

Estimate change



TP change



Rating change



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Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USD\$b)	884.7 / 12
52-Week Range (INR)	1390 / 720
1, 6, 12 Rel. Per (%)	12/1/-7
12M Avg Val (INR M)	3270

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	210.5	164.6	233.0
Sales Gr. (%)	6.4	-21.8	41.6
EBITDA	24.9	17.7	27.6
EBITDA Margin (%)	11.8	10.8	11.8
Adj. PAT	15.2	10.6	17.2
Adj. EPS (INR)	17.1	12.0	19.3
EPS Gr. (%)	8.9	-29.9	61.6
BV/Sh.(INR)	75.2	74.6	84.3
Ratios			
RoE (%)	23.8	16.0	24.3
RoCE (%)	22.5	14.1	21.2
Payout (%)	40.0	45.0	50.0
Valuation			
P/E (x)	58.4	83.4	51.6
P/BV (x)	13.3	13.4	11.8
EV/EBITDA (x)	35.6	49.8	31.8

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	52.9	52.9	52.9
DII	11.1	9.3	7.4
FII	17.7	18.3	19.2
Others	18.3	19.5	20.5

FII Includes depository receipts

CMP: INR997
TP: INR965 (-3%)
Neutral

Sharp earnings cut on weak FY21 outlook

- While 4QFY20 results came in above expectations, negligible Apr'20 sales due to lockdown, 10–15% of normal sales in May'20, and around 40% of normal sales in Jun'20 are likely to render 1QFY21 a near washout. Management expects gradual recovery, targeting normalcy only in 4QFY21.
- In addition to the COVID-19 impact, higher prevailing gold prices and management's reluctance to reduce staff costs, while good for long-term growth, would have an adverse impact on near-term profitability.
- Changes to the model resulted in ~30%/20% cut in FY21/FY22 EPS. While we continue to remain enthused over the longer term investment case, rich near-term valuations of 52x FY22 EPS fully capture the upside from a one-year perspective. Retain **Neutral** rating.

Sales growth in-line; lower other expenses drive margin expansion

- 4QFY20 consol. revenue declined 3.6% YoY to INR47.1b** (est.: INR49.6b). EBITDA grew 36.6% YoY to INR6.1b (est.: INR4.8b) and PBT 12.8% YoY to INR5.1b (est.: INR3.7b), while recurring PAT declined 1.5% YoY to INR3.4b (est.: INR3.2b).
- Consol. gross margins were up 250bp to 30.4%**. Lower other expenses as a percentage of sales (70bp YoY to 9.3%) and lower ad spend as a percentage of sales (80bp YoY to 2.1%) were offset by higher staff costs as a percentage of sales (20bp YoY to 6%). Thus, EBITDA margins were up 380bp YoY to 13% (est.: 9.7%) in 4QFY20. Margin expansion seems optically higher, to some extent, on account of Ind-AS 116.
- The company reported a mixed 4QFY20 consol. segmental performance. A) **Jewelry sales declined 5% YoY to INR39b, with the segment's margins up 140bp YoY to 13.6%**. B) Watches segment sales grew 5.1% YoY to INR5.6b, with the EBIT margin up 740bp YoY to 9.7%.
- FY20 sales / EBITDA / adj. PAT grew 6.4%/25.1%/8.9% YoY.
- On an average basis, FY20 inventory days increased by 11 days to 131 days, whereas receivable/payable days declined by 1/6 days to 6/47 days. The **overall cash conversion cycle increased by 17 days to 90 days in FY20**.
- Cash flow from operations stood at (-INR3.5b) in FY20 v/s INR12.4b in FY19.

Highlights from management commentary

- No material revenue was reported in Apr'20; May'20 revenues were 10–15% those of normal sales. Moreover, despite the pace of store re-openings being healthy, Jun'20 sales would be 30–40% of earlier targets as the ramp-up in demand would be low.
- Management expects normalcy only in 4QFY21.
- 1QFY21 would also take a hit due to the 'ineffective hedge' on account of higher gold prices, which would be reversed in subsequent quarters.
- A one-off gold sale back to suppliers in 1QFY21 is also expected, on which no profit would be made.

