6 June 2020

4QFY20 Results Update | Sector: Consumer

# Jyothy Laboratories

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



| | |
|---|---|
| Bloomberg | JYL IN |
| Equity Shares (m) | 367 |
| M.Cap.(INRb)/(USDb) | 43.1 / 0.5 |
| 52-Week Range (INR) | 185 / 86 |
| 1, 6, 12 Rel. Per (%) | 1/-13/-17 |
| 12M Avg Val (INR M) | - |

**Financials & Valuations (INR b)**

| Y/E March | 2020 | 2021E | 2022E |
|---|---|---|---|
| Sales | 17.1 | 17.5 | 19.8 |
| Sales Gr. (%) | -5.6 | 2.1 | 13.5 |
| EBITDA | 2.5 | 2.6 | 3.1 |
| EBIT Margin (%) | 14.7 | 15.0 | 15.5 |
| Adj. PAT | 1.7 | 1.6 | 1.9 |
| Adj. EPS (INR) | 4.5 | 4.3 | 5.1 |
| EPS Gr. (%) | -15.8 | -6.1 | 20.0 |
| BV/Sh.(INR) | 33.5 | 32.5 | 32.4 |
| **Ratios** | | | |
| RoE (%) | 13.0 | 12.9 | 15.7 |
| RoCE (%) | 12.6 | 12.8 | 16.0 |
| Payout (%) | 83.8 | 127.5 | 106.3 |
| **Valuation** | | | |
| P/E (x) | 25.8 | 27.5 | 22.9 |
| P/BV (x) | 3.5 | 3.6 | 3.6 |
| EV/EBITDA (x) | 18.0 | 16.6 | 14.2 |
| Div. Yield (%) | 2.7 | 3.8 | 3.8 |

**Shareholding pattern (%)**

| As On | Mar-20 | Dec-19 | Mar-19 |
|---|---|---|---|
| Promoter | 62.9 | 62.9 | 67.1 |
| DII | 15.8 | 15.4 | 8.5 |
| FII | 14.7 | 15.3 | 15.8 |
| Others | 6.6 | 6.4 | 8.5 |

FII Includes depository receipts

**CMP: INR117 TP: INR116(-1% ) Neutral**

## Disappointing results, unclear outlook justify low multiples

### Brief view on results and stock

- JYL saw another quarter of disappointing results, with a significant miss on all fronts. While the company reported positive sales in April and May, faster recovery from COVID-19 in Kerala and a good ongoing Household Insecticides (HI) season are likely to have played a bigger role in the pace of growth than any structural change.
- For a company with a far lower sales base (INR17.1b in FY20) v/s peers, performance over the past five years has been consistently lackluster, with a single-digit CAGR in sales (2.5% CAGR) and operating profit (9% CAGR). ROCE at 13% is also far inferior to that of peers; moreover, no uptick is visible from a medium-term horizon, justifying the valuation of 14x EV/EBITDA (at a 60% discount to peers).

### Significant miss on estimates

- **Reported standalone 4QFY20 net sales declined 24.4% YoY** to INR3.8b (est.: INR4.7b). EBITDA decreased 51.4% YoY to INR402m (est.: INR767m). PBT declined 72% YoY to INR196m (est.: INR602m). Adj. PAT was also down 61% YoY to INR206m (est.: INR481m).
- **Standalone gross margins expanded by 20bp YoY** to 44.7% in 4QFY20. Conversely, the EBITDA margin contracted by 590bp YoY to 10.5%.
- Consol. volumes declined 22.1% in 4QFY20. In terms of **consol. segmental** performance, Fabric Care, Personal Care, HI, Dishwashing, and other product sales declined ~17%, ~36%, ~36%, ~21%, and ~15%, respectively.
- **Fabric Care / HI / Personal Care consol. margins** contracted by 850bp/14pp/22pp to 18%/-14%/22.1% YoY. Margins for Dishwashing expanded by 120bp to 12.5% YoY.
- **Consol. balance sheet performance:** The cash conversion cycle stood at 38 days (v/s 32 days in FY19) due to an increase in inventory days. OCF declined 34% and PAT 15.8%. FCF stood at INR1.3b (51% decline YoY).

