20 November 2019

Update | Sector: Consumer

P&G Hygiene and Healthcare

BSE SENSEX	S&P CNX
40,470	11,940

CMP: INR10,998 TP: INR11,441 (+4%) Neutral

Stock Info

Bloomberg	PG IN
Equity Shares (m)	32
M.Cap.(INRb)/(USDb)	357 / 5
52-Week Range (INR)	12700 / 9232
1, 6, 12 Rel. Per (%)	-9/-1/4
12M Avg Val (INR M)	64
Free float (%)	29.4

Financials Snapshot (INR b)

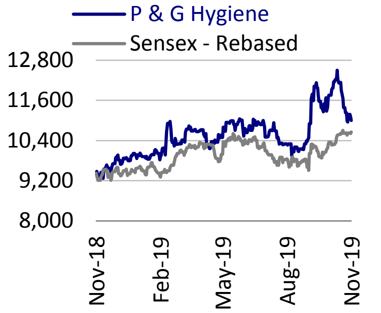
Y/E June	2019	2020E	2021E
Sales	29.5	32.3	37.1
EBITDA	6.1	6.6	8.8
Adj. PAT	4.2	4.9	6.5
Adj. EPS (INR)	129.6	151.0	200.3
EPS Gr. (%)	12.5	16.4	32.7
BV/Sh. (INR)	280.1	326.9	389.1
RoE (%)	49.2	49.8	56.0
RoCE (%)	50.1	52.3	58.5
P/E (x)	85.7	73.6	55.4
P/BV (x)	39.7	34.0	28.5

Shareholding pattern (%)

As On	Sep-19	Jun-19	Sep-18
Promoter	70.6	70.6	70.6
DII	12.1	11.2	10.1
FII	3.4	3.4	3.7
Others	13.9	14.8	15.6

FII Includes depository receipts

Stock Performance (1-year)



Strong comeback after three muted years

Long-term prospects attractive

Key takeaways from P&G Hygiene and Healthcare's (PGHH) FY19 annual report:

- PGHH has maintained its focus on strengthening the brand fundamentals through strategic moves such as innovation, product launches, distribution expansion, and superior communication/execution. Sales increased 20% YoY in FY19, primarily led by the feminine hygiene segment (+24.4% YoY; 70% of sales). Healthcare segment too exhibited a healthy performance (+11.2% YoY), driven by 14% YoY growth in Vicks VapoRub.
- Under the Whisper brand, PGHH launched 'Whisper Choice Aloe Vera' to tap into the rising fervor for naturals among the Indian consumers. The product is offered at the lowest price point, indicating PGHH's changed approach to play not only at the top but also the bottom end of the consumption pyramid.
- Whisper school program created awareness among five million girls across 40,000 schools about the importance of menstrual hygiene in FY19. Notably, this program has reached 25 million girls since 1995.
- In Healthcare, the higher penetration for Rubs, new launches (premium lozenge Vicks 3-in-1), distribution expansion and strong advertising helped the segment to grow in double digits in FY19.
- Branding aggression continued for the second year in FY19, with ad spends as a percentage of sales staying flat at 10.6% in FY19 (up from 8.8% in FY17). Interestingly, ad spends were even higher at 12.3% (+180bp YoY) in 1QFY20.
- There has been no absolute increase in lending to fellow subsidiaries and these contribute only 14% of cash & cash equivalents – the lowest-ever level. Interest rate on these loans stood at 7.8% in FY19.
- As part of its commitment to sustainability, PGHH is working to reduce greenhouse emissions at the manufacturing sites to half the 2010 levels by 2030. It has also started taking efforts to reduce the flow of plastics through recovering and recycling multi-layered plastic packaging waste.
- **Valuation view**: Distribution expansion, significantly higher ad spends, new launches and price cuts have been the key drivers of growth for PGHH. Although valuations of 55.4x FY21E EPS appear expensive and imply limited near-term upside, two factors make PGHH an attractive long-term core holding: (1) the huge category growth potential in feminine hygiene and prospects of market share expansion given its considerable moats and (2) potentially huge margin support from premiumization in feminine hygiene over the longer term. Further, its focus on distribution expansion, category development in schools to boost awareness/growth, rising ad spends after a lull in preceding years, healthy pipeline of new products, entry into newer consumption categories through launches at low price points, and willingness to take price cuts whenever required bode well from the long-term perspective. However, any price caps on feminine hygiene products by the government could emerge as a key risk.

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

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

Key highlights from the annual report

Factors driving growth, according to management

- PGHH has maintained its focus on strengthening brand fundamentals and improving productivity. It also strived to raise the bar on superiority across products, packaging, value, communication and retail execution.
- The company aims to continue focusing on balanced growth behind brand fundamentals, strength of the product portfolio and improved execution.

New launches in FY19

- In FY19, PGHH launched 'Whisper Choice Aloe Vera' to tap into the rising fervor for naturals among the Indian consumers at an affordable price point.
- The company strengthened and premiumized its throat lozenges portfolio with the launch of 'Vicks 3 in 1' in Jun'19.

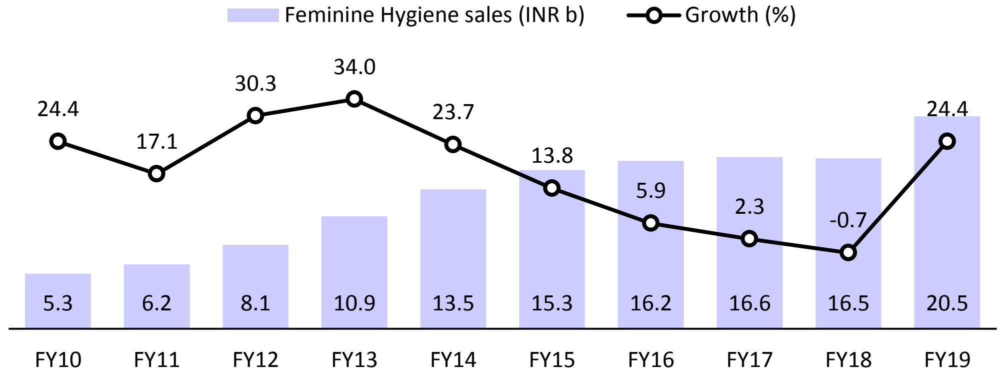
Feminine Hygiene Business (69.6% of FY19 sales)

- In the Feminine Care business, Whisper continues to be the market leader.
- Segmental sales increased 24.4% YoY, which is the fastest pace of growth since FY13. The company does not share segmental data in its quarterly results, so the strong – and better-than-expected – momentum in the category comes in as a pleasant surprise.
- In FY19, the brand continued making strong progress in growing more users on sanitary napkins, particularly on top-tier.
- PGHH's best-in-class menstrual hygiene school program expanded its reach, educating 50% urban girls across the country.
- It also continued to drive depth and breadth of the portfolio via sharply defined go-to-market plans, taking category to more stores.
- PGHH strengthened its play in the emerging 'Comfort & Soft' segment with the launch of Whisper Choice Aloe Vera (first of its kind entry into mid-tier natural segment) at the lowest entry point giving the right proposition and the right product at the right price to convert cloth users.
- PGHH also re-staged its entire top-tier line-up with a packaging upgrade and a new campaign 'Meri Life Mere Rules' that drove significant social media conversation on breaking societal limitations on girls to enable them to live life unconstrained and achieve their dreams.