Valuation and view

- Changes to the model have resulted in a ~30%/20% reduction in FY21/FY22 EPS. While 4QFY20 results were above expectations, negligible Apr'20 sales due to lockdown, 10–15% of normal sales in May'20, and around 40% of normal sales in Jun'20 are likely to render 1QFY21 a near washout. Management expects a gradual recovery, targeting normalcy only in 4QFY21.
- In addition to the COVID-19 impact, higher prevailing gold prices and the likely lower share of high-value studded jewelry would weigh on profitability. Moreover, management's reluctance to reduce staff costs, while good for long-term growth, would have an adverse impact on near-term profitability.
- The increasing share of exchange gold and outright gold purchases from customers are also resulting in a reduction in creditor days and lower OCF and ROE. Management is trying to find solutions to these issues.
- While we remain believers in the structural topline growth story, which remains one of the best among Indian consumer plays, valuations are rich at 52x FY22 EPS, leading us to retain our **Neutral** rating.

Consolidated Quarterly Performance

(INR m)

Y/E March	FY19				FY20				FY19	FY20	FY20 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	44,510	45,672	58,715	48,888	51,511	46,616	65,274	47,115	197,785	210,515	49,625	-5.1
YoY change (%)	9.4	27.5	34.6	19.0	15.7	2.1	11.2	-3.6	22.7	6.4	1.5	
Gross Profit	12,177	12,980	15,055	13,631	14,107	13,867	16,655	14,336	53,843	58,965	13,224	
Margin (%)	27.4	28.4	25.6	27.9	27.4	29.7	25.5	30.4	27.2	28.0	26.6	
EBITDA	4,829	4,689	5,912	4,485	5,734	5,223	7,837	6,125	19,915	24,919	4,831	26.8
EBITDA growth %	32.3	11.2	40.0	3.0	18.8	11.4	32.6	36.6	21.1	25.1	7.7	
Margin (%)	10.8	10.3	10.1	9.2	11.1	11.2	12.0	13.0	10.1	11.8	9.7	
Depreciation	407	428	385	408	760	822	877	1,021	1,628	3,480	848	
Interest	109	135	157	125	339	449	447	427	525	1,662	485	
Other Income	361	279	626	563	571	318	227	417	1,829	1,532	248	
PBT	4,674	4,405	5,997	4,515	5,207	4,270	6,739	5,093	19,591	21,310	3,746	36.0
Tax	1,388	1,377	1,885	1,032	1,560	1,127	1,808	1,662	5,682	6,158	527	
Rate (%)	29.7	31.3	31.4	22.9	30.0	26.4	26.8	32.6	29.0	28.9	14.1	
Adjusted PAT	3,286	3,028	4,111	3,482	3,647	3,143	4,931	3,432	13,908	15,152	3,218	6.6
YoY change (%)	31.9	8.8	45.8	11.6	11.0	3.8	19.9	-1.5	24.0	8.9	-7.6	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY19				FY20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
2Y average growth (%)								
Sales	27.3	30.6	22.5	16.2	12.6	14.8	22.9	7.7
EBITDA	29.8	35.4	30.6	36.6	25.5	11.3	36.3	19.8
PAT	23.0	36.7	33.4	41.9	21.5	6.3	32.9	5.1
% of Sales								
COGS	72.6	71.6	74.4	72.1	72.6	70.3	74.5	69.6
Operating Expenses	16.5	18.2	15.6	18.7	16.3	18.5	13.5	17.4
Depreciation	0.9	0.9	0.7	0.8	1.5	1.8	1.3	2.2
YoY change (%)								
COGS	5.2	27.0	35.6	21.6	15.7	0.2	11.4	-7.0
Operating Expenses	16.8	41.3	26.9	18.6	13.9	4.3	-3.6	-10.2
Other Income	27.9	33.9	193.7	204.8	58.0	13.8	-63.8	-25.9
EBIT	31.8	9.0	42.6	2.0	12.5	3.3	25.9	25.2