### Highlights from management commentary

- The company was impacted more than peers in 4QFY20 due to the HI and Soaps categories, wherein seasonal primary sales are usually high in March.
- Faster recovery from COVID-19 in Kerala and a good ongoing HI season have led to positive sales growth on a quarter-to-date basis.
- Manufacturing is 80% back to normal.
- The material cost outlook is benign, led by crude-related raw materials.

### Valuation and view

- A significant miss on all fronts for 4QFY20 and only moderate improvement in 1QFY21 led to a 12.1%/ 10.8% reduction in FY21/FY22 EPS forecasts.
- For a company with a far lower sales base (INR17.1b in FY20) v/s peers, performance over the past five years has been consistently lackluster, with a single-digit CAGR in sales (2.5% CAGR) and operating profit (9% CAGR). Sales and EBITDA growth have been flattish in the past three years. ROCE at 13% is also far inferior to that of peers; moreover, no uptick is visible from a medium-term horizon, justifying the valuation of 14x EV/EBITDA (60% discount to peers). Maintain Neutral.

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**Standalone Quarterly Performance** (INR m)

| Y/E March | FY19 | | | | FY20 | | | | FY19 | FY20 | FY20 | Var. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4QE | (%) |
| **Net Sales** | **4,026** | **4,277** | **4,343** | **5,043** | **4,116** | **4,642** | **4,073** | **3,823** | **17,689** | **16,654** | **4,740** | -19.4 |
| YoY change (%) | 17.1 | 7.1 | 6.3 | 6.3 | 2.3 | 8.5 | -6.2 | -24.2 | 8.8 | -5.9 | -6.0 | |
| **Gross Profit** | **1,892** | **1,965** | **1,971** | **2,243** | **1,965** | **2,119** | **1,941** | **1,709** | **8,071** | **7,734** | **2,227** | |
| Margins (%) | 47.0 | 45.9 | 45.4 | 44.5 | 47.7 | 45.6 | 47.7 | 44.7 | 45.6 | 46.4 | 47.0 | |
| **EBITDA** | **583** | **732** | **718** | **826** | **655** | **791** | **651** | **402** | **2,858** | **2,499** | **767** | -47.6 |
| EBITDA growth % | 34.2 | 13.3 | 5.2 | -6.0 | 12.4 | 8.1 | -9.3 | -51.4 | 8.2 | -12.6 | -7.1 | |
| Margins (%) | 14.5 | 17.1 | 16.5 | 16.4 | 15.9 | 17.0 | 16.0 | 10.5 | 16.2 | 15.0 | 16.2 | |
| Depreciation | 138 | 139 | 140 | 167 | 185 | 188 | 193 | 191 | 583 | 757 | 195 | |
| Interest | 77 | 71 | 67 | 64 | 61 | 59 | 69 | 58 | 278 | 248 | 61 | |
| Other Income | 49 | 47 | 69 | 114 | 48 | 55 | 53 | 45 | 278 | 201 | 91 | |
| **PBT** | **417** | **569** | **581** | **709** | **458** | **598** | **441** | **196** | **2,275** | **1,694** | **602** | -67.4 |
| Tax | 93 | 116 | 97 | 38 | 61 | 66 | 16 | -64 | 343 | 79 | 120 | |
| Rate (%) | 22.3 | 20.3 | 16.7 | 5.4 | 13.4 | 11.0 | 3.6 | -32.5 | 15.1 | 4.7 | 20.0 | |
| **Adjusted PAT** | **324** | **453** | **484** | **670** | **359** | **532** | **425** | **260** | **1,932** | **1,577** | **481** | -45.9 |
| YoY change (%) | 57.5 | 7.2 | 29.9 | 11.1 | 10.9 | 17.4 | -12.1 | -61.2 | 20.4 | -18.4 | -28.2 | |