Whisper School Program

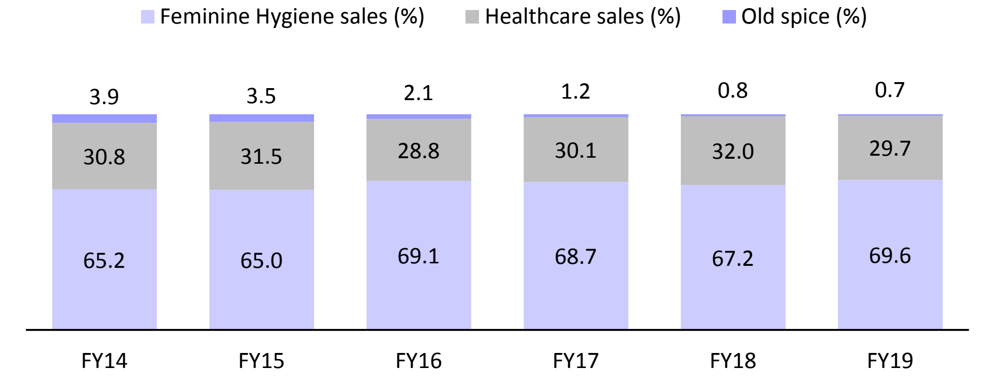
- Whisper school program created awareness among five million girls across 40,000 schools about the importance of menstrual hygiene in FY19. Notably, this program has reached 25m girls since 1995.
- PGHH also worked with the Goa government to set up an educational module on menstrual hygiene management as part of the value-added education in government schools.

Exhibit 1: Feminine Hygiene grew sharply by 24.4% in FY19, fastest pace since FY13



Source: Company, MOFSL

Exhibit 2: Feminine Hygiene continues forming the bulk of overall sales

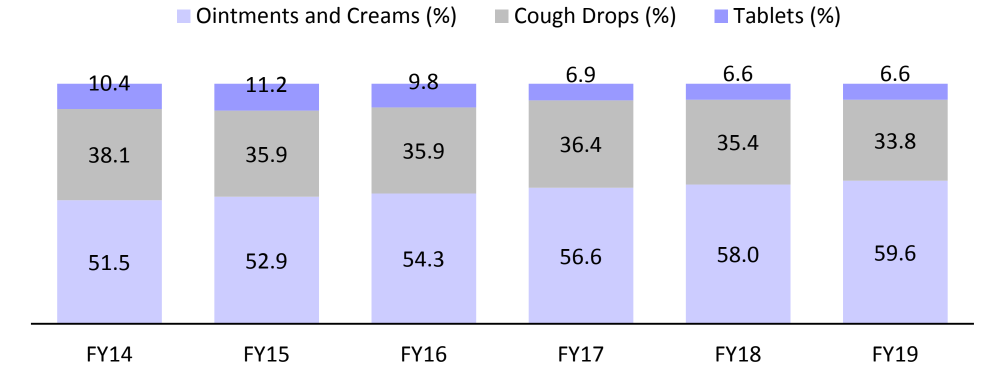


Source: Company, MOFSL

Health Care business (29.7% of sales in FY19)

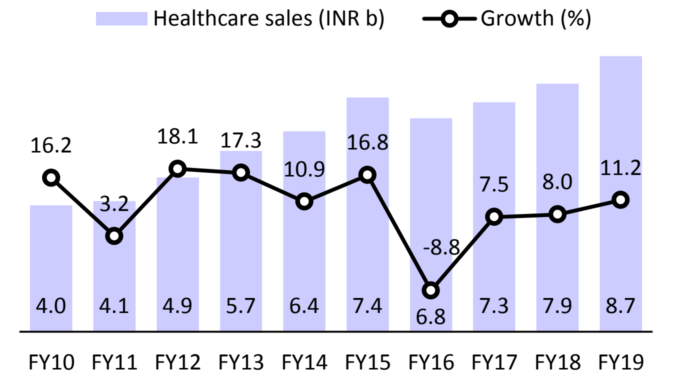
- Health Care business continued growing in strong double digits, benefiting from the strength of PGHH's brand equity and portfolio, which includes Vicks VapoRub, Vicks Cough Drops, Vicks Action 500 Advanced, Vicks Inhaler and Vicks BabyRub. Growth was driven by a combination of plans to win with consumers, winning versus competition and winning in whitespaces with the launch of BabyRub.
- Vicks Rubs grew penetration behind its category development index program for the third year in a row. It continued growing volume share in FY19.
- Vicks Cough Drops offtake grew strongly with share gain in the cough lozenges category in a year of multiple competitive launches and increased investments on media and trade from existing competition.
- PGHH has also strengthened and premiumized its throat lozenges portfolio with the launch of 'Vicks 3 in 1' in Jun'19.
- Apart from the strong business results, the brand received external recognition with the equity building campaign – Vicks #TouchOfCare One in a Million – becoming the most awarded Indian campaign at the prestigious Cannes Lion 2019 and winning four metals.
- PGHH continued focusing on driving consumer meaningful innovations backed by distribution expansion and strong advertising, delivering consistent growth.

Exhibit 3: *Vicks Vaporub* forms the majority of healthcare business, contributing 59.6% of sales



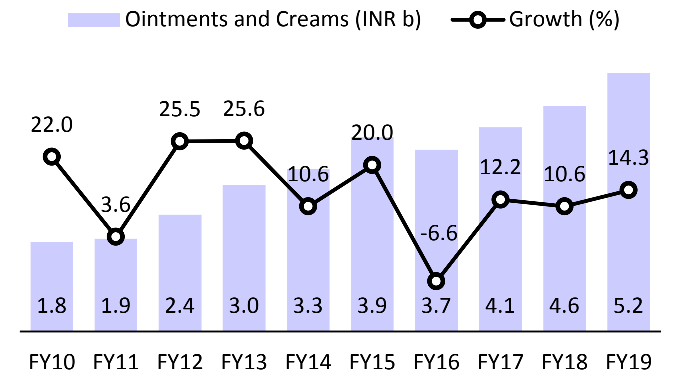
Source: Company, MOFSL

Exhibit 4: Healthcare segment delivered growth of 11.2% YoY to INR8.7b in FY19



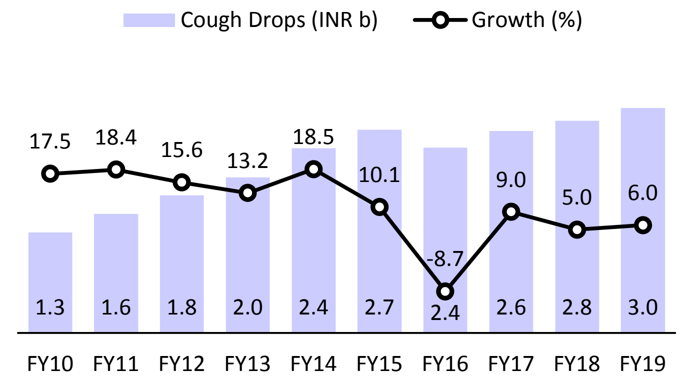
Source: Company, MOFSL

Exhibit 5: Ointments and creams grew strongly by 14.3% YoY in FY19



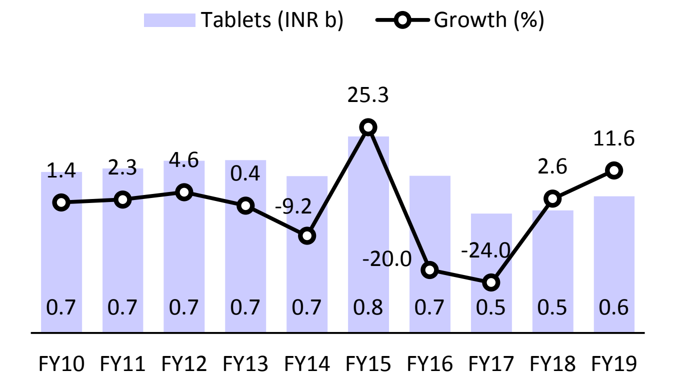
Source: Company, MOFSL

Exhibit 6: Cough drops (+6% YoY) contributed 33.8% of sales in FY19



Source: Company, MOFSL

Exhibit 7: Tablets saw growth of 11.6% YoY in FY19



Source: Company, MOFSL

Old Spice (0.7% of sales in FY19)

- *Old Spice* continued facing a challenging year.
- PGHH has made a conscious business choice to hold back investments on Old Spice until there is a winning proposition in a category that is highly dynamic and competitive.