E: MOFSL Estimates

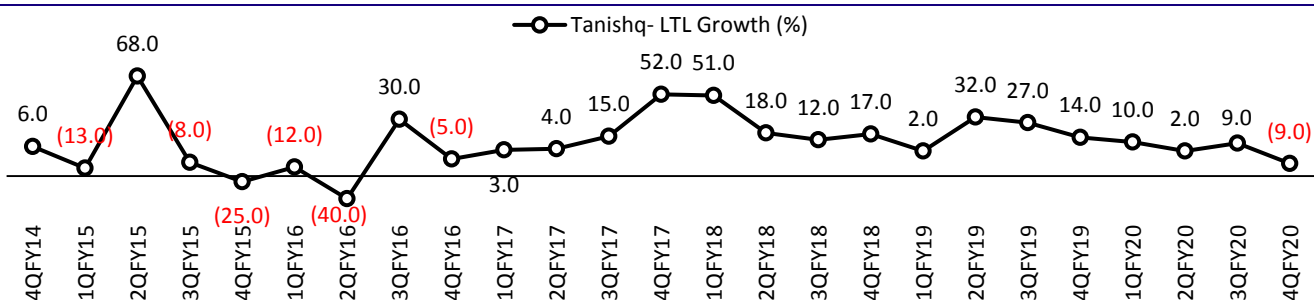
Key Exhibits

Exhibit 1: Consolidated Segmental Snapshot

INR m	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Total Sales	41,257	44,872	45,951	59,341	49,451	52,082	46,933	65,501	47,532
Watches	4,924	5,963	6,788	6,412	5,312	7,161	7,201	6,272	5,583
YoY Growth	-2.5%	15.0%	17.5%	18.2%	7.9%	20.1%	6.1%	-2.2%	5.1%
Jewelry	33,581	36,426	36,451	49,970	41,054	41,641	36,500	56,058	38,993
YoY Growth	13.6%	6.3%	29.0%	37.0%	22.3%	14.3%	0.1%	12.2%	-5.0%
Eyewear	1,087	1,316	1,200	1,295	1,277	1,488	1,542	1,333	1,077
YoY Growth	-2.6%	16.4%	19.3%	39.7%	17.6%	13.1%	28.5%	2.9%	-15.7%
Others	1,666	1,167	1,512	1,664	1,808	1,792	1,690	1,837	1,879
YoY Growth	38.1%	55.7%	52.1%	65.6%	8.5%	53.5%	11.8%	10.4%	4.0%
Total EBIT	4,104	4,778	4,523	6,153	4,640	5,536	4,692	7,183	5,520
Watches	174	996	1,115	434	123	1,192	1,037	390	543
YoY Growth	218.2%	149.5%	34.9%	-36.8%	-29.3%	19.7%	-7.0%	-10.1%	340.1%
EBIT Margin	3.5%	16.7%	16.4%	6.8%	2.3%	16.6%	14.4%	6.2%	9.7%
Jewelry	4,247	3,842	3,784	6,466	4,989	4,370	3,794	7,297	5,301
YoY Growth	60.5%	18.8%	8.6%	76.5%	17.5%	13.7%	0.3%	12.8%	6.2%
EBIT Margin	12.6%	10.5%	10.4%	12.9%	12.2%	10.5%	10.4%	13.0%	13.6%
Eyewear	23	17	5	-1	-45	-114	20	-67	18
YoY Growth	-78.6%	-45.1%	-63.0%	-97.1%	-295.2%	-756.9%	298.0%	5053.8%	-140.3%
EBIT Margin	2.1%	1.3%	0.4%	-0.1%	-3.5%	-7.7%	1.3%	-5.0%	1.7%
Others	(340)	(77)	(380)	(746)	(428)	89	(159)	(437)	(342)