E: MOFSL Estimates

**Key Performance Indicators**

| Y/E March | FY19 | | | | FY20 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| **2Y average growth %** | | | | | | | | |
| Sales | -0.9 | 3.1 | 8.2 | 7.9 | 9.7 | 7.8 | 0.0 | -9.0 |
| EBITDA | -6.0 | 6.1 | 18.7 | 17.0 | 23.3 | 10.7 | -2.0 | -28.7 |
| PAT | 2.4 | 24.8 | 63.3 | -17.0 | 34.2 | 12.3 | 8.9 | -25.0 |
| **% sales** | | | | | | | | |
| COGS | 53.0 | 54.1 | 54.6 | 55.5 | 52.3 | 54.4 | 52.3 | 55.3 |
| Other expenditure | 32.5 | 28.8 | 28.9 | 28.1 | 31.8 | 28.6 | 31.7 | 34.2 |
| Depreciation | 3.4 | 3.2 | 3.2 | 3.3 | 4.5 | 4.1 | 4.7 | 5.0 |
| **YoY change %** | | | | | | | | |
| COGS | 23.5 | 4.1 | 7.4 | 10.6 | 0.9 | 9.1 | -10.2 | -24.5 |
| Other expenditure | 2.6 | 9.6 | 4.6 | 6.1 | 0.0 | 7.7 | 3.0 | -7.7 |
| Other income | 152.3 | -60.3 | 45.8 | -54.4 | -0.8 | 16.7 | -23.3 | -60.8 |
| EBIT | 51.5 | 16.7 | 6.9 | -10.0 | 5.8 | 1.7 | -20.9 | -68.1 |

*E: MOFSL Estimates*

- Higher ad spends as a percentage of sales (+280bp YoY to 9.1%), increase in staff cost (+230bp YoY to 12%), and higher other expenses (+90bp YoY to 13.1%) imply a 590bp YoY contraction in the EBITDA margin to 10.5%.

## Conference call highlights

**Key highlights**

- JYL was impacted more in the HI and Soaps categories, wherein seasonal primary sales are usually high in March.
- JYL saw ~5% growth up to 20th March.
- The company once again reported positive YoY sales growth over April–May 2020. The HI off-take has been very good, as has been the case with Dishwashing and Soaps (Margo). Secondary sales are also doing equally well, if not better.
- Faster recovery from COVID-19 in Kerala has also helped the rebound.
- Manufacturing is 80% back to normal.
- There was no extension of credit and no material channel filling.
- The portfolio is largely non-discretionary in nature, which is aiding recovery.

**Infrastructure improvements and demand revival**

- Most of the 25 factories are in the rural markets, with workers living within the factory premises or nearby.
- Scattered manufacturing is helping the company do better than peers.
- In April, JYL reported 30–40% of normal manufacturing operations, which increased to 80% by the end of May.
- JYL is facing numerous constraints, such as one-shift operations in many factories, and only a third of the staff working in several factories. However, states are gradually allowing 10-hour shifts (v/s the usual eight hours) and more staff in factories; the situation should normalize by June end.
- Demand in Maharashtra, Tamil Nadu, and Gujarat may not return to normal in June given COVID-19-led concerns.
- Rural demand is likely to do better.
- Mumbai, Delhi, and Indore are dragging down urban performance, which is doing fine outside of these large cities.
- 60% of modern trade outlets were operational in May. Performance is likely to return to normal levels (pre-COVID-19 levels) post the easing of the lockdown in June.

**Ad spends and other costs**

- The company has kept ad spend intensity high on key programs and corresponding with key government announcements.
- Ad spends would be in the 15% range in FY21 as well.
- It was unable to cut staff costs and ad spends in 4Q on account of the sudden lockdown.
- Dependence on crude-related raw materials would play a part in margin protection in FY22.
- The full-year FY21 EBITDA margin guidance is at 15–16%.

**Other points**

- The Ujala Detergent, Henko Satin Care, and Henko Matic products are doing well.
- T-Shine, re-launched with new packaging, is doing well.

- Margo sanitizers have been launched. Demand is likely to sustain for the rest of the year. The same applies to handwashes, which were a small portion of the Skin Cleansing category earlier.
- The tax rate is expected to be 15% for FY21 and FY22.
- Capex would be modest in FY21.
- Direct reach is 0.85m of the total reach of 3m outlets.
- The Laundry business in a subsidiary was severely affected in the past two months.

