

Hindustan Unilever

Estimate changes 

TP change 

Rating change 

CMP: INR2,565

TP: INR2900 (+13%)

Buy

Performance subdued; all eyes on rural recovery

- Hindustan Unilever (HUVR)'s performance was below expectations in 3QFY24. The company reported a 2% volume growth (estimate of 2%) and nearly flat revenue growth (estimate of 4%). Volume recovery is being delayed, especially in rural areas, despite price cuts and consumer promotions. The trend of urban growth outpacing rural areas, and the premium segment outperforming the mass market, has continued.
- The benign raw material inflation continued to drive gross margin (up 400bp YoY, down 100bp QoQ), despite partial benefits being passed on to consumers. The gross profit was up 8% YoY; however, higher A&P (up 35% YoY) offset the benefits and resulted in flat EBITDA. Management is increasing brand investments to stimulate volume growth in preparation for the volume recovery phase and to counter local competition.
- Volume recovery is slower than expected so far, but price cuts across categories (mass segment is highly price-sensitive), benign headline inflation, and government's initiatives should aid rural demand in 2024. HUVR is one of the best growth recovery plays. **Reiterate BUY with a revised TP of INR 2,900.**

Miss on estimates; flat growth on all fronts

- **HUVR reported flat net sales** YoY at INR151.9b (est. INR159b). EBITDA was flat YoY at INR35.4b (est. INR39.0b). PBT too was flat YoY at INR34.6b (est. INR37.8b), while PAT (bei) was down 2% YoY to INR25.4b (est. INR28.2b).
- Underlying volumes grew 2% YoY (est. 2%), sustaining the similar trend.
- **Segmental performance:** Home Care (36% of total sales) revenue was down 1.3% YoY to INR54.5b (4-year CAGR: 12.0%), Personal Care (38%) revenue was flat YoY at INR57.0b (4-year CAGR: 7%), while Food & Refreshment business sales (25%) rose 0.9% YoY to INR37.3b (4-year CAGR: 19%).
- **Segmental EBIT:** Home Care margin contracted 150bp YoY to 17.7%, while Personal Care margin improved 50bp YoY to 25.6%; Food & Refreshment segment margin expanded 120bp YoY to 19% during the quarter.
- Overall gross margin expanded 400bp YoY, while it was down 120bp QoQ to 51.5% (est. 52.0%).
- As a percentage of sales, an increase in ad spending (+260bp YoY to 10.5%), and other expenses (+150bp YoY to 13.4%), as well as stable staff costs of 4.3% resulted in a flat EBITDA margin of 23.3% (est. 24.6%).
- During 9MFY24, HUVR's Net sales/EBITDA/Adj. PAT grew 3%/6%/4% YoY.

Management conference call highlights

- The impact of uneven monsoon on Kharif crops was adverse and hit agricultural yields and rural incomes. Concerns persist over lower reservoir levels for Rabi crops despite recovering crop sowing rates.

Bloomberg	HUVR IN
Equity Shares (m)	2349
M.Cap.(INRb)/(USD\$b)	6027.6 / 72.6
52-Week Range (INR)	2770 / 2393
1, 6, 12 Rel. Per (%)	-1/-13/-23
12M Avg Val (INR M)	3976

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	625.4	673.0	727.7
Sales Gr. (%)	3.2	7.6	8.1
EBITDA	149.0	162.6	178.2
EBITDA mrg. (%)	23.8	24.2	24.5
Adj. PAT	104.6	115.1	126.0
Adj. EPS (INR)	44.5	49.0	53.6
EPS Gr. (%)	2.5	10.1	9.4
BV/Sh.(INR)	218.2	223.7	230.8

Ratios

RoE (%)	20.6	22.2	23.6
RoCE (%)	28.4	30.4	32.5
Payout (%)	94.3	91.8	89.5

Valuations

P/E (x)	57.6	52.3	47.8
P/BV (x)	11.7	11.4	11.0
EV/EBITDA (x)	40.2	36.8	33.5
Div. Yield (%)	1.6	1.8	1.9

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	61.9	61.9	61.9
DII	12.0	11.6	11.8
FII	13.9	14.5	14.0
Others	12.1	12.1	12.3

FII Includes depository receipts

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- Urban markets consistently outpaced rural markets, growing at 3% vs. rural growth of 1%. Urban-rural disparities are evident in consumption patterns across different sales channels and price segments, with modern trade outpacing traditional trade.
- The premium portfolio remains the primary driver of growth, expanding at a rate more than 2.5x that of the mass portfolio.
- HUVR has a direct reach to 3m outlets; the distribution network covers 2.3m outlets, while Shakti Entrepreneurs handle the remainder in rural areas.

Valuation and view

- We cut our EPS estimates by ~3-4% for FY24/FY25 to reflect the slower demand recovery, and higher competitive intensity that elevates A&P spending.
- As highlighted in our [annual report note](#) earlier in Jun'23, HUVR continues to exhibit remarkable nimbleness, despite its size, led by: 1) its WIMI and cluster-based approach, 2) technological edge over its peers; and 3) strategy of funneling cost savings back into the business for growth.
- We continue to believe that HUVR is one of the best plays in rural recovery. The compounding of earnings should continue with a high probability of scaling the F&R portfolio along with strong competitiveness in the home care segment.
- Buoyed by improving commentary on rural recovery and moderating commodity costs, we are optimistic that HUVR will rebound with its healthy earnings trajectory. **We Reiterate BUY with a revised TP of INR 2,900.**

Quarterly performance (Standalone)

(INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY14 3QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Domestic volume growth (%)	6.0	4.0	5.0	4.0	3.0	2.0	2.0	2.0	4.8	2.3	2.0	
Net sales	142.7	147.5	152.3	148.9	151.5	152.8	151.9	154.9	591.4	611.0	159.0	-4.5%
YoY change (%)	19.8	15.9	16.3	10.6	6.1	3.6	-0.3	4.0	12.8	3.3	4.4	
Gross Profit	67.6	67.6	72.3	72.5	75.6	80.6	78.2	80.4	280.0	314.7	82.7	
Margin %	47.4	45.8	47.5	48.7	49.9	52.7	51.5	51.9	47.3	51.5	52.0	
EBITDA	32.5	33.8	35.4	34.7	35.2	36.9	35.4	36.7	136.3	144.3	39.0	-9.3%
YoY change (%)	14.0	7.8	7.9	7.0	8.4	9.4	0.1	5.8	6.0	5.8	10.4	
Margins (%)	22.8	22.9	23.2	23.3	23.2	24.2	23.3	23.7	23.0	23.6	24.6	
Depreciation	2.6	2.5	2.6	2.6	2.6	2.7	2.8	2.8	10.3	10.8	2.7	
Interest	0.3	0.3	0.3	0.2	0.5	0.7	0.8	0.8	1.0	2.8	0.4	
Other income	1.4	1.2	2.3	1.6	1.9	2.8	2.9	1.9	6.4	55.5	1.9	
PBT	31.0	32.2	34.8	33.5	34.0	36.4	34.6	35.0	131.4	186.0	37.8	-8.5%
Tax	8.0	5.8	8.7	8.7	8.9	9.1	9.1	9.4	31.2	36.6	9.7	
Rate (%)	25.7	17.9	25.1	26.1	26.2	25.1	26.4	26.7	23.7	19.6	25.5	
PAT bei	22.9	23.8	25.8	24.7	25.0	26.7	25.4	25.7	97.2	102.8	28.2	-9.9%
YoY change (%)	16.7	8.8	12.6	8.2	9.2	12.1	-1.5	3.9	9.8	5.7	9.2	
Extraordinary Inc/(Exp)	-0.1	-0.3	-1.0	0.8	-0.4	-0.1	-0.3	0.0	-1	-1	0.0	
Reported Profit	22.9	26.2	25.1	25.5	24.7	27.2	25.2	25.7	99.6	102.8	28.2	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
2Y average growth %							
Volumes	7.5	4.0	3.5	2.0	4.5	3.0	3.5
Sales	16.3	13.6	13.3	10.8	13.0	9.7	8.0
EBITDA	10.9	8.5	11.4	8.4	11.2	8.6	4.0
PAT	10.7	8.1	15.0	8.4	12.9	10.5	5.5
% sales							
COGS	52.6	54.2	52.5	51.3	50.1	47.3	48.5
Staff cost	4.2	4.8	4.4	4.6	4.3	4.6	4.3
Advertising and Promotion	9.3	7.1	7.9	8.7	9.8	11.3	10.5
Others	11.1	11.1	11.9	12.2	12.6	12.7	13.4
Depreciation	1.8	1.7	1.7	1.8	1.7	1.8	1.9
YoY change %							
COGS	27.2	29.8	27.6	12.5	1.0	-9.7	-7.9
Staff cost	-1.0	0.2	-0.6	0.6	0.1	-0.2	-0.2
Advertising and Promotion	0.7	-2.5	-1.2	-0.9	0.5	4.2	2.6
Others	-1.7	-1.8	-1.0	0.3	1.5	1.6	1.5
Other income	104.5	1.8	150.5	31.1	35.0	146.1	25.0
EBIT	14.8	9.1	8.4	7.5	9.3	9.5	-0.6

E: MOFSL Estimates

Exhibit 1: Segmental performance

Segment Revenue (INR b)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Home Care	41.9	47.5	49.3	51.4	55.2	56.4	54.3	53.1	54.5
Personal Care	51.8	47.1	53.6	55.6	57.2	51.9	56.0	58.1	57.1
Foods & Refreshments	34.7	37.0	36.3	37.6	37.0	37.9	38.0	38.5	37.3
Others	2.6	3.0	3.5	2.9	2.9	2.7	3.3	3.0	3.0
Net Segment Revenue	130.9	134.6	142.7	147.5	152.3	148.9	151.5	152.8	151.9
Growth YoY (%)									
Home Care	23.0	23.7	29.9	34.0	31.6	18.7	10.0	3.3	-1.3
Personal Care	6.9	3.6	17.3	11.2	10.5	10.1	4.4	4.5	-0.2
Foods & Refreshments	3.3	5.3	9.3	3.7	6.8	2.6	4.7	2.6	0.9
Others	0.8	30.2	54.9	10.6	13.2	-9.6	-7.1	4.1	3.4
Net Segment Revenue	10.4	11.0	19.8	15.9	16.3	10.6	6.1	3.6	-0.3
Salience (%)									
Home Care	32	35	35	35	36	38	36	35	36
Personal Care	40	35	38	38	38	35	37	38	38
Foods & Refreshments	26	27	25	25	24	25	25	25	25
Others	2	2	2	2	2	2	2	2	2
Total Segment Revenue	100	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR b)									
Home Care	8.6	9.4	8.7	8.9	10.6	10.6	9.9	10.0	9.7
Personal Care	14.4	12.4	14.1	14.0	14.4	13.5	14.7	15.8	14.6
Foods & Refreshments	6.5	7.1	5.8	7.4	6.6	6.8	6.8	7.2	7.1
Others	0.7	1.0	1.3	1.0	1.2	1.2	1.2	1.3	1.2
Total Segment Results	30.2	29.8	29.9	31.3	32.8	32.1	32.6	34.3	32.6
Growth YoY (%)									
Home Care	33.7	15.6	31.3	22.1	22.8	12.5	14.0	11.9	-9.0
Personal Care	2.0	-1.3	9.6	0.4	-0.3	9.5	4.3	13.3	1.7
Foods & Refreshments	36.6	24.0	-3.7	12.0	2.3	-4.8	17.8	-3.2	7.6
Others	46.0	39.1	138.9	17.6	61.6	26.0	-7.0	29.0	1.7
Total Segment Results	17.1	10.2	14.8	9.1	8.4	7.5	9.3	9.5	-0.6
Segmental EBIT margin (%)									
Home Care	20.6	19.8	17.6	17.3	19.2	18.7	18.3	18.7	17.7
Personal Care	27.8	26.2	26.3	25.1	25.1	26.1	26.3	27.2	25.6
Foods & Refreshments	18.6	19.3	15.9	19.8	17.9	17.9	17.9	18.7	19.0
Others	28.3	31.8	36.9	34.2	40.4	44.3	36.9	42.4	39.7
Total	23.1	22.2	20.9	21.2	21.5	21.5	21.5	22.4	21.5
EBIT margin change YoY (bp)									
Home Care	166	-138	19	-168	-138	-104	64	145	-150
Personal Care	-134	-129	-184	-270	-271	-15	-2	211	48
Foods & Refreshments	454	290	-214	148	-77	-138	200	-112	118
Others	876	205	1,296	205	1,212	1,253	7	819	-68
Total	133	-16	-92	-132	-158	-62	62	121	-7