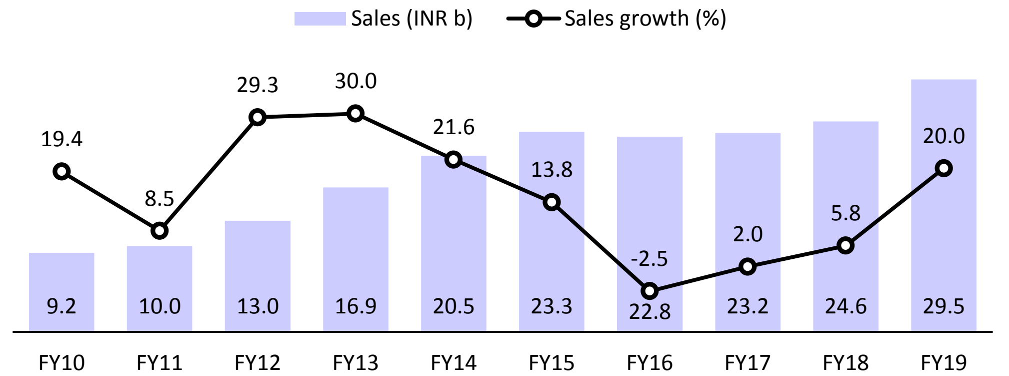
Dividend

- The directors recommended a final dividend of INR48/share for FY19. This is on top of INR40 special dividend earlier in the year.
- Dividend payout at 78% (including DDT) was the highest ever after the special dividend payout in FY17.

Sales growth gains momentum

- Sales grew by a strong double-digit 20% in FY19 after three muted years.
- Growth was driven by the feminine hygiene segment, which grew by 24.4%. This segment contributes ~70% of net sales.

Exhibit 8: Overall sales growth stood at 20% YoY to INR29.5b in FY19

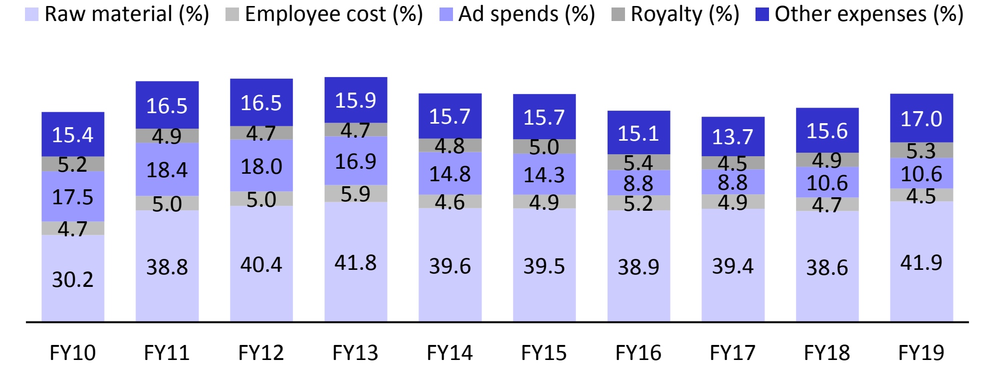


Source: Company, MOFSL

Comments on key cost items

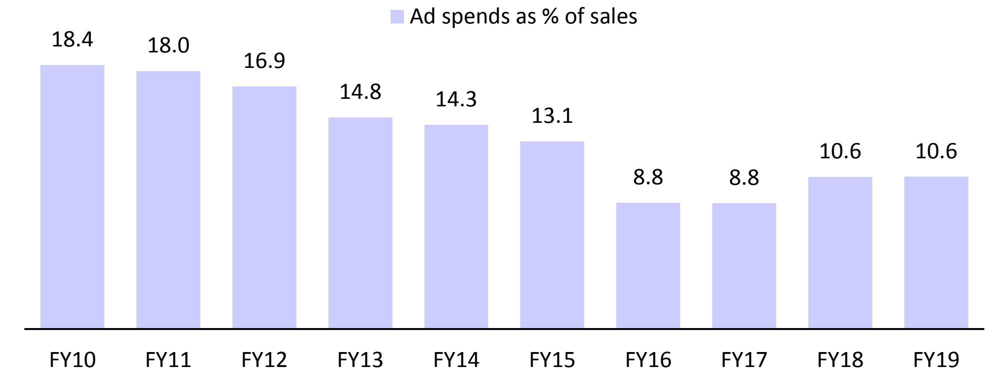
- Raw material (RM) costs as a percentage of sales increased sharply by 330bp YoY to 41.9% in FY19. RM costs reached this level after remaining at sub-40% for five years. Absence of input tax credit – after the category was made exempt from GST last year – was a key factor contributing to higher RM costs.
- Employee cost was down by 20bp YoY to 4.5% in FY19. It has been declining consistently over the past three years.
- Ad spends stood flat YoY at 10.6%. They have sustained this level after two years of low spends at 8.8% in FY17 and FY16. Absolute adspends rose 20% after increasing by 28% in the preceding year.
- Royalty increased for the second consecutive year by 40bp YoY to 5.3%.
- Other expenses jumped significantly by 130bp YoY to 17%. This is the highest level in the last 10 years.

Exhibit 9: Breakdown of key operating expenses



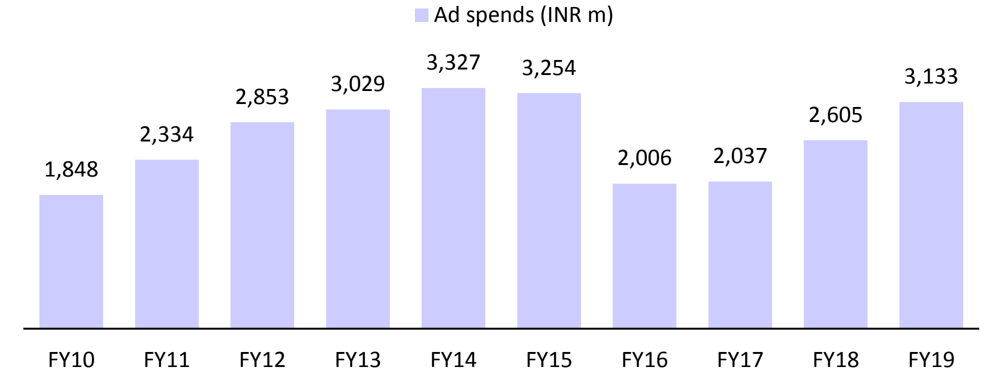
Source: Company, MOFSL

Exhibit 10: Ad spends stood flat at 10.6% but were higher than lows of 8.8% in FY16/17



