a two-year average basis, underlying volumes rose 7.5% YoY



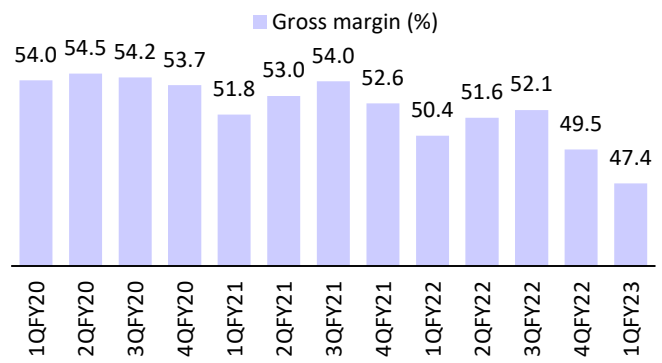
Source: Company, MOFSL

Exhibit 4: Realization up 13% YoY in 1QFY23

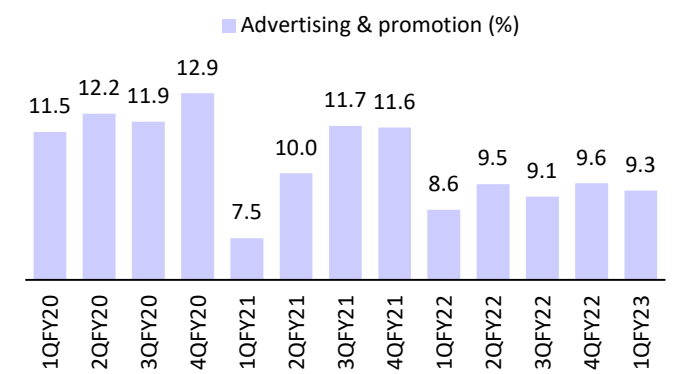


Source: Company, MOFSL

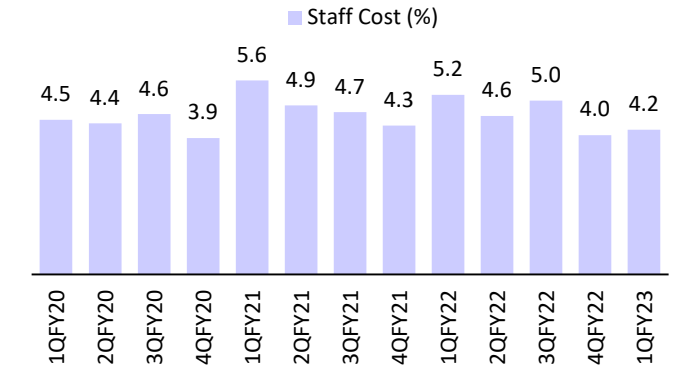
Exhibit 5: Gross margin down 310bp YoY to 47.4%



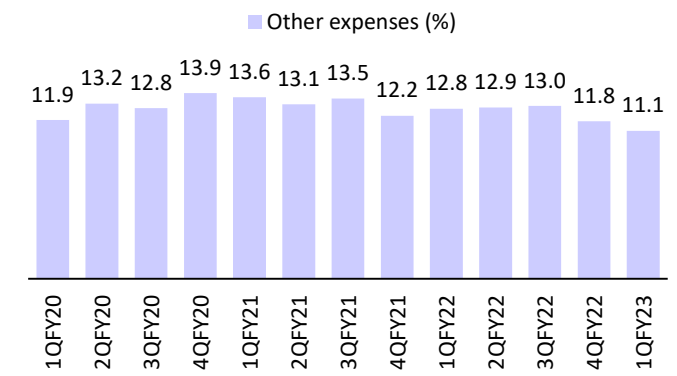
Source: Company, MOFSL

Exhibit 6: A&P spends grew 70bp YoY to 9.3% of sales

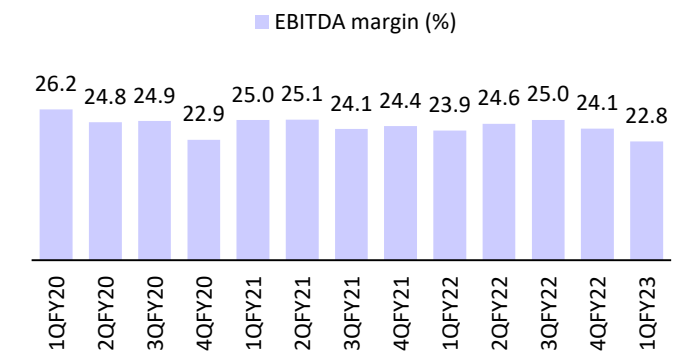
Source: Company, MOFSL

Exhibit 7: Employee expenses fell 100bp YoY to 4.2%

Source: Company, MOFSL

Exhibit 8: Other expenses dipped 170bp YoY to 11.1%...