#an inordinately high number; Source: Company, MOFSL

Consolidated performance remains mostly flat YoY

- Consolidated net sales stood flat YoY at INR155.7b in 3QFY24.
- Gross margin expanded 390bp YoY to 52%, while EBITDA margin was flat (-10bp) YoY at 23.5%.
- EBITDA was flat YoY at INR36.7b.
- PBT was also flat YoY at INR34.8b.
- Reported PAT was flat YoY at INR25.1b during the quarter.

Quarterly performance (Consolidated)**(INR b)**

Y/E March	FY23				FY24		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Domestic volume growth (%)	6.0	4.0	5.0	4.0	3.0	2.0	2.0
Net sales	146.2	151.4	156.0	152.2	155.0	156.2	155.7
<i>YoY change (%)</i>	22.7	19.0	19.1	13.0	6.0	3.2	-0.2
Gross Profit	69.6	69.5	74.9	74.7	78.2	82.8	80.9
<i>Margin %</i>	47.6	45.9	48.0	49.1	50.4	53.0	52.0
EBITDA	34.0	34.8	36.9	35.7	36.7	38.0	36.7
<i>YoY change (%)</i>	19.5	11.1	12.7	10.1	7.7	9.1	-0.8
<i>Margins (%)</i>	23.3	23.0	23.7	23.5	23.7	24.3	23.5
Depreciation	2.8	2.7	2.9	2.9	2.9	3.0	3.1
Interest	0.3	0.3	0.3	0.3	0.5	0.9	0.9
Other income	1.3	1.1	1.1	1.6	1.8	1.8	2.1
PBT	32.3	32.9	34.8	34.1	35.1	36.0	34.8
Tax	8.2	5.9	9.0	8.9	9.2	9.3	9.4
<i>Rate (%)</i>	25.5	17.9	25.8	26.1	26.1	25.9	27.0
PAT bei	23.9	26.9	25.9	25.4	25.8	26.6	25.4
<i>YoY change (%)</i>	21.8	22.9	13.1	11.3	8.0	-1.1	-2.0
Extraordinary Inc/(Exp)	-0.1	-0.3	-1.0	0.8	-0.4	-0.1	-0.3
Reported Profit	23.8	26.7	24.7	26.0	25.5	26.6	25.1

E: MOFSL Estimates

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

- The impact of the uneven monsoon on Kharif crops was adverse and hit agricultural yields and rural incomes. Concerns persist over lower reservoir levels for Rabi crops despite recovering crop sowing rates.
- Weather anomalies continued with a delayed and less-severe winter and above-average temperatures. The subsequent effects on winter crop categories will be discussed later.
- Compared to 2021, the corporate value market share was up by nearly 200bp.
- The premium portfolio remains the primary driver of growth, expanding at a rate more than 2.5x that of the mass portfolio.
- The premium beauty business unit, the Horlicks Plus range, the mayo, butter, and peanut butter in foods, and the premium laundry portfolio are experiencing robust double-digit growth.
- Cumulative market volumes reported a marginal 2% CAGR over last two years.
- Subdued rural consumer sentiment, due to lower agriculture yields and uncertainty, led to unmet expectations from the festive season.
- Urban markets consistently outpaced rural markets, growing at 3% vs. rural growth of 1%. Urban-rural disparities are evident in consumption patterns across different sales channels and price segments, with modern trade outpacing traditional trade.

- Market dualism was evident as certain segments recovered faster than others, with urban growth consistently outpacing rural growth.
- Market price growth has sequentially reduced, moving from +8% in the June quarter to marginally negative in the current quarter. Over a three-year period, pricing remains relatively high due to unprecedented commodity inflation.
- More than 75% of the business experienced penetration, both in absolute and relative terms, indicating an expansion of the consumer base.
- Over 80% of the businesses have either been growing or maintaining brand power scores, showcasing success in terms of mental reach and brand recognition.
- FMCG market trends have remained stable, mirroring the previous quarter.
- The company achieved a steady underlying volume growth of 2% YoY, despite market conditions.

Costs and margins

- Advertising and promotional investments rose to 10.7%, a 270bp YoY rise. Absolute A&P investments were almost INR4b higher than last year. In the first nine months of this fiscal, A&P has been 33% higher than the same period last year.
- Categories that are price driven will require higher ATL and BTL.
- Current EBITDAM is healthy, and hence expansion would be well calibrated.