## Key Exhibits

**Exhibit 1: Consolidated quarterly performance of JYL's categories**

| Category sales (INR m) | 4QFY19 | 3QFY20 | 4QFY20 |
|---|---|---|---|
| Fabric Care | 1,882 | 1,720 | 1,557 |
| Dishwashing | 1,617 | 1,503 | 1,271 |
| Household Insecticides | 1,002 | 426 | 642 |
| Personal Care | 474 | 357 | 302 |
| Other Products | 185 | 202 | 158 |
| **Total** | **5,160** | **4,208** | **3,930** |
| **Category salience (%)** | **4QFY19** | **3QFY20** | **4QFY20** |
| Fabric Care | 36.5 | 40.9 | 39.6 |
| Dishwashing | 31.3 | 35.7 | 32.3 |
| Household Insecticides | 19.4 | 10.1 | 16.3 |
| Personal Care | 9.2 | 8.5 | 7.7 |
| Other Products | 3.6 | 4.8 | 4.0 |
| **Total** | **100.0** | **100.0** | **100.0** |
| **Category growth (%)** | **4QFY19** | **3QFY20** | **4QFY20** |
| Fabric Care | | (11.0) | (17.2) |
| Dishwashing | | 0.2 | (21.4) |
| Household Insecticides | | 1.7 | (35.9) |
| Personal Care | | (11.7) | (36.3) |
| Other Products | | (6.7) | (14.7) |
| **Total** | | **(5.9)** | **(23.8)** |
| **Category results (INR m)** | **4QFY19** | **3QFY20** | **4QFY20** |
| Fabric Care | 497 | 365 | 280 |
| Dishwashing | 183 | 238 | 159 |
| Household Insecticides | 33 | (15) | (69) |
| Personal Care | 179 | 78 | 47 |
| Other Products | (34) | (20) | (44) |
| **Total** | **857** | **646** | **373** |
| **Result salience (%)** | **4QFY19** | **3QFY20** | **4QFY20** |
| Fabric Care | 58.0 | 56.5 | 75.0 |
| Dishwashing | 21.3 | 36.9 | 42.6 |
| Household Insecticides | 3.8 | (2.4) | (18.4) |
| Personal Care | 20.8 | 12.0 | 12.6 |
| Other Products | (4.0) | (3.1) | (11.7) |
| **Total** | **100.0** | **100.0** | **100.0** |
| **EBIT margin (%)** | **4QFY19** | **3QFY20** | **4QFY20** |
| Fabric Care | 26.4 | 21.2 | 18.0 |
| Dishwashing | 11.3 | 15.8 | 12.5 |
| Household Insecticides | 3.3 | (3.6) | (10.7) |
| Personal Care | 37.6 | 21.8 | 15.5 |
| Other Products | (18.4) | (9.8) | (27.7) |
| **Total** | **16.6** | **15.3** | **9.5** |

Source: Company, MOFSL

## Valuation and view

### What has happened in the past 10 years?

- Despite the company size being much smaller v/s peers (INR6b in FY10 and INR17.1b inFY20E), its financial performance has been disappointing over the past 10 years.
- While the sales CAGR has been at around 11% over this period, the EBITDA and PAT CAGR have also been tepid at ~11% and ~8%.
- Numbers for the last five years have not been much better, at 2.5%/9%/5.5% CAGR for sales/EBITDA/PAT.
- High penetration and regional dependence on its largest brand Ujala, and the limited profitable growth seen in other categories and geographies outside of South India have restricted company growth.
- The expiry of the Henkel option, which would have added more Henkel brands to the portfolio, was also a setback for the company.
- Given these insights, it is not surprising the stock has underperformed in recent years.

### Our view on the stock

- A significant miss on all fronts in 4QFY20 and only moderate improvement in 1QFY21 led to a 12.1%/10.8% reduction in FY21/FY22 EPS forecasts.
- For a company with a far lower sales base (INR17.1b in FY20) v/s peers, performance over the past five years has been consistently lackluster, with a single-digit CAGR in sales (2.5% CAGR) and operating profit (9% CAGR). Sales and EBITDA growth have been flattish in the past three years. ROCE at 13% is also far inferior to that of peers; moreover, no uptick is visible from a medium-term horizon, justifying the valuation of 14x EV/EBITDA (60% discount to peers). Maintain Neutral.