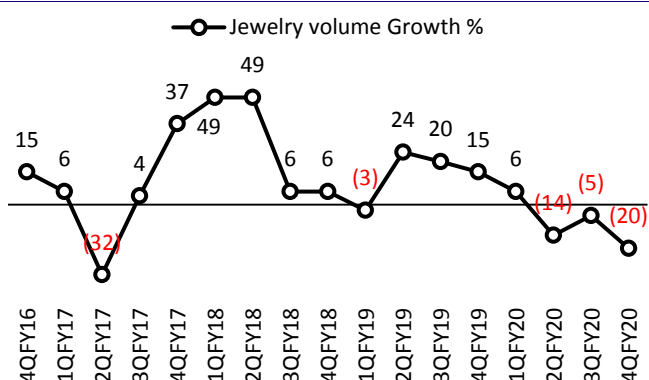
Source: Company, MOFSL

Exhibit 2: Tanishq's LTL growth declined 9% in 4QFY20



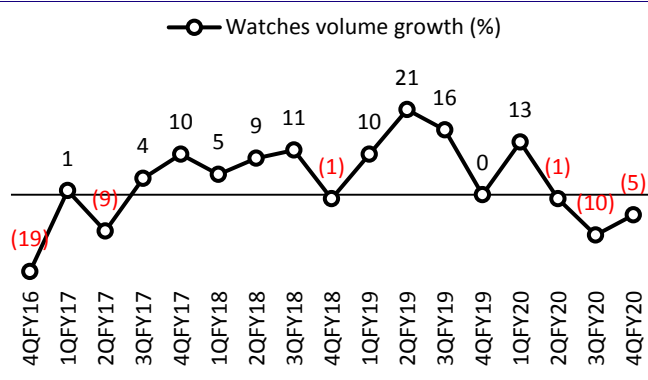
Source: Company, MOFSL

Exhibit 3: Jewelry grammage de-grew 20% YoY in 4QFY20

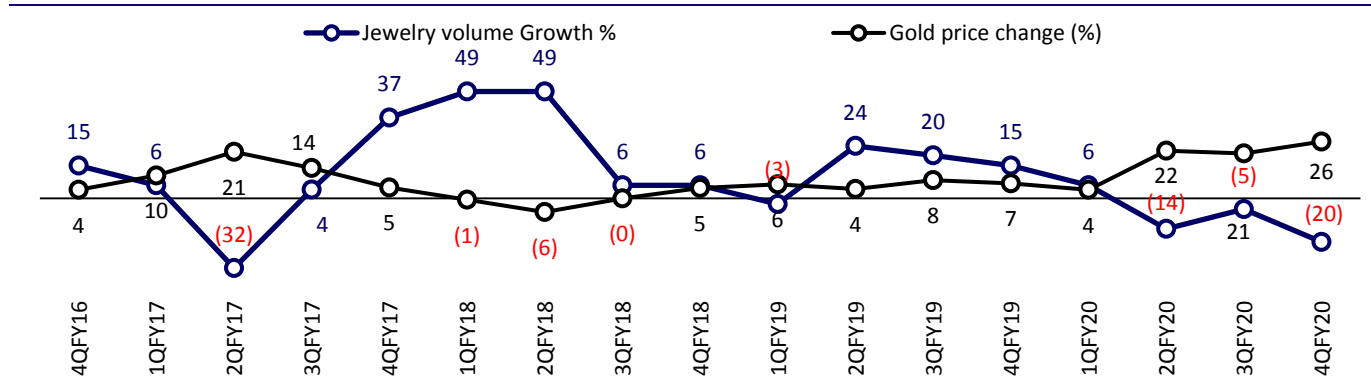


Source: Company, MOFSL

Exhibit 4: Watches volumes de-grew 5% YoY in 4QFY20



Source: Company, MOFSL

Exhibit 5: Quarterly trend – Jewelry volume growth against gold price movement

Source: Company, MOFSL

Exhibit 6: Jewelry – Key operating parameters

Jewelry	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Volume Gr (%)	37	49	49	6	6	(3)	24	20	15	6	(14)	(5)	(20)
Studded Share (%)	34	24	37	25	36	25	35	25	36	25	38	27	37
Sales Gr (%)	60	59	41	8	14	6	29	37	22	14	0	12	(5)
LTL Growth %	52	51	18	12	17	2	32	27	14	10	2	9	(9)
Stores	239	241	244	252	263	265	270	280	290	302	311	324	331

Source: Company, MOFSL

Exhibit 7: Watches segment sales saw growth of 5.1% YoY in 4QFY20

Watches	4QFY19			3QFY20			4QFY20		
	Sales Growth	LTL Growth	Stores (x)	Sales Growth	LTL Growth	Stores (x)	Sales Growth	LTL Growth	Stores (x)
World of Titan	9	7	486	11	11	492	(7)	(9)	499
Helios	14	6	76	23	12	88	10	(3)	92
Fastrack	8	2	172	1	(4)	179	(10)	(12)	183
LFS - Watches	20	16	NA	8	3	NA	(9)	(15)	NA
Sales Gr (%)	7.9			(2.2)			5.1		
Net sales INR b	5.3			6.3			5.6		

Source: Company, MOFSL

Exhibit 8: Titan Eye+: Sales declined 8%, with LTL retail growth declining 16% in 4QFY20

Titan Eye+	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Stores	448	457	462	478	500	509	513	525	537	556	561	578	584
Sales Gr%	9	10	10	23	23	19	18	23	21	20	35	11	(8)
LTL Gr %	1	3	3	14	14	8	8	13	14	14	28	3	(16)

Source: Company, MOFSL



Conference call highlights

Key highlights

- ~1,400 of the 1,800 stores across all formats have been re-opened with safety protocols in place.
- Stores contributing 75% to sales have re-opened. Over the next two to three weeks, TTAN would re-open stores contributing 90% to demand.