Segmental highlights

Home Care

- Due to price cuts implemented during the year, there was a slight decline in USG for home care, while built-in personal care maintained a flat trajectory.
- Home care achieved a robust 14% revenue growth on a two-year CAGR basis, propelled by high single-digit UVG.
- Fabric Wash volumes witnessed a mid-single-digit growth.
- Home Care segment's margin was at 18% during the quarter.

Beauty and personal care (BPC)

- BPC achieved a mid-single-digit volume growth for the quarter.
- Skin Cleans declined YoY due to pricing actions, as lower commodity price benefits were passed on to the consumers.
- Body Wash is scaling up well with good growth, and Healthcare had a strong quarter.
- The non-winter premium portfolio remained strong, with Lakme and Ponds experiencing double-digit volume growth driven by impactful innovations.
- Oral care delivered a mid-single-digit growth led by Close Up.
- BPC reported a healthy margin of 26%.

Food & Refreshment

- In Foods and Refreshments, there was a low single-digit decline in UVG, mainly attributed to pricing adjustments made during the year to counter the impact of increased commodity costs. As a result, USG stood at 1%.
- Within F&R, three-quarters of the portfolio consisted of coffee and tea where volume recovery was yet to be observed.
- Commodity inflation is hurting the tea business, and consumers are shifting to lower-tier options in tea, driven by the price difference between premium and regular tea.

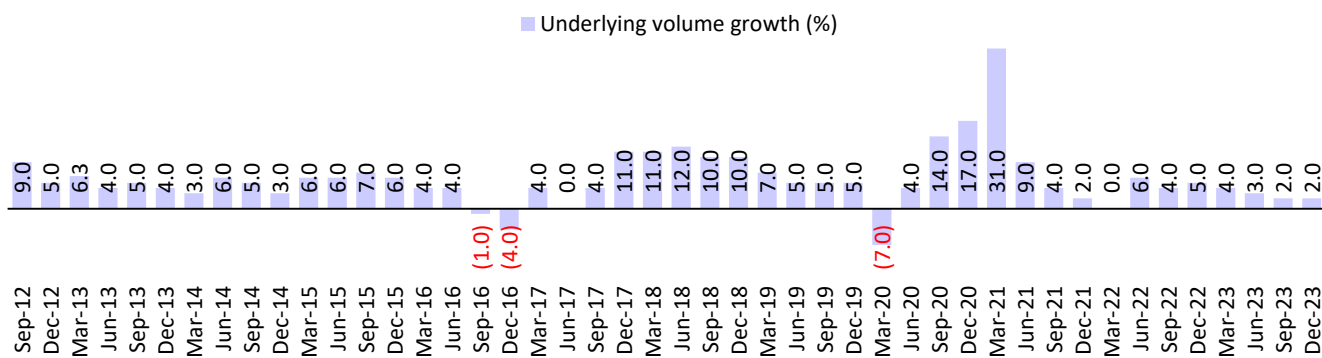
- Coffee achieved double-digit growth, primarily driven by pricing strategies; while Health Food Drinks demonstrated competitive price growth fueled by the ‘plus’ range.
- Mayonnaise and peanut butter continued to attract strong consumer interest, and food solutions maintained the robust double-digit growth momentum.
- Despite an overall muted performance, tea strengthened its market leadership with significant gains in both value and volume.
- In the F&R segment, strategic price increases were implemented throughout the year to counter inflation, resulting in a slight YoY decline in volumes.
- Challenges persisted in the business as consumers continued to downgrade, but Green tea and flavored tea delivered positive performance.
- F&R margin was at 19%.

Other points

- HUVR has a direct reach to 3m outlets; the distribution network covers 2.3m outlets, while Shakti Entrepreneurs handle the remainder in rural areas.
- From 1st Apr’24, the beauty and personal care business will transition into two independent business units, namely beauty & well-being and personal care.
- Beauty and well-being business unit will comprise skin care, premium beauty, hair care, color cosmetics, and health & well-being categories, while personal care will include skin cleansing, oral care, and deodorants.
- Management anticipates the full-year ETR to be slightly over 26%.
- Rural income growth and winter crop yields will be the key factors that will determine the pace of recovery.
- Commodity prices remain at their current levels; management expects prices to decline a bit in the March quarter.
- Other income from 1st Jan’24 will not have an impact of GSK’s distribution fees.