Source: Company, MOFSL

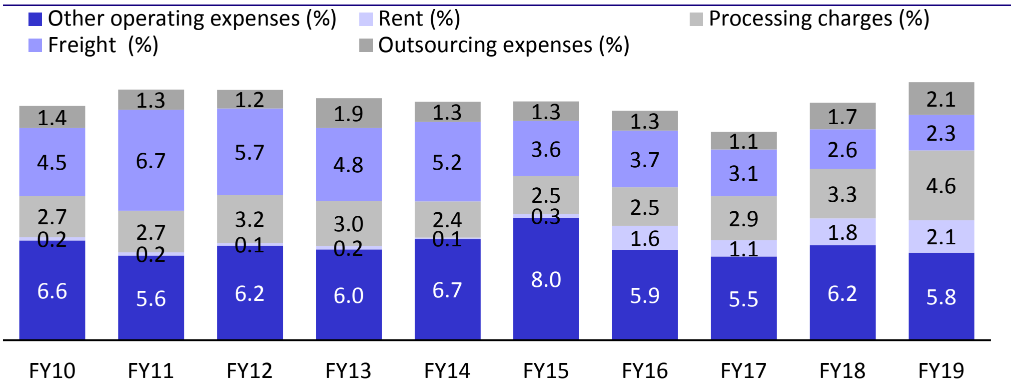
Exhibit 11: Absolute ad spends increased by 20.2% YoY to INR3.1b in FY19



Source: Company, MOFSL

- Rent increased sharply by 40bp to 2.1%. This is the highest level ever.
- Processing charges increased sharply by 130bp YoY to 4.6%. This is the highest level in 15 years.
- Freight cost has been in a downtrend for three years now; it declined 20bp to 2.3% in FY19 – way below 4.5-6% levels over FY10-14.
- Outsourcing expenses increased sharply by 40bp to 2.1% in FY19. This is the highest in 14 years.
- Other operating expense decreased 50bp YoY to 5.8%. While it had increased to 6.2% in FY18, the current levels appear to be in line with the levels seen over FY16-17.

Exhibit 12: Breakdown of key other operating expenses



Source: Company, MOFSL

Comments on employee costs

- Median remuneration of employees increased by 6.73% in FY19.
- The number of permanent employees on the rolls of company is 380.
- Average percentage increase in the salaries of employees other than managerial personnel stood at 6.24% in FY19, whereas the increase in salaries of managerial personnel was 16.56%. Average increase every year is an outcome of the company's market competitiveness as against peer group companies.

Exhibit 13: Remuneration of MD

(INR m)	Mr. Al Rajwani*		Mr. Madhusudan Gopalan
	FY17	FY18	FY19
Gross salary	110.5	81.6	43.9
Stock Option	0	0	0
Sweat Equity	0	0	0
Commission	0	0	0
Others	32.5	0	11.9
Total	**143.0**	**81.6**	**55.8**
Remuneration as % of staff cost	*12.5*	*7.1*	*4.2*
Remuneration as % of EBITDA	*2.2*	*1.3*	*0.9*
Remuneration as % of PAT	*3.3*	*2.2*	*1.3*

*Ceased to be the Managing Director of the company effective June 30, 2018 Source: Company, MOFSL

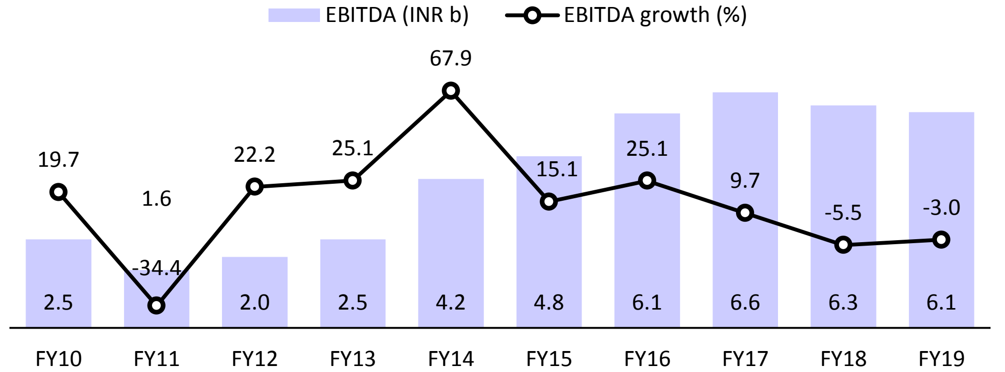
Exhibit 14: Remuneration of CFO

(INR m)	Mr. Prashant Bhatnagar		
	FY17	FY18	FY19
Gross salary	4.6	4.8	4.8
Stock Option	0	0	0
Sweat Equity	0	0	0
Total	**4.6**	**4.8**	**4.8**
Remuneration as % of staff cost	*0.4*	*0.4*	*0.4*
Remuneration as % of EBITDA	*0.1*	*0.1*	*0.1*
Remuneration as % of PAT	*0.1*	*0.1*	*0.1*

Source: Company, MOFSL

- Higher COGS (+330bp YoY) and other expenses (+130bp YoY) were only partially offset by lower employee costs (-20bp YoY). EBITDA margin thus shrank sharply by 330bp YoY to 20.7%. This is the lowest level in the last five years.

Exhibit 15: EBITDA down 3% YoY to INR6.1b in FY19

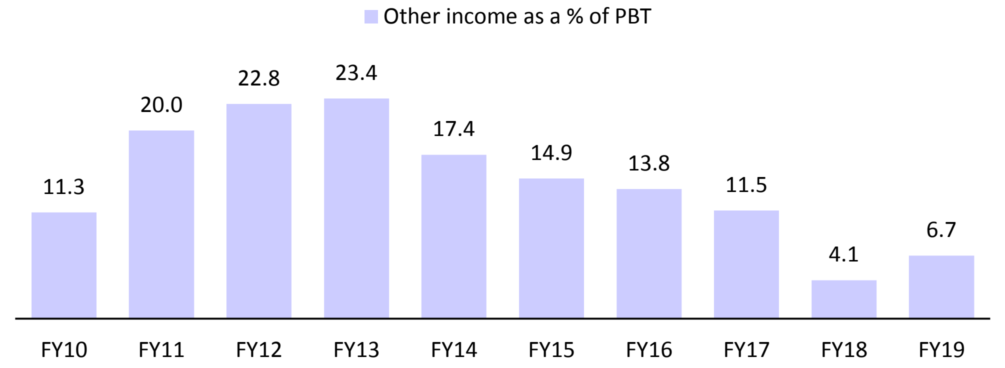


Source: Company, MOFSL

Increase in salience of other income

- Higher cash levels led to an increase in other income. Other income as a proportion of PBT increased from 4.1% in FY18 to 6.7% in FY19.
- It had declined in FY18 after the huge special dividend in FY17 led to a sharp reduction in cash & cash equivalents.

