

| | |
|------------------|---|
| Estimate changes | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

CMP: INR532 TP: INR640 (+20%) Buy

Broadly in-line earnings; sales likely to recover in 2H

| | |
|-----------------------|-----------|
| Bloomberg | MRCO IN |
| Equity Shares (m) | 1290 |
| M.Cap.(INRb)/(USD\$b) | 688.5/8.3 |
| 52-Week Range (INR) | 595 / 463 |
| 1, 6, 12 Rel. Per (%) | -3/1/-5 |
| 12M Avg Val (INR M) | 788 |

Financials & Valuations (INR b)

| Y/E March | 2023 | 2024E | 2025E |
|------------------|------|-------|-------|
| Sales | 97.6 | 101.6 | 112.5 |
| Sales Gr. (%) | 2.6 | 4.1 | 10.7 |
| EBITDA | 18.1 | 20.6 | 22.2 |
| EBITDA Margin. % | 18.5 | 20.3 | 19.8 |
| Adj. PAT | 13.0 | 14.8 | 15.9 |
| Adj. EPS (INR) | 10.1 | 11.5 | 12.3 |
| EPS Gr. (%) | 6.3 | 13.5 | 7.6 |
| BV/Sh.(INR) | 29.4 | 33.4 | 35.2 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 36.1 | 36.5 | 35.9 |
| RoCE (%) | 31.4 | 30.7 | 30.4 |
| Payout (%) | 44.6 | 65.5 | 85.4 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 52.7 | 46.4 | 43.2 |
| P/BV (x) | 18.1 | 15.9 | 15.1 |
| EV/EBITDA (x) | 37.4 | 32.6 | 30.0 |
| Div. Yield (%) | 0.8 | 1.4 | 2.0 |

Shareholding pattern (%)

| As On | Sep-23 | Jun-23 | Sep-22 |
|----------|--------|--------|--------|
| Promoter | 59.4 | 59.4 | 59.5 |
| DII | 9.8 | 10.5 | 10.3 |
| FII | 26.0 | 25.2 | 25.1 |
| Others | 4.8 | 5.0 | 5.1 |

FII Includes depository receipts

- Marico (MRCO) reported subdued revenue growth in 2QFY24, attributed to domestic price cuts and currency headwinds in the overseas business. A sequential improvement was noted in urban areas, while the rural recovery was slow. The management was optimistic about 2HFY24, citing the festive season, controlled food inflation, and upcoming elections.
- Gross margin hit a 26-quarter high of 50.5%, driven by softer input costs. Accordingly, the management has raised its margin expansion guidance to 350-400bp for FY24.
- The domestic business is expected to grow as deflation eases, supported by growth in the food and premium personal care portfolios. Additionally, the international business is anticipated to maintain strong performance.
- It expects operating margin to surpass 20% in FY24, driven by effective cost management and strategic brand-building investments, enhancing MRCO's earnings growth outlook. We reiterate our BUY rating on the stock.

Results broadly in line with estimates; volume up 3%

Consolidated

- Consolidated net sales were flat YoY at INR24.8b (est. INR24.3b) in 2QFY24.
- EBITDA/PBT/Adj. PAT grew 14.8%/19%/17.3% YoY to INR5.0b/INR4.8b/INR3.5b (est. INR4.9b/INR4.5b/INR3.4b).
- **Domestic volumes** grew 3% YoY (est. +2%).
- Consolidated gross margin expanded by 690bp YoY/50bp QoQ to 50.5% (est. 48.9%).
- As a percentage of sales, higher staff costs (up 90bp to 7.6%), A&P expenses (up 230bp to 10.8%) and other expenditure (up 90bp to 12%) led to EBITDA margin expansion of 270bp YoY to 20.1% in 2QFY24 (est. 20.1%).
- **In 1HFY24**, net sales declined 2% YoY, whereas EBITDA/adj. PAT grew 11.4%/16.1% YoY.
- The board has declared an interim dividend of INR3 per share.

Standalone

- Sales declined 6.2% YoY to INR17.9b. EBITDA grew 11% YoY to INR3.4b, while Adj. PAT declined 22.8% YoY to INR2.6b.
- EBITDA margin expanded 300bp YoY to 19.1%.
- **In 1HFY24**, net sales declined 6.5% YoY. EBITDA grew 8% YoY, whereas adj. PAT declined 21.6% YoY.