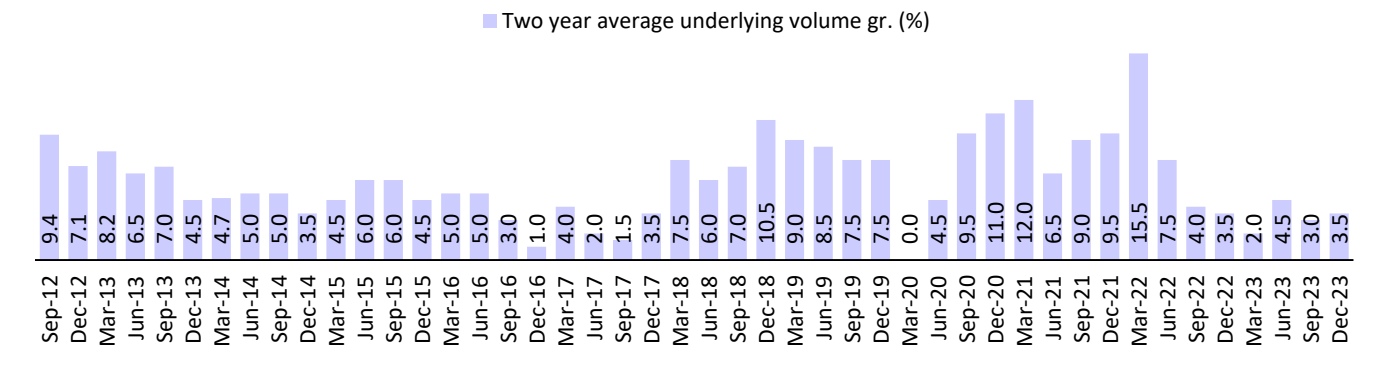
Story in charts

Exhibit 2: Volume grew 2% YoY



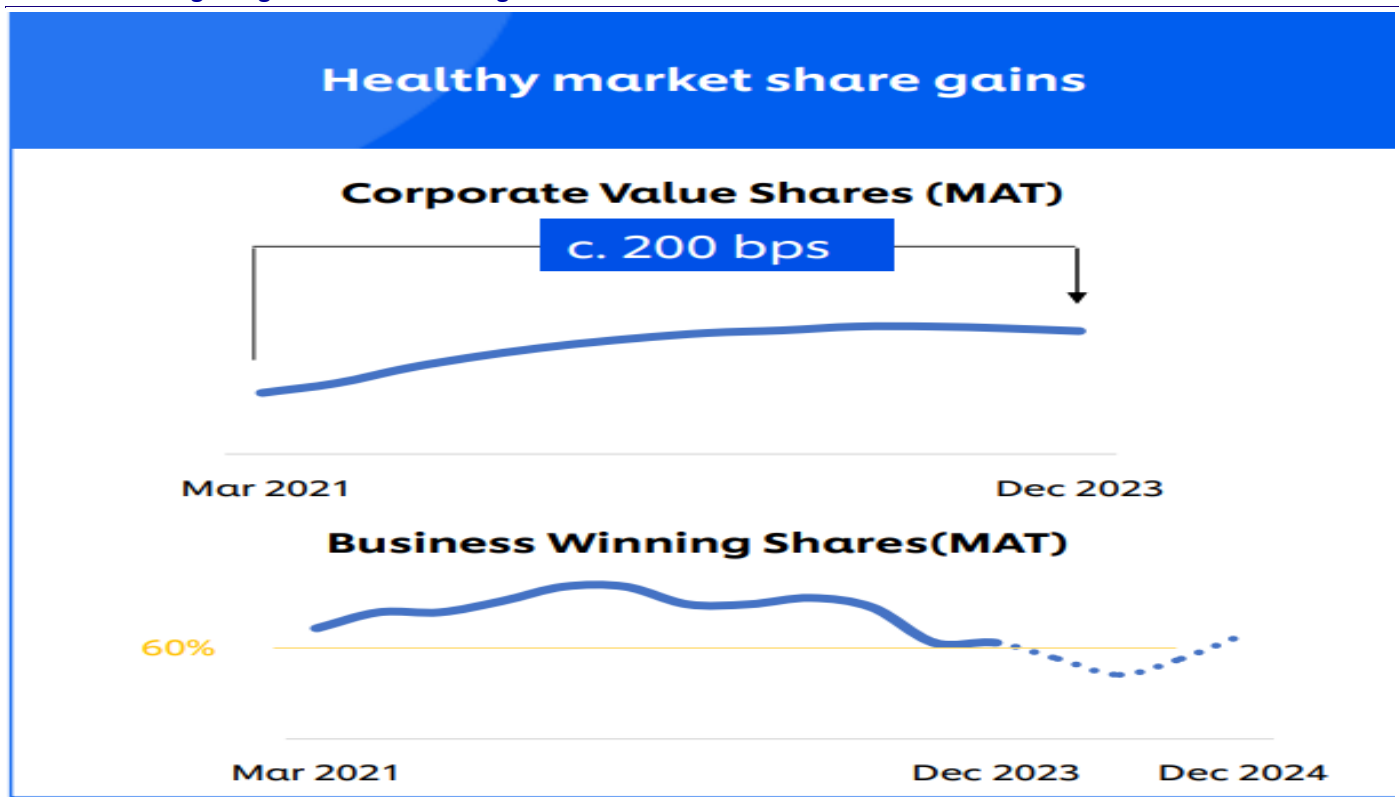
Source: Company, MOFSL

Exhibit 3: On a two-year average basis, underlying volumes rose 3.0% YoY



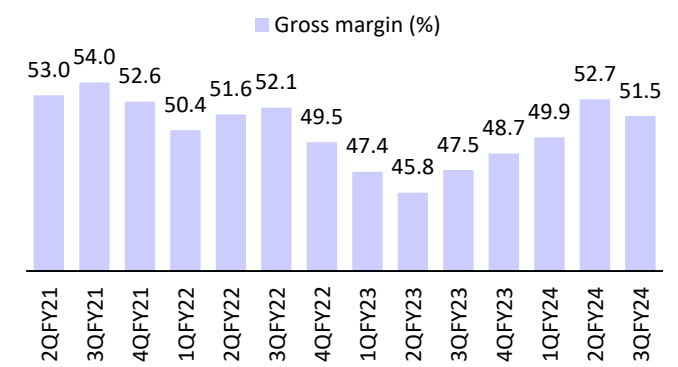
Source: Company, MOFSL

Exhibit 4: HUL regaining the business winning share



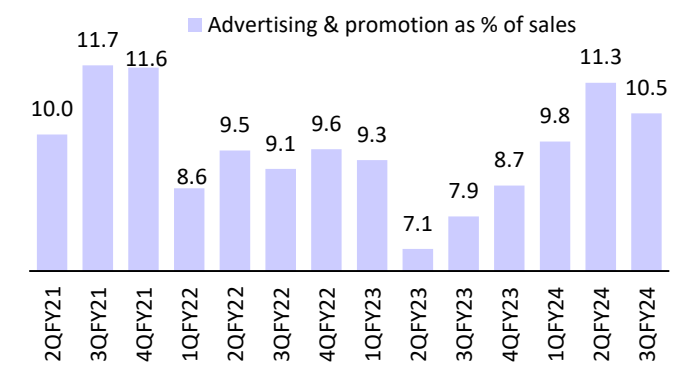
Source: Company presentation

Exhibit 5: Gross margin expanded 400bp YoY to 51.5%...