**Exhibit 2: Changes to the model have resulted in 12.1%/ 10.8% cut in our FY21/FY22 EPS**

| | New | | Old | | Change (%) | |
|---|---|---|---|---|---|---|
| | FY21E | FY22E | FY21E | FY22E | FY21E | FY22E |
| Sales | 17,479 | 19,836 | 18,443 | 20,924 | -5.2% | -5.2% |
| EBITDA | 2,629 | 3,074 | 2,909 | 3,296 | -9.6% | -6.7% |
| PAT | 1,562 | 1,874 | 1,777 | 2,101 | -12.1% | -10.8% |

Source: Company, MOFSL

# Financials and Valuations

| Consolidated - Income Statement | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY15** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20** | **FY21E** | **FY22E** |
| **Total Income from Operations** | **15,148** | **15,928** | **16,830** | **16,724** | **18,136** | **17,112** | **17,479** | **19,836** |
| Change (%) | 14.4 | 5.1 | 5.7 | -0.6 | 8.4 | -5.6 | 2.1 | 13.5 |
| Cost of Materials Consumed | 7,775 | 8,360 | 8,941 | 8,753 | 9,707 | 9,009 | 9,187 | 10,414 |
| **Gross Profit** | **7,374** | **7,567** | **7,889** | **7,971** | **8,429** | **8,103** | **8,293** | **9,422** |
| Margin (%) | 49.0 | 47.6 | 46.9 | 47.7 | 46.5 | 47.4 | 47.4 | 47.5 |
| Personnel Expenses | 1,790 | 1,810 | 1,752 | 1,908 | 2,076 | 2,193 | 2,132 | 2,420 |
| % of Sales | 11.9 | 11.4 | 10.4 | 11.4 | 11.4 | 12.8 | 12.2 | 12.2 |
| Other Expenses | 3,954 | 3,537 | 3,591 | 3,488 | 3,542 | 3,398 | 3,531 | 3,927 |
| % of Sales | 26.3 | 22.2 | 21.4 | 20.9 | 19.5 | 19.9 | 20.2 | 19.8 |
| **EBITDA** | **1,630** | **2,220** | **2,545** | **2,575** | **2,811** | **2,511** | **2,629** | **3,074** |
| Margin (%) | 10.8 | 14.0 | 15.1 | 15.4 | 15.5 | 14.7 | 15.0 | 15.5 |
| Depreciation | 325 | 314 | 301 | 311 | 306 | 529 | 698 | 802 |
| **EBIT** | **1,305** | **1,906** | **2,245** | **2,263** | **2,505** | **1,982** | **1,932** | **2,273** |
| Int. and Finance Charges | 138 | 618 | 565 | 481 | 352 | 329 | 312 | 297 |
| Other Income | 99 | 143 | 107 | 625 | 278 | 200 | 218 | 229 |
| **PBT after EO Exp.** | **1,204** | **1,431** | **1,787** | **2,407** | **2,430** | **1,815** | **1,838** | **2,205** |
| Current Tax | -6 | 693 | -255 | 619 | 454 | 189 | 276 | 331 |
| Tax Rate (%) | -0.5 | 48.4 | -14.3 | 25.7 | 18.7 | 10.4 | 15.0 | 15.0 |
| Less: Minority Interest | 1 | 43 | 40 | 73 | 75 | 77 | 77 | 77 |
| **Adjusted PAT** | **1,272** | **738** | **2,042** | **1,789** | **1,976** | **1,664** | **1,562** | **1,874** |
| Change (%) | 48.7 | -42.0 | 176.6 | -12.4 | 10.5 | -15.8 | -6.1 | 20.0 |