Highlights from the management commentary

- The management expects a better performance in 2HFY24 with the onset of the festive season, controlled retail and food inflation, and increased government spending ahead of elections.

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

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- The management has increased its gross margin expansion expectation to 350-400bp in FY24.
- MRCO is on course to achieve its FY24 revenue targets, with Food and Premium Personal Care contributing 20% to the domestic business in 2Q.
- The management expects to maintain a dividend payout ratio of 80-90%.
- MT and e-commerce grew in high-double digits (20%+), while GT declined in low-single digit.

Valuation and view

- There is no material change to our FY24E EPS, but we cut FY25E EPS by 7.2% owing to the management's commentary on volatility and its expectation of lower EBITDA in FY25 vs. FY24.
- MRCO's core portfolio has performed well, and the company is working hard to accomplish its medium-term growth objectives. Its earnings growth prospects are healthy, with expectations of a ~10-11% CAGR over FY 23-25 and RoE of over 35%.
- The much-needed diversification is gathering momentum in the Foods and digital-first brands.
- If sustained, this can lead to higher multiples for MRCO compared to the past. We reiterate our BUY rating on the stock with a **TP of INR640 (based on 52x FY25E EPS)**.

Quarterly Performance

| Y/E March | FY23 | | | | FY24E | | | | FY23 | FY24E | FY24 | Var. (%) |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Domestic volume growth (%) | -5.0 | 3.0 | 4.0 | 5.0 | 3.0 | 3.0 | 8.0 | 6.0 | 1.8 | 5.0 | 2.0 | |
| Net Sales | 25,580 | 24,960 | 24,700 | 22,400 | 24,770 | 24,760 | 27,466 | 24,621 | 97,640 | 1,01,618 | 24,261 | 2.1% |
| YoY Change (%) | 1.3 | 3.2 | 2.6 | 3.7 | -3.2 | -0.8 | 11.2 | 9.9 | 2.6 | 4.1 | -2.8 | |
| Gross Profit | 11,520 | 10,890 | 11,100 | 10,620 | 12,380 | 12,500 | 13,074 | 11,551 | 44,130 | 49,505 | 11,864 | 5.4% |
| Gross margin (%) | 45.0 | 43.6 | 44.9 | 47.4 | 50.0 | 50.5 | 47.6 | 46.9 | 45.2 | 48.7 | 48.9 | |
| EBITDA | 5,280 | 4,330 | 4,560 | 3,930 | 5,740 | 4,970 | 5,274 | 4,643 | 18,100 | 20,626 | 4,876 | 1.9% |
| Margins (%) | 20.6 | 17.3 | 18.5 | 17.5 | 23.2 | 20.1 | 19.2 | 18.9 | 18.5 | 20.3 | 20.1 | |
| YoY Change (%) | 9.8 | 2.4 | 5.8 | 13.6 | 8.7 | 14.8 | 15.6 | 18.1 | 7.7 | 14.0 | 12.6 | |
| Depreciation | 360 | 370 | 390 | 430 | 360 | 390 | 435 | 468 | 1,550 | 1,653 | 429 | |
| Interest | 100 | 150 | 140 | 170 | 170 | 200 | 175 | 181 | 560 | 726 | 173 | |
| Other Income | 170 | 190 | 400 | 680 | 460 | 380 | 320 | 304 | 1,440 | 1,464 | 266 | |
| PBT | 4,990 | 4,000 | 4,430 | 4,010 | 5,670 | 4,760 | 4,984 | 4,297 | 17,430 | 19,711 | 4,541 | 4.8% |
| Tax | 1,220 | 930 | 1,100 | 960 | 1,310 | 1,160 | 1,206 | 1,055 | 4,210 | 4,731 | 1,112 | |
| Rate (%) | 24.4 | 23.3 | 24.8 | 23.9 | 23.1 | 24.4 | 24.2 | 24.5 | 24.2 | 24.0 | 24.5 | |
| Adjusted PAT | 3,710 | 3,010 | 3,280 | 3,020 | 4,270 | 3,530 | 3,728 | 3,252 | 13,020 | 14,780 | 3,368 | 4.8% |
| YoY Change (%) | 4.2 | -2.6 | 5.8 | 20.8 | 15.1 | 17.3 | 13.6 | 7.7 | 6.3 | 13.5 | 11.9 | |