Source: Company, MOFSL

Exhibit 9: ...leading to a 110bp contraction in EBITDA margin to 22.8%

Source: Company, MOFSL

Valuation and view

Why has HUVR been a strong wealth generator for the last 10 years?

- The company's newfound nimbleness in response to raw material costs and competitive stimuli has reinvigorated earnings momentum to strong double-digits over this period. Best-of-breed analytics have further boosted growth.
- The strong execution of its Winning in Many Indias (WiMI) strategy has meant that growth in Central India is 1.5x of base growth. Its execution strategies for herbal products and recent acquisition of GSKCH have been remarkable feats.
- The focus on premiumization, particularly evident in Detergents and Tea, has meant that even these highly penetrated and large categories have grown smartly. In addition to a rigorous focus on cost savings, this has resulted in unprecedented EBITDA margin improvement (of over 920bp YoY) during the past 10 years ended FY20.
- Despite being the largest consumer company over the past 10 years ended FY20, HUVR's sales/EBITDA/PAT CAGR stood at a healthy 8.1%/13.3%/12.4%, respectively. Performance over the last five and three years has been even more impressive on the EBITDA and PAT fronts at 13%/13.1% CAGR and 16.7%/16.6% CAGR, respectively, given the weak earnings growth posted by its peers in recent years.

Our investment case for HUVR

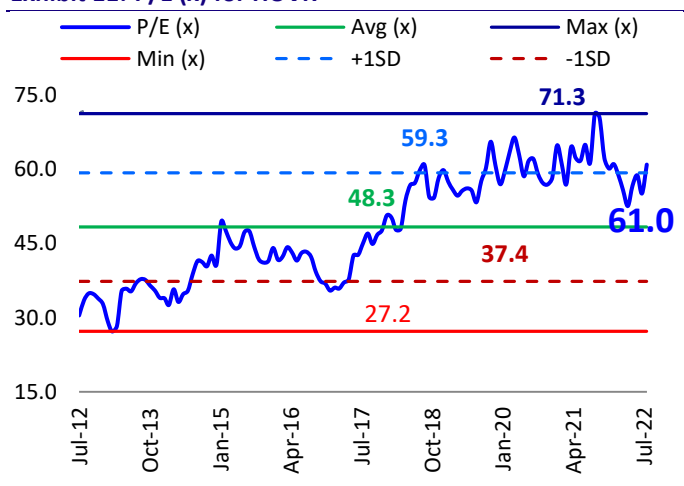
- We raise our FY23/FY24 EPS forecasts by 6-7% due to HUVR’s healthy quarterly performance.
- The company’s pre-Covid earnings had been extremely strong. It reported ~18% EPS CAGR in the four years ended FY20, before steeper commodity cost inflation (v/s peers) and the over-indexed discretionary portfolio adversely impacted its earnings in FY21 and FY22. HUVR’s pre-pandemic earnings growth was particularly impressive, given the weak mid-single-digit growth posted by its (much smaller) staples peers over the same period. Once the ongoing high material cost environment abates, we believe HUVR could revert to mid-teens earnings growth.
- As highlighted in the [FY22 AR update](#), the company continues to place the building blocks for future growth and has been able to do so ahead of its peers. HUVR continues to display the dexterity shown over the last decade, despite its larger size, even as it continues to grow v/s peers.
- While the pace of earnings recovery to double digit and then mid-teens will be gradual, improving narrative will keep multiples high for the bellwether FMCG company. Rolling forward to Jun’24E EPS and maintaining our target multiple of 60x result in our target price of INR3,000 – 17% upside to CMP. Maintain **BUY**.