| Consolidated - Balance Sheet | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY15** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20** | **FY21E** | **FY22E** |
| Equity Share Capital | 181 | 181 | 182 | 182 | 367 | 367 | 367 | 367 |
| Total Reserves | 7,616 | 8,834 | 10,708 | 11,260 | 12,898 | 11,919 | 11,566 | 11,525 |
| **Net Worth** | **7,797** | **9,015** | **10,890** | **11,442** | **13,265** | **12,286** | **11,933** | **11,892** |
| Minority Interest | 14 | -27 | -67 | -139 | -215 | -291 | -291 | -291 |
| Deferred Liabilities | 5 | 409 | -1,115 | -902 | -928 | -1,027 | -1,027 | -1,027 |
| Total Loans | 7,310 | 4,508 | 4,983 | 5,441 | 2,809 | 2,545 | 1,795 | 1,045 |
| **Capital Employed** | **15,126** | **13,906** | **14,691** | **15,841** | **14,932** | **13,513** | **12,409** | **11,619** |
| Gross Block | 12,976 | 10,982 | 11,541 | 11,762 | 12,046 | 13,061 | 13,261 | 13,461 |
| Less: Accum. Deprn. | 2,236 | 280 | 571 | 855 | 1,040 | 1,569 | 2,266 | 3,068 |
| **Net Fixed Assets** | **10,740** | **10,702** | **10,970** | **10,907** | **11,006** | **11,492** | **10,994** | **10,393** |
| Capital WIP | 177 | 55 | 88 | 153 | 143 | 245 | 123 | 123 |
| **Total Investments** | **1,935** | **859** | **285** | **1,132** | **1,044** | **0** | **0** | **0** |
| **Curr. Assets, Loans&Adv.** | **5,315** | **6,080** | **6,073** | **6,695** | **6,301** | **5,598** | **6,004** | **6,403** |
| Inventory | 1,852 | 1,827 | 1,925 | 1,836 | 1,974 | 2,251 | 1,748 | 2,182 |
| Account Receivables | 574 | 941 | 1,228 | 1,674 | 1,534 | 1,224 | 1,486 | 1,884 |
| Cash and Bank Balance | 792 | 612 | 1,034 | 1,367 | 964 | 289 | 1,125 | 470 |
| Loans and Advances & Others | 2,096 | 2,700 | 1,886 | 1,818 | 1,830 | 1,834 | 1,645 | 1,867 |
| **Curr. Liability & Prov.** | **3,041** | **3,790** | **2,725** | **3,045** | **3,563** | **3,822** | **4,712** | **5,300** |
| Account Payables | 800 | 1,612 | 1,490 | 1,720 | 2,134 | 1,298 | 1,923 | 1,884 |
| Other Current Liabilities | 896 | 1,645 | 654 | 663 | 715 | 1,742 | 2,177 | 2,721 |
| Provisions | 1,345 | 534 | 581 | 663 | 715 | 783 | 612 | 694 |
| **Net Current Assets** | **2,273** | **2,290** | **3,348** | **3,650** | **2,738** | **1,776** | **1,292** | **1,103** |
| **Appl. of Funds** | **15,126** | **13,906** | **14,691** | **15,841** | **14,932** | **13,513** | **12,410** | **11,619** |