- Average daily sales are now at 80% of normal for Tanishq and at 45–50% for both the Watches and Eyewear businesses. This could be attributed to pent-up demand, but no deceleration has thus far been witnessed in week-on-week revenues.
- TTAN targets normalcy in sales by 4QFY21.
- The scale back in large-scale weddings could benefit jewelry purchases as consumers may be willing to spend more on jewelry on saving on other wedding expenses.
- Reduced holiday travel could also benefit jewelry demand in the near term.
- TTAN targets a 15% reduction in fixed costs. Management is hopeful that this would enable them to maintain margins for the remainder of FY21.
- TTAN has adequate stock for now despite its *karigars* (artisans) returning to their villages. The company expects them to be back in the next couple of months.
- No material revenue was reported in Apr'20. May'20 revenues were at 10–15% of normal sales. The company expects Jun'20 sales to be at 30–40% of earlier targets as the ramp-up in demand would be low.
- FY21 is likely to see revenue decline despite the best efforts, resulting in an impact on PBT margins.
- TTAN's focus for FY21 would be on gaining market share in Jewelry, even at the cost of near-term margins. As TTAN's competition does not hedge gold, heavy promotions are likely in the near term. Schemes such as 25–30% off on making charges are already being seen in the market. However, liquidity is a big challenge for peers.
- A fairly high impact would be witnessed in 1QFY21 on accounting for the impact ineffective hedge due to rise in gold prices. However, this would be reversed in subsequent quarters. Management did not quantify the amount.
- An increase in the proportion of exchange gold has led to a rise in capital employed. This is because the payment has to be made in cash unlike gold-on-lease wherein six months' credit is offered. The company is trying various schemes to reduce the impact in FY21.