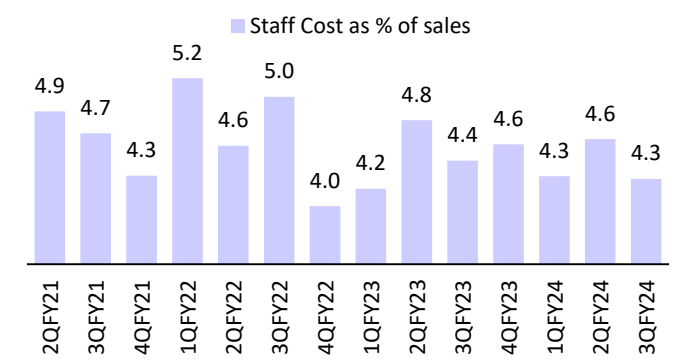
Source: Company, MOFSL

Exhibit 6: ...while A&P spending rose 260bp YoY to 10.5%...



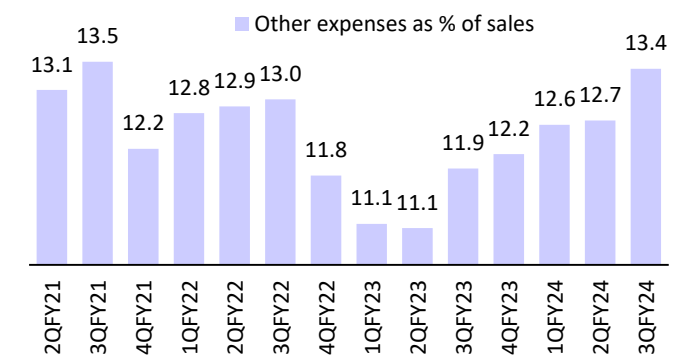
Source: Company, MOFSL

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



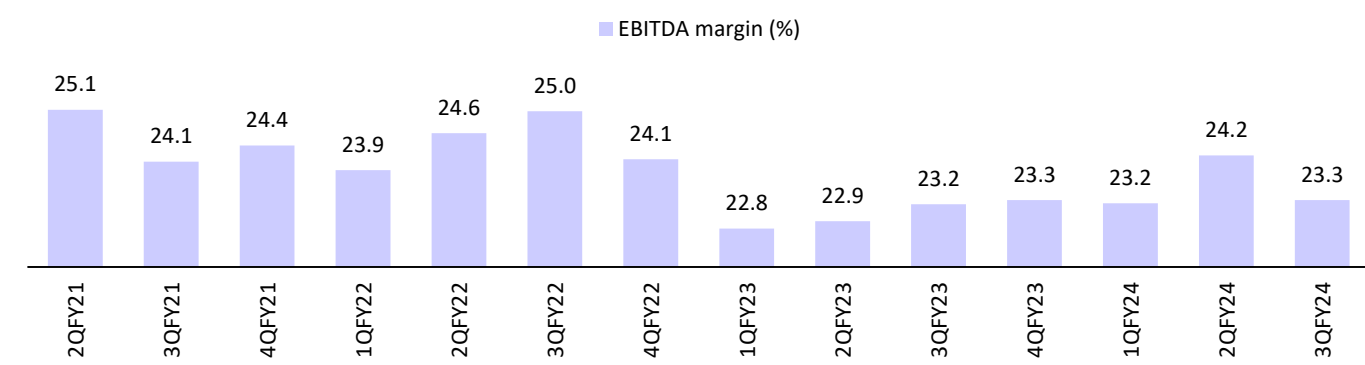
Source: Company, MOFSL

Exhibit 8: ...other expenses increased 150bp YoY to 13.4%...



Source: Company, MOFSL

Exhibit 9: ...leading to flat EBITDA margin of 23.3%



Source: MOFSL, Company

Valuation and view

A strong wealth generator over the last 10 years

- The company’s newfound nimbleness in response to raw material costs and competitive stimuli has reinvigorated earnings momentum, achieving strong double-digit growth over this period. Best-of-breed analytics have further boosted growth.
- The strong execution of its Winning in Many Indias (WiMI) strategy has meant that growth in Central India is 1.5x of base growth. Its execution strategies for herbal products and the recent acquisition of GSKCH have been remarkable.
- The focus on premiumization, particularly evident in Detergents and Tea, has meant that even these highly penetrated, large categories have grown significantly. The company’s rigorous focus on cost savings has resulted in an unprecedented EBITDA margin improvement over the years.
- Despite being the largest consumer company in India over the past decade ended FY23, HUVR’s sales/EBITDA/PAT CAGR stood at a healthy 8.7%/13.0%/12.1%. Given the weak earnings growth posted by its peers in recent years, HUVR’s performance has been even more impressive over the last 3/5 years, with an EBITDA CAGR of 12.4%/13.4% and a PAT CAGR of 14.1%/13.6%.