E: MOFSL Estimates

Key Performance Indicators

| Y/E March | FY23 | | | | FY24 | |
|------------------------------|-------|-------|------|-------|-------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
| 2Y average growth (%) | | | | | | |
| Volume | 8.0 | 5.5 | 2.0 | 3.0 | -1.0 | 3.0 |
| Sales | 16.2 | 12.4 | 8.0 | 5.5 | -0.9 | 1.2 |
| EBITDA | 6.4 | 5.6 | 5.1 | 11.0 | 9.2 | 8.6 |
| PAT | 5.9 | 0.7 | 3.4 | 12.9 | 9.7 | 7.3 |
| % of Sales | | | | | | |
| COGS | 55.0 | 56.4 | 55.1 | 52.6 | 50.0 | 49.5 |
| Operating Expenses | 24.4 | 26.3 | 26.5 | 29.9 | 26.8 | 30.4 |
| Depreciation | 1.4 | 1.5 | 1.6 | 1.9 | 1.5 | 1.6 |
| YoY change (%) | | | | | | |
| COGS | -5.6 | 1.1 | 0.4 | -1.8 | -11.9 | -12.9 |
| Operating Expenses | 12.4 | 8.6 | 5.3 | 8.8 | 6.4 | 14.8 |
| Other Income | -37.0 | -24.0 | 81.8 | 183.3 | 170.6 | 100.0 |
| EBIT | 9.8 | 1.5 | 5.6 | 13.3 | 9.3 | 15.7 |

E: MOFSL Estimates

Exhibit 1: Domestic volume growth

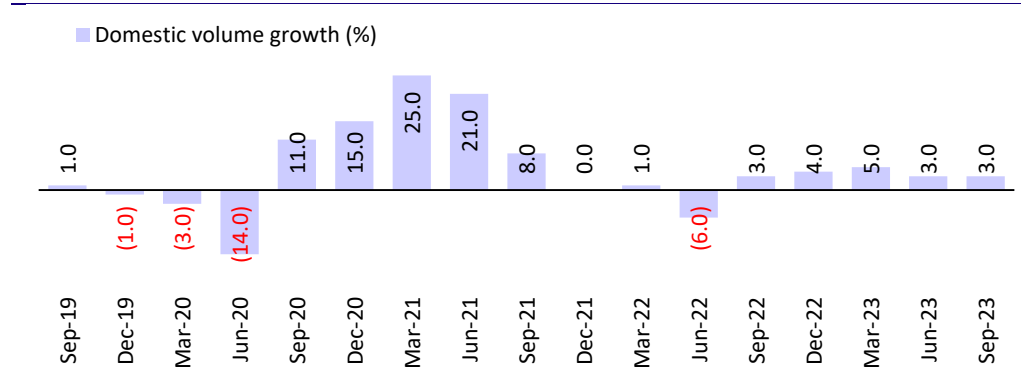


Exhibit 2: Consolidated segmental details

| | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales growth (%) | | | | | | | | | |
| Domestic | 24.0 | 11.7 | 5.1 | (3.6) | 1.4 | 1.9 | 1.8 | (4.9) | (3.4) |
| International | 14.1 | 19.2 | 15.1 | 19.5 | 9.3 | 4.9 | 10.5 | 2.0 | 7.3 |
| Total | 21.6 | 13.4 | 7.3 | 1.3 | 3.2 | 2.6 | 3.8 | (3.2) | (0.8) |
| EBIT margin (%) | | | | | | | | | |
| Domestic EBIT margin | 16.7% | 17.2% | 16.2% | 20.7% | 17.4% | 18.6% | 17.9% | 23.4% | 20.5% |
| International EBIT margin | 22.4% | 22.9% | 18.8% | 24.5% | 21.2% | 21.6% | 21.2% | 27.8% | 23.3% |
| Total | 18.0% | 18.6% | 16.8% | 21.7% | 18.3% | 19.4% | 18.8% | 24.6% | 21.2% |