E: MOFSL Estimates

# Financials and Valuations

**Ratios**

| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E |
|---|---|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | | | |
| **EPS** | **3.5** | **2.0** | **5.6** | **4.9** | **5.4** | **4.5** | **4.3** | **5.1** |
| Cash EPS | 4.4 | 2.9 | 6.4 | 5.7 | 6.2 | 6.0 | 6.2 | 7.3 |
| BV/Share | 21.2 | 24.6 | 29.7 | 31.2 | 36.1 | 33.5 | 32.5 | 32.4 |
| DPS | 2.0 | 0.5 | 3.0 | 0.5 | 3.0 | 3.2 | 4.5 | 4.5 |
| Payout (%) | 67 | 30 | 64 | 12 | 67 | 84 | 128 | 106 |
| **Valuation (x)** | | | | | | | | |
| P/E | 33.8 | 58.2 | 21.0 | 24.0 | 21.7 | 25.8 | 27.5 | 22.9 |
| Cash P/E | 26.9 | 40.8 | 18.3 | 20.5 | 18.8 | 19.6 | 19.0 | 16.1 |
| P/BV | 5.5 | 4.8 | 3.9 | 3.8 | 3.2 | 3.5 | 3.6 | 3.6 |
| EV/Sales | 1.7 | 1.5 | 1.5 | 1.4 | 2.4 | 2.6 | 2.5 | 2.2 |
| EV/EBITDA | 15.8 | 10.9 | 9.8 | 9.4 | 15.6 | 18.0 | 16.6 | 14.2 |
| Dividend Yield (%) | 1.7 | 0.4 | 2.5 | 0.4 | 2.6 | 2.7 | 3.8 | 3.8 |
| FCF per share | 8.3 | 9.1 | 5.9 | 13.6 | 7.2 | 3.5 | 9.8 | 5.7 |
| **Return Ratios (%)** | | | | | | | | |
| RoE | 16.8 | 8.8 | 20.5 | 16.0 | 16.0 | 13.0 | 12.9 | 15.7 |
| RoCE | 9.7 | 7.4 | 18.3 | 13.1 | 13.7 | 12.6 | 12.8 | 16.0 |
| RoIC | 10.5 | 8.0 | 20.0 | 12.7 | 15.7 | 13.8 | 13.6 | 17.4 |
| **Working Capital Ratios** | | | | | | | | |
| Asset Turnover (x) | 1.0 | 1.1 | 1.1 | 1.1 | 1.2 | 1.3 | 1.4 | 1.7 |
| Debt/Equity | 0.9 | 0.5 | 0.5 | 0.5 | 0.2 | 0.2 | 0.2 | 0.1 |

**Consolidated - Cash Flow Statement** **(INR m)**

| Y/E March | FY15 | FY16 | FY17 | FY18 | FY19E | FY20 | FY21E | FY22E |
|---|---|---|---|---|---|---|---|---|
| OP/(Loss) before Tax | 1,245 | 1,431 | 1,787 | 2,407 | 2,430 | 1,815 | 1,838 | 2,205 |
| Depreciation | 326 | 314 | 301 | 311 | 306 | 529 | 698 | 802 |
| Interest & Finance Charges | 95 | 575 | 493 | 413 | 314 | 329 | 312 | 297 |
| Other income | 183 | 90 | 18 | -409 | -25 | -1,058 | -218 | -229 |
| Direct Taxes Paid | -417 | -517 | -309 | -251 | -418 | -189 | -276 | -331 |
| (Inc)/Dec in WC | 232 | 30 | -656 | -38 | 409 | 288 | 1,319 | -466 |
| **CF from Operating incl EO** | **1,663** | **1,922** | **1,633** | **2,434** | **3,016** | **1,714** | **3,673** | **2,278** |
| (inc)/dec in FA | -164 | -265 | -567 | 43 | -383 | -415 | -78 | -200 |
| (Pur)/Sale of Investments | -136 | 1,303 | 598 | -807 | 112 | 1,044 | 0 | 0 |
| Others | -1,097 | -115 | 56 | 115 | 37 | 22 | 295 | 306 |
| **CF from Investments** | **-1,397** | **923** | **87** | **-649** | **-234** | **650** | **217** | **106** |
| Issue of Shares | 0 | 0 | 4,001 | 600 | 4 | 0 | 0 | 0 |
| (Inc)/Dec in Debt | 381 | -1,168 | 492 | 2,276 | -610 | -265 | -750 | -750 |
| Interest Paid | -137 | -98 | -1,555 | -600 | -342 | -329 | -312 | -297 |
| Dividend Paid | -362 | -1,449 | -181 | -1,090 | -182 | -1,394 | -1,992 | -1,992 |
| Others | -63 | -310 | -4,054 | -2,639 | -2,055 | -1,050 | 0 | 0 |
| **CF from Fin. Activity** | **-181** | **-3,025** | **-1,298** | **-1,453** | **-3,185** | **-3,038** | **-3,054** | **-3,039** |
| **Inc/Dec of Cash** | **86** | **-180** | **422** | **332** | **-403** | **-674** | **836** | **-655** |
| Opening Balance | 706 | 792 | 612 | 1,034 | 1,367 | 964 | 290 | 1,125 |
| **Closing Balance** | **792** | **612** | **1,034** | **1,367** | **964** | **290** | **1,125** | **470** |

E: MOFSL Estimates

# NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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