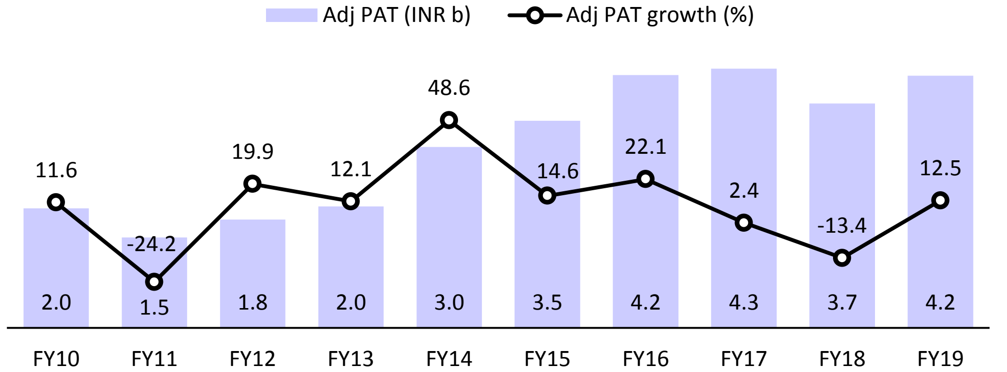
Exhibit 16: Other income as % of PBT increased to 6.7% in FY19



Source: Company, MOFSL

- While top-line growth was very strong in FY19, margin contraction (likely to be transient) led to a decline in EBITDA. Double-digit adj. PAT growth was led by higher other income and a lower tax rate. Adj. PAT growth was still lower than sales growth due to EBITDA margin compression. PAT margin contracted by 100bp YoY to 143% in FY19.

Exhibit 17: After declining in FY18, adj. PAT was up by 12.5% YoY to INR4.2b in FY19



Source: Company, MOFSL

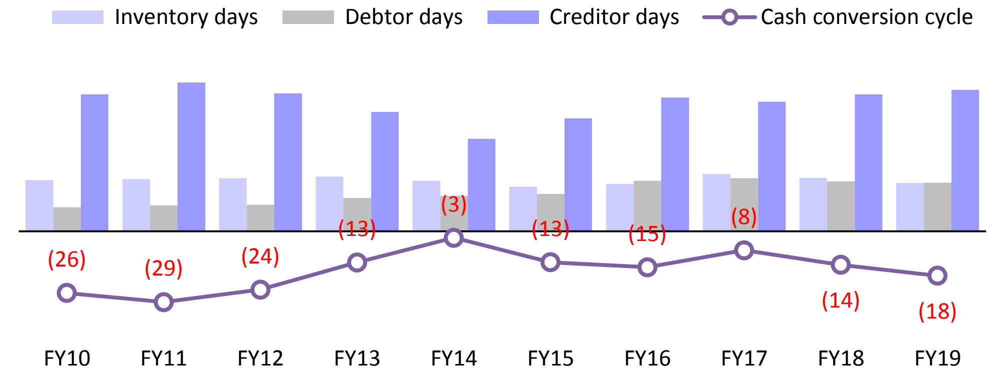
- With the revival in sales momentum leading to better fixed costs absorption, the eventual moderation in ad spends and premiumization, EBITDA margins are likely to expand, going forward.

Balance Sheet highlights

Working capital improves on average basis…

- Net working capital days declined to -18 in FY19 from -14 in FY18.
- Reduction in inventory/debtor days and higher creditor days led to the improvement.
- Notably, PGHH has gone back to the trend of double-digit negative NWC days that the company witnessed before FY17.

Exhibit 18: PGHH continues improving its working capital management, with cash conversion cycle declining from -8 to -14 in FY18 and further to -18 days in FY19

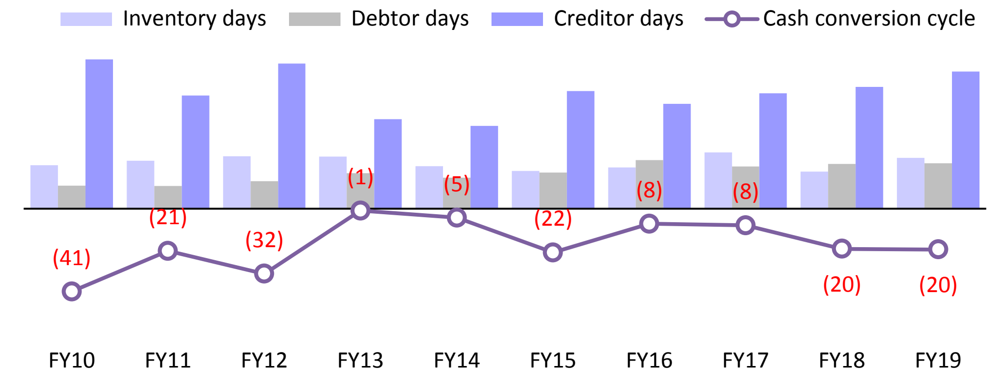


Source: Company, MOFSL

…and also on year-end basis

- Net working capital days stood flat at -20 in FY19.
- Increase in inventory days (from 18 to 25) was offset by higher creditor days (60 to 68). Debtor days stood flat at 22.

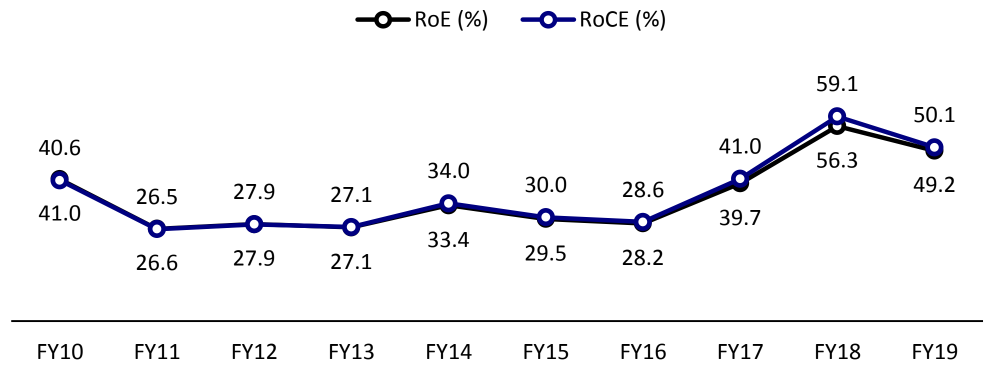
Exhibit 19: On year-end basis, PGHH's cash conversion cycle stood flat at 20 days in FY19



Source: Company, MOFSL

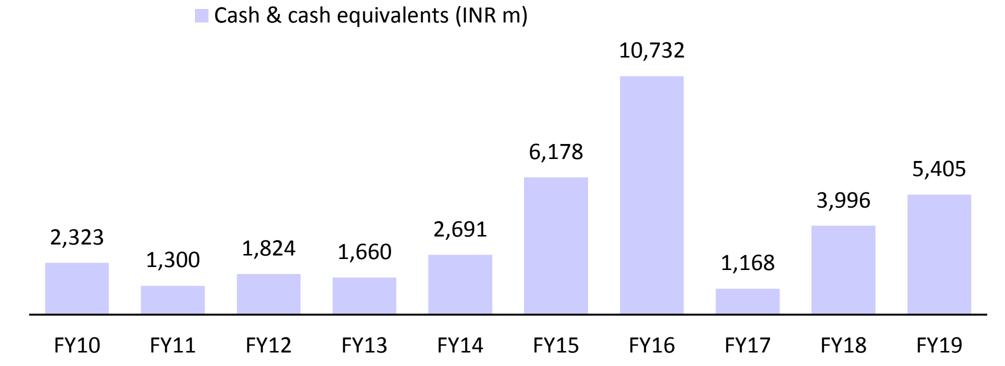
- Cash accumulation led to deterioration in the return ratios. Cash & cash equivalents increased by 35.3% YoY to INR5.4b in FY19.