Source: Company, MOFSL

Exhibit 3: Market share of key categories in the India business

| Franchise | ~MS% | Rank |
|---------------------------------------|------|-----------------|
| ^ Coconut Oil Franchise | 62% | 1 st |
| ^ Parachute Rigids within Coconut Oil | 53% | 1 st |
| * Saffola Oats | 42% | 1 st |
| * Value Added Hair Oils | 27% | 1 st |
| ^ Post wash Leave-on Serums | 55% | 1 st |
| * Hair Gels/Waxes/Creams | 53% | 1 st |

^ Volume market share, *Value market share

Source: Company

Exhibit 4: Seizing Growth & Sustainability by MRCO in 2QFY24



Emissions & Energy

- **72%** reduction in GHG emission intensity (Scope 1+2)
- A solar rooftop was installed at Marico's Sanand unit raising the RE capacity to **1MW**

Water Stewardship

- **100%** replenishment of water consumed in operations
- **786** farm ponds constructed; **307+ crore liters** of water conservation potential created till date

Circular Economy

- **94%** recyclable packaging by weight
- **20%** recycled PET in Nihar shanti amla bottles
- Fulfilment of EPR targets

Sustainable Coconut

- **0.33 Mn** acreage enrolled covering **87,000 farmers** till date
- **16%** improvement in productivity in farms that have completed more than a year under the program

Social Value Creation

- **1.69 lakhs teachers and 15.16 lakhs students** registered in Nihar Shanti Pathshala Funwala's WhatsApp-based English literacy program

The eight focus areas of ESG 2.0 are achievement of Climate Change, Water Stewardship, Circular Economy, Responsible Sourcing, Brands with Purpose, Inclusion and Diversity, Sustainable Agriculture and Corporate Governance.



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Source: Company



Highlights from the management commentary

Business environment and outlook

- Urban sentiment improved sequentially, while the rural recovery was slower than expected due to higher food inflation and uneven rainfall distribution.
- The management expects a better performance in 2HFY24 with the onset of the festive season, controlled retail and food inflation, and increased government spending ahead of elections.
- A possible easing in deflation in 2HFY24 may also lead to improvements.
- In India business, discrepancies were seen between reported volume and off-take growth due to lower realization, which impacts the distributor ROIs.
- The reduction in credit availability to retailers led to a drop in their retail inventory levels.
- There is increased participation from small local players in specific mass categories, mainly in the VAHO portfolio.
- Volatility was seen in edible oil prices, but trade inventory remained low.
- MT and e-commerce grew in high-double digits (20%+), while GT declined in low-single digit.
- NCD and exports reported 18% growth.
- The management is on course to achieve FY24 revenue targets, with Food and Premium Personal Care contributing 20% to the domestic business in 2QFY24.
- The management expects to maintain a dividend payout ratio of 80-90%.

Material costs, margin and guidance

- A better-than-expected gross margin expansion was led by incrementally softer input costs.
- The management increased its gross margin expansion expectation to 350-400bp in FY24.

- The company has increased its A&P spending by 26% in absolute terms to 10.8% of sales. The management has guided that it will be 9-10% of sales in FY24.
- It expects EBITDA margin expansion of ~200bp YoY in FY24.

Segmental performance

Parachute coconut oil

- Volume was up 1%, while value declined 1%.
- With pricing cuts coming into the base, value growth should mirror volume growth in 3Q.
- Volume growth is expected in off-seasons owing to a gradual pickup in loose-to-branded conversions due to cost advantages.

Saffola edible oil

- Edible oil posted low- single digit volume growth on a high base despite volatility in vegetable oil prices.
- Foods business delivered a steady performance with 25% YoY value growth.
- Saffola oats grew in double digits, with honey and soya nearing INR1b in annual revenue run rate.
- The management continues to focus on scaling up its foods business with investments in market development, strengthening the cost structure, and refining the supply chain and GTM strategies.
- The management plans to optimize operations and accelerate food growth beyond 30% next year.

VAHO

- VAHO value growth was only 1%, indicating a slower recovery in personal care categories.
- Focus on market share gains in the mid-segment and expanding presence in premium segments through innovation.