Exhibit 10: Our model changes led to a 6.4%/6.7% revision in our FY23E/FY24E EPS, respectively

(INR b)	New estimates		Old estimates		Change	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	588.0	643.6	566.4	630.1	3.8%	2.1%
EBITDA	138.8	157.9	130.4	149.8	6.5%	5.4%
PAT	97.4	112.7	91.5	105.6	6.4%	6.7%

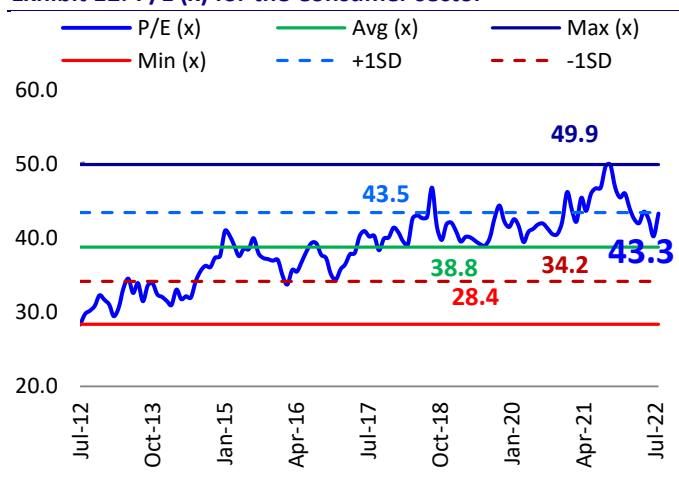
Source: MOFSL

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 b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
Net Sales	339.3	376.6	382.7	453.1	503.4	579.0	634.1	
Other Oper. Income	6.0	5.6	5.1	6.9	8.6	9.0	9.4	
Total Revenue	345.3	382.2	387.9	460.0	511.9	588.0	643.6	
Change (%)	8.3	10.7	1.5	18.6	11.3	14.9	9.4	
COGS	162.3	179.6	177.9	216.8	251.2	298.0	305.2	
Gross Profit	182.9	202.6	209.9	243.2	260.7	290.0	338.4	
Gross Margin (%)	53.0	53.0	54.1	52.9	50.9	49.3	52.6	
Operating Exp	110.2	116.3	113.9	130.0	135.7	151.2	180.5	
% of sales	31.9	30.4	29.4	28.3	26.5	25.7	28.0	
EBITDA	72.8	86.4	96.0	113.2	125.0	138.8	157.9	
Change (%)	20.3	18.7	11.1	18.0	10.4	11.0	13.8	
Margin (%)	21.1	22.6	24.8	24.6	24.4	23.6	24.5	
Depreciation	4.8	5.8	9.4	10.7	10.3	11.2	11.8	
Int. and Fin. Charges	0.2	0.3	1.1	1.1	1.0	1.2	1.4	
Other Income - Recurring	5.7	6.6	7.3	5.1	3.9	5.2	5.9	
Profit before Taxes	73.5	86.9	92.9	106.6	117.7	131.6	150.6	
Change (%)	19.4	18.3	6.9	14.8	10.4	11.8	14.4	
Margin (%)	21.7	23.1	24.3	23.5	23.4	22.7	23.7	
Tax	21.5	27.5	23.9	24.6	27.8	34.2	37.9	
Deferred Tax	-1.0	-0.8	1.5	0.8	1.4	0.0	0.0	
Tax Rate (%)	27.9	30.7	27.4	23.8	24.8	26.0	25.2	
Profit after Taxes	53.0	60.2	67.4	81.2	88.5	97.4	112.7	
Change (%)	24.7	13.6	12.0	20.5	9.0	10.0	15.7	
Margin (%)	15.6	16.0	17.6	17.9	17.6	16.8	17.8	
Non-rec. (Exp)/Income	-0.6	-0.4	-0.1	-2.3	-0.3	-0.1	0.0	
Reported PAT	52.4	59.8	67.4	79.0	88.2	97.3	112.7	