Exhibit 20: Return ratios declined in FY19 on account of cash accumulation



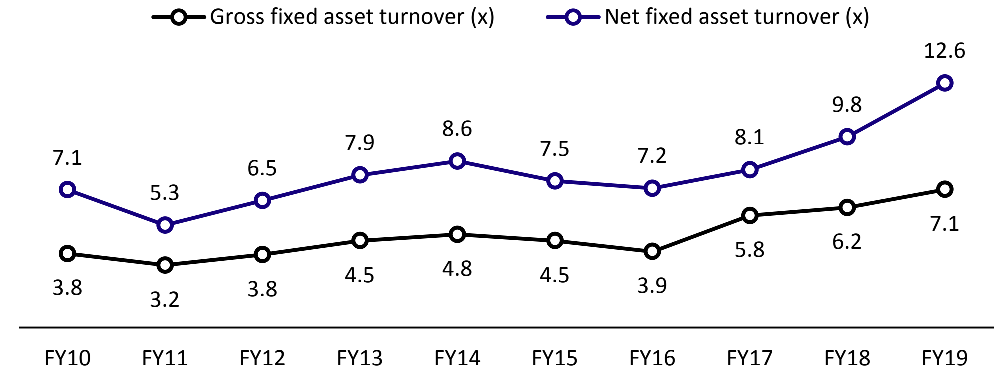
Source: Company, MOFSL

Exhibit 21: Cash & cash equivalents increased by 35.3% YoY to INR5.4b in FY19



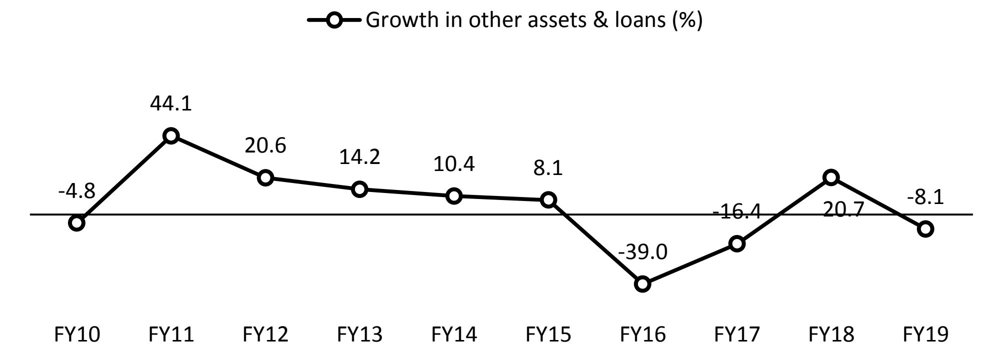
Source: Company, MOFSL

Exhibit 22: Fixed asset turns inched up further in FY19



Source: Company, MOFSL

Exhibit 23: Other assets declined by 8.1% YoY in FY19



Source: Company, MOFSL

- Decrease in other assets was largely on account of lower advance tax paid (-21% YoY to INR1.5b).

Exhibit 24: Breakdown of other assets & loans over the past five years

Particulars (INR m)	FY15	FY16	FY17	FY18	FY19
Loans & Advances					
Loan to related party	4,632	2,417	1,469	1,009	1,037
Other deposits	1,026	775	723	799	805
Balances with custom & excise	21	72	120	684	763
Advance tax paid	1,739	1,070	1,436	1,958	1,544
Total loans & advances	**7,418**	**4,334**	**3,748**	**4,450**	**4,149**
Other assets					
Interest accrued on Loan to fellow subsidiary	9	163	52	135	61
Interest accrued on bank deposits	1	1	2	2	0
Others	26	53	2	5	9
Total other assets	**36**	**217**	**56**	**142**	**70**
Total other assets & loans	**7,454**	**4,550**	**3,803**	**4,591**	**4,219**

Source: Company, MOFSL

Related parties

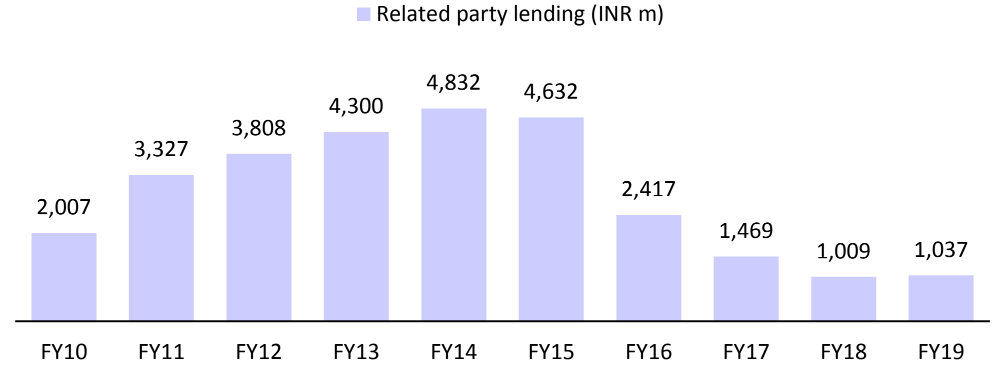
Exhibit 25: Details of loan to subsidiary

Name of Entity	Relation	Amount (INR m)	Purpose
Procter & Gamble Home Products Private Limited	Fellow Subsidiary	1,037	General business purpose

Source: Company, MOFSL

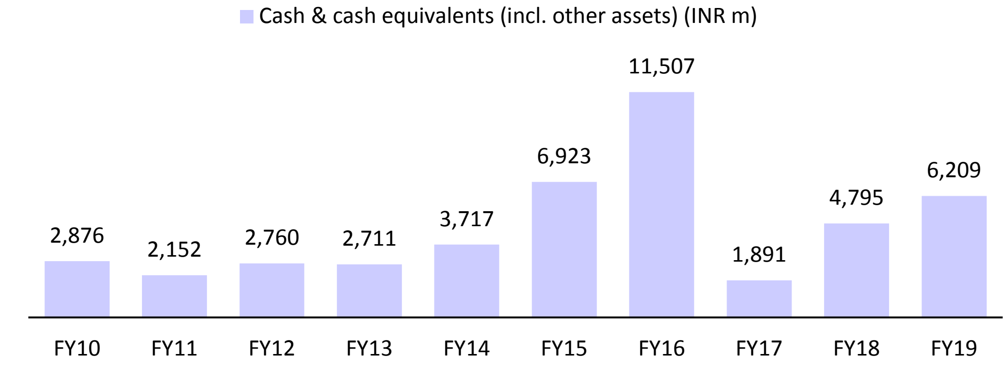
- Loans to related parties increased only marginally despite an increase in cash & cash equivalents.
- Related party lending as a percentage of cash & cash equivalents declined from 21% in FY18 to lowest-ever level of 16.7% in FY19.