Premium-personal care

- On track to contribute ~10% of domestic revenue in FY24.
- The Digital-first portfolio reported annual recurring revenue of ~INR3.5bn+ in 2QFY24.
- Digital business will deliver EBITDA levels similar to India business in the next three years.

International business

- International business delivered strong growth of 13% in CC terms amid the challenging operating environment.
- Bangladesh registered 2% CCG amid ongoing macroeconomic headwinds, anticipating economic improvement in the next calendar year.
- Vietnam grew 13% in CCG terms, with a steady performance in both the HPC and Foods portfolios.
- MENA delivered 34% CCG with both the Gulf region and Egypt growing in double digits. Egypt showed a good performance in the hair oil category.
- South Africa posted 23% CCG, led by the ethnic haircare segment.

Valuation and view

What has happened in the last 10 years?

- In key categories such as Coconut Oil and VAHO, MRCO reported healthy sales growth, with volume growth for Parachute actually improving in recent years.
- In Saffola Foods (Oats), the company was able to strengthen its market share. It grew significantly in the Masala Oats category.
- Growth in Saffola (Edible Oil brand) has tapered off in recent years because of: a) strategic mistakes in terms of pricing, and b) inability to cater to the recently emerged Super Premium market segment.
- Similarly, the growth potential of brands Livon, Set Wet, and Zatak acquired from Paras/Reckitt has not been realized as they have not scaled up as expected.
- Growth in revenue and earnings has been healthy for the past 10 years, with a CAGR of ~8%/11%/13% in revenue/EBITDA/PAT. Over the past five years, growth has been robust, but has decelerated compared to previous years (sales/EBITDA/ PAT growth of ~9%/10%/~10%).

Our view on the stock

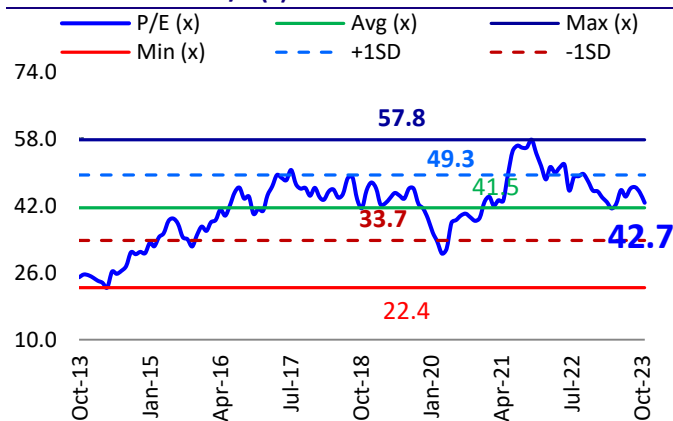
- There is no material change to our FY24E EPS but we cut FY25E EPS by 7.2% owing to the management’s commentary on volatility and its expectation of lower EBITDA in FY25 vs. FY24.
- The core portfolio of MRCO has performed well, and the company is working hard to accomplish its medium-term growth objectives. Its earnings growth prospects are healthy, with expectations of a ~10-11% CAGR over FY 23-25 and RoE of over 35%.
- The much-needed diversification is gathering momentum in the Foods and digital-first brands.
- If sustained, this can lead to higher multiples for MRCO compared to the past. We reiterate our BUY rating on the stock with a **TP of INR640 (based on 52x FY25E EPS)**.

Exhibit 5: No material change in FY24E EPS, but we cut FY25E EPS by 7.2%.

| | Old | | New | | Change (%) | |
|--------|----------|----------|----------|----------|------------|-------|
| | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E |
| Sales | 1,03,072 | 1,13,956 | 1,01,618 | 1,12,511 | -1.4% | -1.3% |
| EBITDA | 21,097 | 23,854 | 20,626 | 22,243 | -2.2% | -6.8% |
| PAT | 14,962 | 17,122 | 14,780 | 15,898 | -1.2% | -7.2% |