Balance Sheet							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	
Share Capital	2.2	2.2	2.2	2.4	2.4	2.4	2.4	
Reserves	68.6	74.4	78.2	472.0	485.3	470.9	456.7	
Net Worth	70.8	76.6	80.3	474.3	487.6	473.2	459.0	
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capital Employed	70.8	76.6	80.3	474.3	487.6	473.2	459.0	
Gross Block	71.8	59.2	73.4	541.6	547.6	560.1	567.1	
Less: Accum. Depn.	-30.4	-15.8	-22.8	-31.3	-37.3	-48.5	-60.4	
Net Fixed Assets incl Goodwill	41.4	43.4	50.6	510.3	510.3	511.6	506.8	
Capital WIP	4.3	3.7	5.1	6.2	9.0	9.0	9.0	
Investment in Subsidiaries	2.5	2.5	2.5	3.1	6.1	6.1	6.1	
Current Investments	28.6	27.0	12.5	26.9	35.1	39.1	40.1	
Deferred Charges	2.6	3.4	2.6	-59.9	-61.4	-61.4	-61.4	
Curr. Assets, L&A	92.1	98.6	122.7	134.7	136.8	142.2	146.2	
Inventory	23.6	24.2	26.4	33.8	38.9	44.5	48.8	
Account Receivables	11.5	16.7	10.5	16.5	19.3	22.2	24.3	
Cash and Bank Balance	33.7	36.9	50.2	43.2	36.2	29.1	22.4	
Others	23.3	20.8	35.7	41.2	42.4	46.3	50.7	
Curr. Liab. and Prov.	100.7	102.1	115.7	147.0	148.4	173.3	187.7	
Account Payables	70.1	70.7	74.0	86.3	88.6	110.6	121.8	
Other Liabilities	16.4	15.9	25.6	40.3	40.9	42.9	45.0	
Provisions	14.2	15.5	16.2	20.4	18.9	19.9	20.9	
Net Current Assets	-8.6	-3.4	7.0	-12.3	-11.6	-31.2	-41.5	
Application of Funds	70.8	76.6	80.3	474.3	487.6	473.2	459.0	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)							
EPS	24.5	27.8	31.2	34.6	37.7	41.4	47.9
Cash EPS	26.7	30.5	35.6	39.1	42.0	46.2	53.0
BV/Share	32.7	35.4	37.2	201.8	207.5	201.4	195.3
DPS	20.0	22.0	25.0	40.5	34.0	47.5	54.0
Payout %	98.9	95.7	96.2	117.2	90.3	114.6	112.6
Valuation (x)							
P/E	104.8	92.2	82.2	74.2	68.1	61.9	53.5
Cash P/E	96.1	84.1	72.2	65.6	61.1	55.5	48.4
EV/Sales	16.3	14.6	14.3	13.2	11.9	10.4	9.5
EV/EBITDA	75.8	63.9	57.2	52.8	47.9	43.2	38.0
P/BV	78.5	72.5	69.0	12.7	12.4	12.7	13.1
Dividend Yield (%)	0.8	0.9	1.0	1.6	1.3	1.9	2.1
Return Ratios (%)							
RoE incl. Goodwill	78.1	81.7	86.0	29.3	18.4	20.3	24.2
RoCE incl. Goodwill	108.6	118.3	119.8	38.8	24.7	27.6	32.6
Working Capital Ratios							
Debtor (Days)	12.3	16.2	10.0	13.3	14.0	14.0	14.0
Asset Turnover (x)	4.8	4.9	4.8	1.0	1.0	1.2	1.4
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(loss) before Tax	72.9	85.2	90.9	104.9	117.4	131.6	150.6
Financial other income	-2.8	-0.8	-1.6	0.6	-2.0	-5.2	-5.9
Depreciation	4.8	5.2	9.4	10.7	10.4	11.2	11.8
Net Interest Paid	-2.5	-3.0	-3.9	-2.4	-1.1	1.2	1.4
Direct Taxes Paid	-21.9	-26.9	-24.7	-23.7	-27.2	-34.2	-37.9
(Incr)/Decr in WC	8.6	-2.6	3.0	-0.6	-7.9	12.5	3.7
CF from Operations	59.1	57.3	73.1	89.6	89.6	117.1	123.7
Other Items	4.9	4.5	-8.5	11.9	-1.5	7.8	8.4
(Incr)/Decr in FA	-8.3	-7.2	-7.0	-39.5	-7.4	-12.5	-7.0
Free Cash Flow	50.9	50.0	66.0	50.0	82.2	104.6	116.7
(Pur)/Sale of Investments	7.8	3.3	22.5	23.9	-7.9	-4.0	-1.0
CF from Invest.	4.4	0.5	7.0	-3.7	-16.8	-8.7	0.4
Dividend Paid	-39.0	-45.5	-62.4	-88.1	-75.2	-111.6	-126.9
Others	-7.6	-9.2	-4.3	-4.7	-4.7	-3.9	-3.9
CF from Fin. Activity	-46.5	-54.6	-66.8	-92.8	-79.8	-115.5	-130.8
Incr/Decr of Cash	17.0	3.2	13.3	-7.0	-7.0	-7.1	-6.7
Add: Opening Balance	16.7	33.7	36.9	50.2	43.2	36.2	29.1
Closing Balance	33.7	36.9	50.2	43.2	36.2	29.1	22.4

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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