Exhibit 26: Related party lending amount increased marginally in FY19



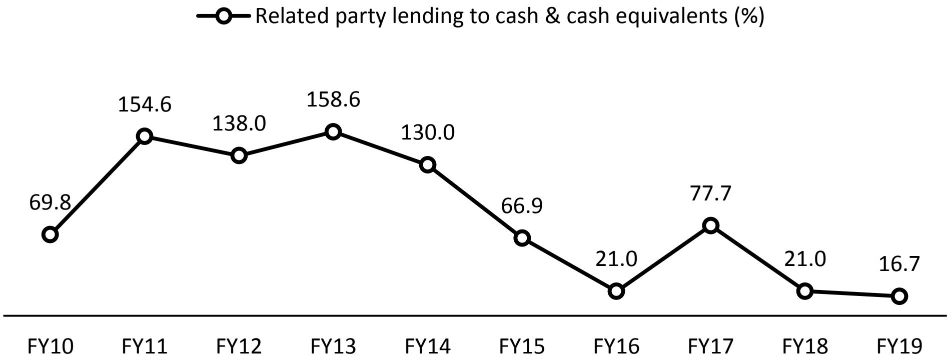
Source: Company, MOFSL

Exhibit 27: Cash & cash equivalents (incl. other assets) increased by 29.5% YoY in FY19



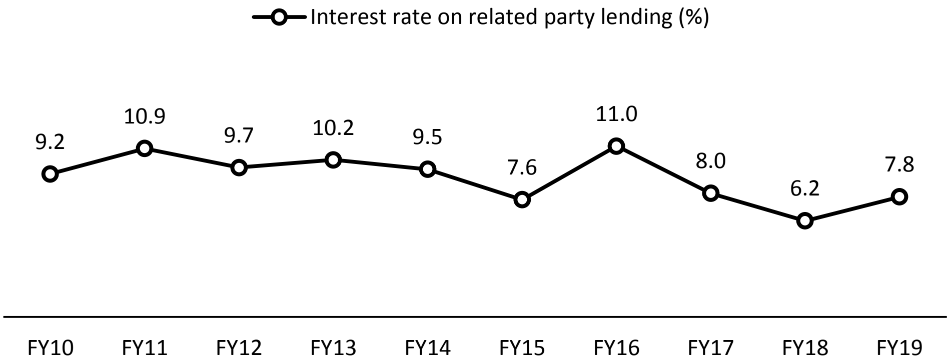
Source: Company, MOFSL

Exhibit 28: Related party lending as % of cash & cash equivalents (incl. other assets) fell from 21% in FY18 to 16.7% in FY19



Source: Company, MOFSL

Exhibit 29: Interest rate on related party loan stood at 7.8% in FY19



Source: Company, MOFSL

- Purchase of goods from related parties increased by 566% YoY to INR1.7b. Purchase of goods as a percentage of COGS increased from 2.6% in FY18 to 13.5% in FY19.
- Business Process Outsourcing (BPO) expenses increased by 34.7% YoY to INR603m.

Exhibit 30: Purchase of goods from related parties increased from 2.6% of sales in FY18 to 13.5% of sales in FY19

INR m	FY18	FY19
Purchase of Goods	250	1,664
Purchase of Goods as % of COGS (%)	2.6	13.5

Source: Company, MOFSL

Contingent liabilities

- Contingent liabilities have grown by 32% YoY to INR2.2b

Exhibit 31: Purchase of goods from related parties increased from 2.6% of sales in FY18 to 13.5% of sales in FY19

INR m	FY18	FY19
Claims against company not acknowledged as debts		
Income Tax matters	1,101	1,704
Sales Tax matters		
(i) Non submission of “C” Forms / ”F” Forms	266	219
(ii) Incomplete accounts books under sales tax	23	23
(iii) Classification issues under sales tax	4	2
(iv) Product valuation issues under sales tax	6	6
(v) Other sales tax matters	102	93
Excise duty, service tax and custom duty matters		
(i) Classification issues under excise tax	1	0
(ii) Product valuation issues under excise tax	10	0
(iii) Applicability of service tax matters	123	123
(iv) Other excise, service tax and customs matters	0	0
(v) Custom duty	2	0
Other matters	8	8
Total Contingent Liabilities	**1,644**	**2,177**

Source: Company, MOFSL

Other comments

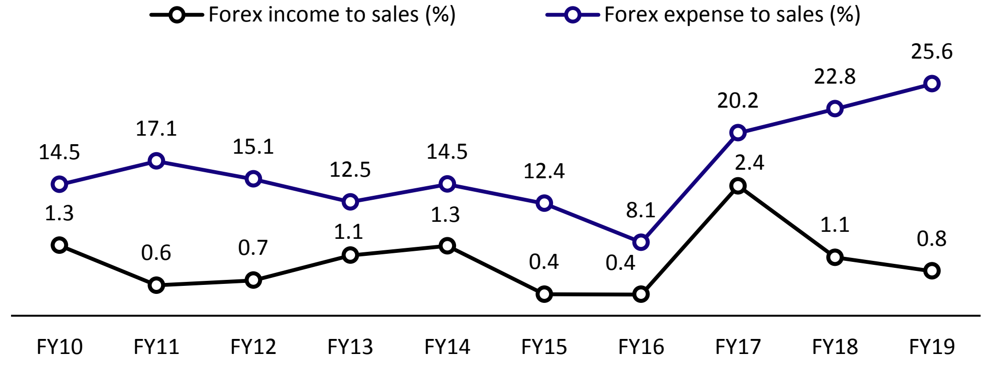
- Forex income declined by 8.1% YoY to INR242m in FY19, whereas forex expenses increased sharply by 34.5% YoY to INR7.5b. Forex expenses as a percentage of sales increased further from already high 22.8% in FY18 to 25.6% in FY19.

Exhibit 32: Breakdown of net forex earnings

Particulars (INR m)	FY17	FY18	FY19
Foreign Exchange earnings	554	264	242
Change (%)		*-52.4*	*-8.1*
Foreign Exchange outgo	4,678	5,600	7,532
Change (%)		*19.7*	*34.5*
Net Foreign Exchange earnings	(4,124)	(5,336)	(7,290)
Change (%)		*29.4*	*36.6*

Source: Company, MOFSL

Exhibit 33: Forex expense to sales increased to 25.6%, while forex income to sales declined to 0.8%



Source: Company, MOFSL

- PGHH managed to fulfil its CSR obligation of INR122m for FY18.

Exhibit 34: PGHH left no amount of its prescribed CSR expenditure unspent

Year	FY18
Average net profit for last 3 years	6,372
Prescribed CSR expenditure for FY18 (2% of average net profit)	**127.4**
Total amount actually spent on CSR activities	127.4
Amount unspent	**Nil**

Source: Company, MOFSL

Energy conservation and waste management

- The Goa manufacturing plant is a ‘zero waste to landfill’ site. This means that there is no manufacturing discharge into the environment.
- Over the last five years, the Goa plant has reduced its carbon emission by 18%.
- During this period, the plant has also improved on both energy and water by 75%.
- The plant is also leveraging technology, experts, employees and renewable sources of energy to reduce the company’s overall footprint and make its operations more sustainable.
- All of PGHH’s brands will enable responsible consumption through packaging that is 100% recyclable or reusable by 2030.

- By 2030, 100% of manufacturing sites across the globe will cut greenhouse gas emissions in half compared to its 2010 baseline.
- PGHH is committed to help reduce the flow of plastic by making changes now and bringing long-term solutions. In India, it has put in place a system to recover and recycle multi-layered plastic packaging waste, and is working with various waste management companies and the industry to collect, segregate and recycle multi-layered plastic packaging waste.