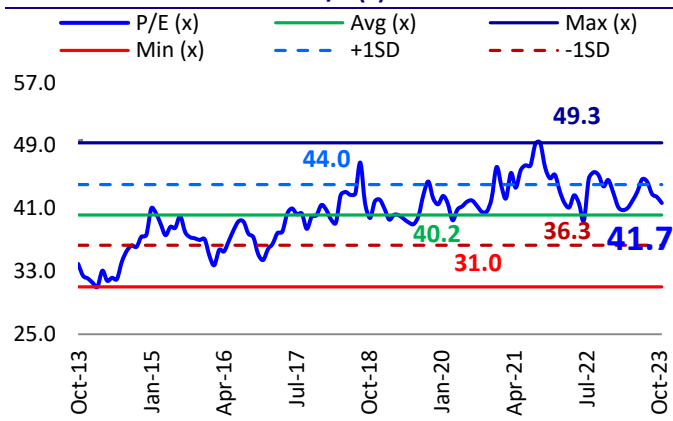
Source: Company, MOFSL

Exhibit 6: MRCO’s P/E (x)



Source: Company, MOFSL

Exhibit 7: Consumer sector P/E (x)



Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | | (INR m) |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E |
| Net Sales | 63,220 | 73,340 | 73,150 | 80,480 | 95,120 | 97,640 | 1,01,618 | 1,12,511 |
| Change (%) | 6.8 | 16.0 | -0.3 | 10.0 | 18.2 | 2.6 | 4.1 | 10.7 |
| COGS | 33,720 | 40,170 | 37,680 | 42,700 | 54,360 | 53,510 | 52,113 | 58,044 |
| Gross Profit | 29,500 | 33,170 | 35,470 | 37,780 | 40,760 | 44,130 | 49,505 | 54,467 |
| Margin (%) | 46.7 | 45.2 | 48.5 | 46.9 | 42.9 | 45.2 | 48.7 | 48.4 |
| Operating Expenses | 18,130 | 19,920 | 20,820 | 21,870 | 23,950 | 26,030 | 28,879 | 32,224 |
| EBITDA | 11,370 | 13,250 | 14,650 | 15,910 | 16,810 | 18,100 | 20,626 | 22,243 |
| Change (%) | -1.9 | 16.5 | 10.6 | 8.6 | 5.7 | 7.7 | 14.0 | 7.8 |
| Margin (%) | 18.0 | 18.1 | 20.0 | 19.8 | 17.7 | 18.5 | 20.3 | 19.8 |
| Depreciation | 890 | 1,310 | 1,400 | 1,390 | 1,390 | 1,550 | 1,653 | 1,794 |
| Int. and Fin. Charges | 160 | 400 | 500 | 340 | 390 | 560 | 726 | 765 |
| Other Income - Recurring | 850 | 1,030 | 1,240 | 940 | 980 | 1,440 | 1,464 | 1,497 |
| Profit before Taxes | 11,170 | 12,570 | 13,990 | 15,120 | 16,010 | 17,430 | 19,711 | 21,182 |
| Change (%) | -2.8 | 12.5 | 11.3 | 8.1 | 5.9 | 8.9 | 13.1 | 7.5 |
| Margin (%) | 17.7 | 17.1 | 19.1 | 18.8 | 16.8 | 17.9 | 19.4 | 18.8 |
| Current Tax (excl MAT Ent) | 2,840 | 3,310 | 3,470 | 3,350 | 3,430 | 3,770 | 4,632 | 4,978 |
| Deferred Tax | 60 | -180 | -160 | -110 | 30 | 440 | 99 | 106 |
| Tax Rate (%) | 26.0 | 24.9 | 23.7 | 21.4 | 21.6 | 24.2 | 24.0 | 24.0 |
| Profit after Taxes | 8,140 | 9,260 | 10,460 | 11,610 | 12,250 | 13,020 | 14,780 | 15,898 |
| Change (%) | 0.4 | 13.8 | 13.0 | 11.0 | 5.5 | 6.3 | 13.5 | 7.6 |
| Margin (%) | 12.9 | 12.6 | 14.3 | 14.4 | 12.9 | 13.3 | 14.5 | 14.1 |
| Reported PAT | 8,140 | 11,140 | 10,170 | 11,720 | 12,250 | 13,020 | 14,780 | 15,898 |