Our investment case for HUVR

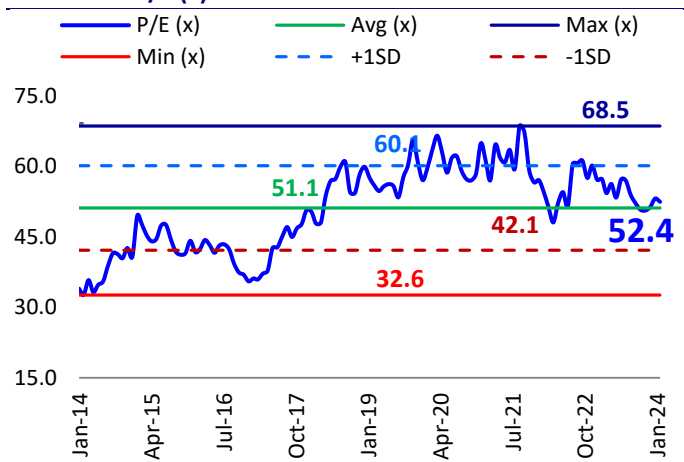
- We cut our EPS estimates by ~3-4% for FY24/FY25 to reflect the slower demand recovery, and higher competitive intensity that elevates A&P spending.
- As highlighted in our [annual report note](#) earlier in Jun'23, HUVR continues to exhibit remarkable nimbleness, despite its size, led by: 1) its WIMI and cluster-based approach, 2) technological edge over its peers; and 3) strategy of funneling cost savings back into the business for growth.
- We continue to believe that HUVR is one of the best plays in rural recovery. The compounding of earnings should continue with a high probability of scaling the F&R portfolio along with strong competitiveness in the home care segment.
- Buoyed by improving commentary on rural recovery and moderating commodity costs, we are optimistic that HUVR will rebound with its healthy earnings trajectory. **We Reiterate BUY with a revised TP of INR 2,900.**

Exhibit 10: We cut our estimate by ~3-5% for FY24/FY25

(INR b)	New estimates		Old estimates		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	625.4	673.0	622.6	689.9	0.5%	-2.5%
EBITDA	149.0	162.6	149.6	168.3	-0.4%	-3.4%
PAT	104.6	115.1	108.1	120.7	-3.2%	-4.6%

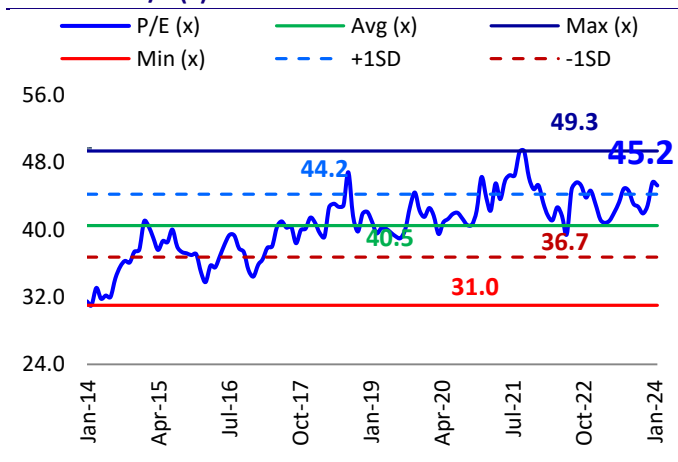
Source: MOFSL

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	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	386.8	392.4	463.2	515.5	595.5	614.8	661.5	715.3
Other Oper. Income	6.3	5.5	7.1	9.0	10.3	10.6	11.5	12.4
Total Revenue	393.1	397.8	470.3	524.5	605.8	625.4	673.0	727.7
Change (%)	10.6	1.2	18.2	11.5	15.5	3.2	7.6	8.1
COGS	184.7	182.6	221.5	257.4	317.2	300.9	321.4	344.6
Gross Profit	208.4	215.2	248.8	267.1	288.6	324.6	351.6	383.1
Gross Margin (%)	53.0	54.1	52.9	50.9	47.6	51.9	52.2	52.6
Operating Exp	119.6	116.6	132.5	138.5	147.2	175.6	189.0	204.9
EBITDA	88.8	98.6	116.3	128.6	141.5	149.0	162.6	178.2
Change (%)	18.4	11.0	17.9	10.6	10.0	5.3	9.2	9.6
Margin (%)	22.6	24.8	24.7	24.5	23.4	23.8	24.2	24.5
Depreciation	5.7	10.0	10.7	10.9	11.4	11.8	12.4	13.0
Int. and Fin. Charges	0.3	1.2	1.2	1.1	1.1	3.2	3.4	3.5
Other Income - Recurring	6.6	6.3	4.1	2.6	5.1	7.7	8.3	8.9
Profit before Taxes	89.4	93.7	108.5	119.2	134.1	141.6	155.1	170.5
Change (%)	20.2	4.9	15.7	9.9	12.5	5.6	9.6	9.9
Margin (%)	23.1	23.9	23.4	23.1	22.5	23.0	23.5	23.8
Tax	25.4	24.1	26.1	29.9	32.0	36.9	39.9	42.8
Deferred Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	28.5	25.7	24.0	25.1	23.9	26.1	25.7	25.1
Profit after Taxes	60.2	67.4	81.2	88.5	102.1	104.6	115.1	126.0
Change (%)	13.6	12.0	20.5	9.0	15.4	2.4	10.1	9.4
Margin (%)	15.6	17.2	17.5	17.2	17.1	17.0	17.4	17.6
Non-rec. (Exp)/Income	-2.3	-2.0	-2.4	-0.4	-0.9	-0.7	0.0	0.0
Reported PAT	61.7	67.7	80.0	88.9	101.2	104.0	115.3	127.7