Financials and Valuations

Standalone - Income Statement (INR M)

Y/E June	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	**23,338**	**22,754**	**23,204**	**24,553**	**29,465**	**32,331**	**37,085**
Change (%)	13.8	-2.5	2.0	5.8	20.0	9.7	14.7
Raw Materials	9,209	8,848	9,150	9,487	12,349	13,353	15,019
% of Sales	39.5	38.9	39.4	38.6	41.9	41.3	40.5
Employees Cost	1,133	1,174	1,141	1,152	1,324	1,584	1,706
% of Sales	4.9	5.2	4.9	4.7	4.5	4.9	4.6
Other Expenses	8,152	6,674	6,267	7,634	9,700	10,766	11,570
% of Sales	34.9	29.3	27.0	31.1	32.9	33.3	31.2
Total Expenditure	**18,494**	**16,696**	**16,558**	**18,273**	**23,373**	**25,703**	**28,296**
% of Sales	79.2	73.4	71.4	74.4	79.3	79.5	76.3
EBITDA	**4,844**	**6,059**	**6,646**	**6,280**	**6,093**	**6,628**	**8,789**
Margin (%)	20.8	26.6	28.6	25.6	20.7	20.5	23.7
Depreciation	525	517	597	524	525	531	606
EBIT	**4,319**	**5,542**	**6,049**	**5,756**	**5,568**	**6,097**	**8,183**
Int. and Finance Charges	57	63	104	53	55	55	55
Other Income	746	876	773	241	402	514	572
PBT bef. EO Exp.	**5,008**	**6,355**	**6,718**	**5,944**	**5,915**	**6,556**	**8,700**
EO Items	0	0	0	-82	85	0	0
PBT after EO Exp.	**5,008**	**6,355**	**6,718**	**5,862**	**6,000**	**6,556**	**8,700**
Total Tax	1,547	2,130	2,390	2,160	1,831	1,650	2,190
Tax Rate (%)	30.9	33.5	35.6	36.8	30.5	25.2	25.2
Reported PAT	**3,461**	**4,225**	**4,327**	**3,798**	**4,154**	**4,906**	**6,510**
Adjusted PAT	**3,461**	**4,225**	**4,327**	**3,746**	**4,214**	**4,906**	**6,510**
Change (%)	14.6	22.1	2.4	-13.4	12.5	16.4	32.7
Margin (%)	14.8	18.6	18.6	15.3	14.3	15.2	17.6

Standalone - Balance Sheet (INR M)

Y/E June	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	325	325	325	325	325	325	325
Total Reserves	13,133	16,193	4,937	7,730	8,766	10,287	12,305
Net Worth	**13,457**	**16,518**	**5,261**	**8,055**	**9,091**	**10,611**	**12,630**
Deferred Tax Liabilities	-40	-89	-263	-230	-368	-404	-445
Capital Employed	**13,418**	**16,428**	**4,999**	**7,825**	**8,723**	**10,207**	**12,185**
Gross Block	5,222	5,819	4,024	3,975	4,145	4,341	5,287
Less: Accum. Deprn.	2,128	2,645	1,167	1,474	1,803	2,029	2,635
Net Fixed Assets	**3,093**	**3,174**	**2,857**	**2,501**	**2,342**	**2,312**	**2,652**
Capital WIP	390	347	408	215	146	200	200
Total Investments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Curr. Assets, Loans&Adv.	**15,962**	**18,053**	**8,073**	**11,308**	**13,464**	**18,285**	**21,998**
Inventory	1,191	1,275	1,774	1,236	2,034	1,949	2,235
Account Receivables	1,139	1,496	1,328	1,485	1,807	1,949	2,235
Cash and Bank Balance	6,178	10,732	1,168	3,996	5,405	10,162	13,294
Loans and Advances	7,454	4,550	3,803	4,591	4,219	4,225	4,233
Curr. Liability & Prov.	**6,027**	**5,146**	**6,340**	**6,199**	**7,229**	**10,590**	**12,665**
Account Payables	3,723	3,241	3,632	4,062	5,477	5,337	6,118
Other Current Liabilities	2,234	1,838	2,150	1,606	1,043	1,148	1,262
Provisions	70	67	558	530	709	4,106	5,284
Net Current Assets	**9,934**	**12,907**	**1,733**	**5,109**	**6,235**	**7,695**	**9,333**
Appl. of Funds	**13,418**	**16,428**	**4,999**	**7,825**	**8,723**	**10,207**	**12,185**

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E June	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)							
EPS	**106.5**	**130.0**	**133.1**	**115.3**	**129.6**	**151.0**	**200.3**
Cash EPS	122.8	146.1	151.7	131.5	146.0	167.5	219.2
BV/Share	414.6	508.9	162.1	248.2	280.1	326.9	389.1
DPS	0.0	36.0	389.0	40.0	101.3	104.3	138.4
Payout (%)	0.0	27.7	292.2	34.7	78.2	69.0	69.0
Valuation (x)							
P/E	104.3	85.4	83.4	96.3	85.7	73.6	55.4
Cash P/E	90.4	76.0	73.2	84.4	76.1	66.3	50.7
P/BV	26.8	21.8	68.5	44.8	39.7	34.0	28.5
EV/Sales	15.2	15.4	15.5	14.5	12.1	10.8	9.4
EV/EBITDA	73.1	57.7	54.1	56.8	58.3	52.9	39.5
Dividend Yield (%)	0.0	0.3	3.5	0.4	0.9	0.9	1.2
FCF per share	131.4	92.5	123.7	116.3	139.5	247.2	220.2
Return Ratios (%)							
RoE	29.5	28.2	39.7	56.3	49.2	49.8	56.0
RoCE	30.0	28.6	41.0	59.1	50.1	52.3	58.5
Working Capital Ratios							
Asset Turnover (x)	1.7	1.4	4.6	3.1	3.4	3.2	3.0
Inventory (Days)	19	18	24	22	20	22	22
Debtor (Days)	16	19	22	21	20	22	22
Creditor (Days)	47	51	54	57	59	60	60
Leverage Ratio (x)							
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Standalone - Cash Flow Statement **(INR M)**

Y/E June	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	5,008	6,355	6,718	5,818	6,000	6,556	8,700
Depreciation	525	517	597	524	525	531	606
Net interest expense	-658	-785	-644	-147	-347	-459	-517
Others	212	66	146	225	0	0	0
(Inc)/Dec in WC	1,225	-615	135	466	283	3,298	1,494
Taxes	-2,056	-2,013	-2,500	-2,731	-1,831	-1,650	-2,190
CF from Operations	**4,256**	**3,525**	**4,453**	**4,155**	**4,629**	**8,275**	**8,094**
(Inc)/Dec in FA	10	-523	-438	-381	-100	-251	-946
Free Cash Flow	**4,266**	**3,002**	**4,015**	**3,774**	**4,529**	**8,025**	**7,148**
(Pur)/Sale of Investments	0	0	0	0	0	0	0
Others	274	2,770	2,009	115	223	173	531
CF from Investments	**284**	**2,247**	**1,571**	**-266**	**123**	**-78**	**-415**
Dividend Paid	-893	-1,182	-15,550	-1,055	-3,289	-3,385	-4,492
Interest Paid	-9	-35	-37	-6	-55	-55	-55
Others	-152	0	0	0	0	0	0
CF from Fin. Activity	**-1,053**	**-1,217**	**-15,587**	**-1,061**	**-3,344**	**-3,440**	**-4,547**
Inc/Dec of Cash	**3,487**	**4,554**	**-9,564**	**2,828**	**1,408**	**4,758**	**3,132**
Opening Balance	2,691	6,178	10,732	1,168	3,996	5,404	10,162
Closing Balance	**6,178**	**10,732**	**1,168**	**3,996**	**5,404**	**10,162**	**13,294**

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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