| Balance Sheet | | | | | | | | (INR m) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E |
| Share Capital | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 |
| Reserves | 24,140 | 28,700 | 28,940 | 31,110 | 32,760 | 36,700 | 41,815 | 44,129 |
| Net Worth | 25,430 | 29,990 | 30,230 | 32,400 | 34,050 | 37,990 | 43,105 | 45,419 |
| Minority Interest | 120 | 110 | 130 | 180 | 570 | 1,570 | 1,570 | 1,570 |
| Loans | 3,090 | 3,490 | 3,350 | 4,700 | 4,360 | 8,320 | 8,770 | 9,220 |
| Capital Employed | 28,640 | 33,590 | 33,710 | 37,280 | 38,980 | 47,880 | 53,445 | 56,209 |
| Gross Fixed Assets | 8,120 | 9,140 | 13,440 | 13,400 | 15,340 | 15,600 | 16,400 | 17,280 |
| Intangibles | 600 | 550 | 410 | 2,300 | 3,060 | 5,600 | 3,060 | 3,060 |
| Less: Accum. Deprn. | -2,480 | -3,250 | -5,270 | -5,710 | -7,340 | -7,360 | -9,013 | -10,807 |
| Net Fixed Assets | 6,240 | 6,440 | 8,580 | 9,990 | 11,060 | 13,840 | 10,447 | 9,533 |
| Capital WIP | 270 | 450 | 580 | 240 | 390 | 670 | 670 | 670 |
| Goodwill | 4,860 | 5,030 | 5,380 | 6,130 | 6,540 | 8,620 | 8,720 | 8,770 |
| Investments | 5,430 | 4,500 | 7,330 | 8,540 | 8,280 | 10,960 | 11,394 | 8,688 |
| Curr. Assets, L&A | 23,920 | 29,120 | 26,560 | 28,340 | 30,290 | 33,910 | 42,079 | 50,444 |
| Inventory | 15,110 | 14,110 | 13,800 | 11,260 | 14,120 | 12,250 | 14,227 | 14,626 |
| Account Receivables | 3,400 | 5,170 | 5,390 | 3,880 | 6,520 | 10,150 | 11,686 | 11,251 |
| Cash and Bank Balance | 2,010 | 5,520 | 2,790 | 9,440 | 5,790 | 7,560 | 11,427 | 18,641 |
| Others | 3,400 | 4,320 | 4,580 | 3,760 | 3,860 | 3,950 | 4,740 | 5,925 |
| Curr. Liab. and Prov. | 11,880 | 13,710 | 16,250 | 16,980 | 18,360 | 19,800 | 19,545 | 21,575 |
| Current Liabilities | 10,560 | 12,260 | 14,920 | 15,750 | 17,230 | 18,380 | 17,948 | 19,868 |
| Accounts Payable | 8,220 | 9,440 | 9,780 | 11,340 | 13,440 | 14,520 | 13,756 | 15,343 |
| Provisions | 1,320 | 1,450 | 1,330 | 1,230 | 1,130 | 1,420 | 1,597 | 1,707 |
| Net Current Assets | 12,040 | 15,410 | 10,310 | 11,360 | 11,930 | 14,110 | 22,535 | 28,868 |
| Deferred Tax Liability | -200 | 1,760 | 1,530 | 1,020 | 780 | -320 | -320 | -320 |
| Application of Funds | 28,640 | 33,590 | 33,710 | 37,280 | 38,980 | 47,880 | 53,445 | 56,209 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E |
|--------------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS | 6.3 | 7.2 | 8.1 | 9.0 | 9.5 | 10.1 | 11.5 | 12.3 |
| Cash EPS | 7.0 | 9.7 | 9.0 | 10.2 | 10.6 | 11.3 | 12.7 | 13.7 |
| BV/Share | 19.7 | 23.2 | 23.4 | 25.1 | 26.4 | 29.4 | 33.4 | 35.2 |
| DPS | 4.6 | 6.6 | 7.8 | 7.7 | 9.3 | 4.5 | 7.5 | 10.5 |
| Payout % | 72.4 | 76.3 | 98.5 | 84.4 | 97.4 | 44.6 | 65.5 | 85.4 |
| Valuation (x) | | | | | | | | |
| P/E | 84.3 | 74.1 | 65.6 | 59.1 | 56.0 | 52.7 | 46.4 | 43.2 |
| Cash P/E | 76.0 | 55.1 | 59.3 | 52.3 | 50.3 | 47.1 | 41.8 | 38.8 |
| EV/Sales | 10.8 | 9.3 | 9.3 | 8.4 | 7.1 | 6.9 | 6.6 | 5.9 |
| EV/EBITDA | 60.0 | 51.3 | 46.4 | 42.3 | 40.2 | 37.4 | 32.6 | 30.0 |
| P/BV | 27.0 | 22.9 | 22.7 | 21.2 | 20.2 | 18.1 | 15.9 | 15.1 |
| Dividend Yield (%) | 0.9 | 1.2 | 1.5 | 1.4 | 1.7 | 0.8 | 1.4 | 2.0 |
| Return Ratios (%) | | | | | | | | |
| RoE | 33.4 | 33.4 | 34.7 | 37.1 | 36.9 | 36.1 | 36.5 | 35.9 |
| RoCE | 30.8 | 31.3 | 32.9 | 34.2 | 33.7 | 31.4 | 30.7 | 30.4 |
| RoIC | 40.7 | 40.7 | 43.9 | 54.2 | 55.5 | 47.2 | 49.2 | 53.4 |
| Leverage Ratio | | | | | | | | |
| Debt/Equity (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |

Cash Flow Statement

(INR m)

| Y/E March | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E |
|------------------------------|---------------|---------------|----------------|----------------|----------------|---------------|---------------|----------------|
| OP/(loss) before Tax | 11,170 | 12,570 | 13,740 | 15,230 | 16,010 | 17,430 | 19,711 | 21,182 |
| Int./Div. Received | -280 | -130 | -270 | -140 | -110 | -580 | -1,464 | -1,497 |
| Depreciation | 890 | 1,310 | 1,500 | 1,390 | 1,390 | 1,550 | 1,653 | 1,794 |
| Interest Paid | -180 | -140 | -220 | -250 | -200 | 70 | 726 | 765 |
| Direct Taxes Paid | -2,950 | -3,200 | -2,900 | -2,850 | -3,510 | -3,690 | -4,632 | -4,978 |
| (Incr)/Decr in WC | -3,490 | 210 | 330 | 7,300 | -3,420 | -590 | -4,558 | 881 |
| CF from Operations | 5,160 | 10,620 | 12,180 | 20,680 | 10,160 | 14,190 | 11,436 | 18,146 |
| (Incr)/Decr in FA | -1,280 | -1,430 | -1,860 | -2,690 | -1,840 | -4,980 | 1,740 | -880 |
| Free Cash Flow | 3,880 | 9,190 | 10,320 | 17,990 | 8,320 | 9,210 | 13,176 | 17,266 |
| (Pur)/Sale of Investments | 700 | 1,030 | 280 | -4,270 | 3,370 | -3,890 | -434 | 2,706 |
| Others | 740 | 270 | -1,870 | 4,120 | -2,440 | 2,050 | -2,585 | -2,558 |
| CF from Invest. | 160 | -130 | -3,450 | -2,840 | -910 | -6,820 | -1,278 | -732 |
| Issue of Shares | 0 | 0 | 0 | 60 | 410 | 90 | 0 | 0 |
| (Incr)/Decr in Debt | 0 | 110 | -530 | -310 | -670 | 870 | 450 | 450 |
| Dividend Paid | -6,360 | -6,820 | -10,250 | -10,290 | -11,950 | -5,820 | -5,805 | -9,675 |
| Others | 690 | -270 | -680 | -650 | -690 | -740 | -936 | -975 |
| CF from Fin. Activity | -5,670 | -6,980 | -11,460 | -11,190 | -12,900 | -5,600 | -6,291 | -10,200 |
| Incr/Decr of Cash | -350 | 3,510 | -2,730 | 6,650 | -3,650 | 1,770 | 3,867 | 7,214 |
| Add: Opening Balance | 2,360 | 2,010 | 5,520 | 2,790 | 9,440 | 5,790 | 7,560 | 11,427 |
| Closing Balance | 2,010 | 5,520 | 2,790 | 9,440 | 5,790 | 7,560 | 11,427 | 18,641 |

E: MOFSL Estimates

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| 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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