Balance Sheet						(INR b)		
Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY25E
Share Capital	2.2	2.2	2.3	2.3	2.4	2.3	2.3	2.3
Reserves	76.5	80.1	474.4	488.3	500.7	510.1	523.1	539.8
Net Worth	78.7	82.3	476.7	490.6	503.0	512.5	525.4	542.1
Loans	1.2	0.2	0.2	0.3	3.2	2.2	2.2	2.1
Capital Employed	79.8	82.5	476.9	490.9	506.2	514.7	527.6	544.2
Gross Block	90.6	108.3	578.6	589.8	613.3	628.3	643.3	658.3
Less: Accum. Depn.	-43.4	-53.5	-64.2	-75.1	-86.5	-98.3	-110.7	-123.8
Net Fixed Assets incl Goodwill	47.2	54.8	514.4	514.7	526.8	530.0	532.5	534.5
Capital WIP	4.1	6.0	7.5	13.1	11.3	5.7	2.8	1.4
Investment in Subsidiaries	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0
Current Investments	27.1	12.5	27.1	35.2	28.1	33.1	38.1	43.1
Deferred Charges	3.7	2.8	-59.7	-61.3	-64.1	-64.1	-64.1	-64.1
Curr. Assets, L&A	98.2	125.4	138.5	142.0	163.9	178.5	200.5	227.4
Inventory	25.7	27.7	35.8	41.0	42.5	48.1	51.6	55.5
Account Receivables	18.2	11.5	17.6	22.4	30.8	31.8	34.2	37.0
Cash and Bank Balance	37.6	51.1	44.7	38.5	46.8	32.2	43.0	57.3
Others	16.7	35.1	40.4	40.2	43.8	66.4	71.7	77.7
Curr. Liab. and Prov.	100.4	119.1	150.8	152.9	160.5	168.4	182.3	198.1
Account Payables	84.4	84.7	88.0	90.7	95.7	98.8	106.4	115.0
Other Liabilities	16.1	8.5	23.0	22.1	23.6	24.3	26.2	28.3
Provisions	0.0	25.9	39.7	40.1	41.2	45.3	49.8	54.8
Net Current Assets	-2.3	6.3	-12.3	-10.9	3.4	10.0	18.2	29.3
Application of Funds	79.8	82.5	476.9	490.9	506.2	514.7	527.6	544.2

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY25E
Basic (INR)								
EPS	27.8	31.2	34.6	37.7	43.5	44.5	49.0	53.6
Cash EPS	30.7	36.2	38.5	41.8	48.3	49.6	54.3	59.2
BV/Share	36.3	38.0	203.0	208.9	214.1	218.2	223.7	230.8
DPS	22.0	25.0	31.0	34.0	39.0	42.0	45.0	48.0
Payout %	93.6	94.6	91.5	91.5	89.7	94.3	91.8	89.5

Valuation (x)

P/E	92.2	82.3	74.2	68.1	59.0	57.6	52.3	47.8
Cash P/E	83.6	70.9	66.7	61.4	53.1	51.8	47.2	43.4
EV/Sales	14.3	14.0	12.9	11.6	10.0	9.8	9.0	8.3
EV/EBITDA	62.1	55.8	51.4	46.6	42.3	40.2	36.8	33.5
P/BV	70.1	67.0	12.6	12.2	11.9	11.7	11.4	11.0
Dividend Yield (%)	0.9	1.0	1.2	1.3	1.5	1.6	1.8	1.9

Return Ratios (%)

RoE incl. Goodwill	79.5	83.8	29.1	18.3	20.6	20.6	22.2	23.6
RoCE incl. Goodwill	117.4	116.9	39.2	24.8	27.1	28.4	30.4	32.5

Working Capital Ratios

Debtor (Days)	17.1	10.7	13.9	15.8	18.9	18.9	18.9	18.9
Asset Turnover (x)	4.8	4.8	1.0	1.1	1.2	1.2	1.3	1.3

Leverage Ratio

Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY25E
OP/(loss) before Tax	86.0	91.7	106.1	118.7	133.5	140.9	155.1	170.5
Financial other income	-2.6	-4.5	-0.7	-1.5	-4.1	2.6	3.4	3.5
Depreciation	5.7	10.0	11.3	11.1	11.5	11.8	12.4	13.0
Net Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Taxes Paid	-27.7	-25.1	-24.1	-27.8	-31.4	-36.9	-39.9	-42.8
(Incr)/Decr in WC	-3.4	4.1	-1.0	-10.0	-9.6	-23.6	0.0	0.2
CF from Operations	58.0	76.2	91.6	90.5	99.9	94.8	131.1	144.5
Other Items	5.8	-9.2	-21.9	2.1	15.9	3.6	2.6	2.9
(Incr)/Decr in FA	-7.5	-8.1	-6.4	-10.8	-10.5	-9.3	-12.2	-13.6
Free Cash Flow	50.5	68.1	85.2	79.7	89.4	85.4	118.9	130.9
(Pur)/Sale of Investments	0.4	22.8	23.4	-7.9	-7.4	-4.3	-5.0	-5.0
CF from Invest.	-1.4	5.5	-5.0	-16.6	-2.1	-10.0	-14.5	-15.7
Dividend Paid	-45.5	-52.0	-88.1	-75.3	-84.7	-95.2	-102.2	-109.2
Others	-9.4	-15.2	-5.0	-4.9	-5.6	-3.2	-3.4	-3.5
CF from Fin. Activity	-53.9	-68.2	-93.1	-80.2	-89.5	-99.3	-105.6	-112.8
Incr/Decr of Cash	2.7	13.6	-6.4	-6.3	8.3	-14.6	11.0	16.0
Add: Opening Balance	34.9	37.6	51.1	44.7	38.5	46.8	32.2	43.0
Closing Balance	37.6	51.1	44.7	38.5	46.8	32.2	43.2	59.1

E: MOSL Estimates

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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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/NCDX); 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.