Jewelry industry and TTAN's challenges

- Jewelry declined in FY20.
- Increase in gold price is also affecting TTAN's sales. Management believes the company would have to be very nimble in its response.
- TTAN would witness pressure on demand, margins, and capital employed in FY21.
- Wedding demand is uncertain in FY21.
- High-value studded jewelry demand is likely to be weak in FY21.
- The opportunity to gain market share is high in the near term.

- The Diamond industry is under a lot of stress due to unsold inventory. The company expects price of larger diamonds (such as solitaires) to soften, but price of smaller diamonds may not decline.

Initiatives in Jewelry business

- TTAN has rolled out video selling in 50 stores.
- It has also initiated appointment-based selling.
- The company has introduced best-in-class safety procedures for the safety of its employees and customers.
- Of 460 stores, 75% are now open, and 90% are likely to be operational by the end of Jun'20.
- Vendors are seeing 10–30% of their employees returning.
- 280 of 329 Tanishq stores are now operational.
- Demand for the Golden Harvest Scheme (GHS) is good, as is that for gold exchange.
- TTAN continues to gain market share.
- TTAN opened 41 new stores of 50 store openings targeted in FY20. The remaining nine stores would be opened at the end of 1QFY21.
- The contribution of new buyers to GHS is 35%. New buyers have also contributed to sales recovery in 1QFY21.

Watches

- The Titan brand did well in FY20, as did the Fastrack brand.
- In FY20, Watches reported 7% topline growth and 9% PBT growth despite the COVID-19 impact.
- TTAN was ranked second in the Smart Wearables category in FY20.
- TTAN expects demand contraction in the lower-middle-class segment of consumers in FY21. On the other hand, demand from the upper middle class is likely to be reasonable.
- There are green shoots in the premium segment.
- ~75% of stores are now operational in the Retail channel; sales are at ~50% of pre-COVID-19 sales.
- 50% of stores are now open in the Trade channel; sales are at 30% of normal levels.
- Large-format stores (LFS) are mall-dependent; thus, only 11% of stores are open, with 14% of pre-COVID-19 sales.

Eyewear

- Consumer scores are at an all-time high.
- TTAN focused on premium frames (> INR5k) in FY20. This segment is doing very well and contributes 1.5–2% to sales.
- TTAN added 60 Eye+ stores last year, taking the total count to 584 stores.
- 400 stores have re-opened thus far.
- Management expects to achieve the same sales as last year by 4QFY21 and perhaps the same growth as well in that quarter.

Other points

- Margins were better in 4QFY20 due to studded jewelry, plain gold sales (usually high toward the end of the quarter) that did not come through, and higher making charges as a proportion of sales.
- TTAN had built up inventory in anticipation of good demand, which increased the number of inventory days. Inventory would be liquidated as part of pure gold sales, which would aid revenues, but would not contribute to margins.
- 45% of inventory was exchange gold, 10–15% was outright purchases from other jewelers, and 40% was gold on lease in FY20.
- Contribution from weddings was 23% in FY20, up from 21% in FY19 and FY18.
- TTAN placed Commercial Paper at a 4% interest rate over Apr–May'20 to tide over liquidity concerns. The company expects to be cash positive by Sep–Oct'20.
- Most of the re-opened stores are in high street, where the company has obtained some waivers on lease rentals. Mall stores are yet to get back on rental reduction.
- The company has decided not to cut salaries even for employees of the closed stores. However, the variable component of employee salaries would not be high.

Valuation and view

Strong growth in last 10 years

- The company has delivered strong growth in the Jewelry business, aided by: a) its efforts in store expansion, b) focus on erstwhile weak cities, c) increased focus on wedding jewelry, d) increased focus on studded jewelry, e) attractive schemes such as golden harvest, and f) increased focus on exchange gold. Additionally, with regulatory tailwinds in the form of GST implementation and reduced limit on PAN card requirement to INR200k (from INR500k earlier), Titan has done well in the past 10 years.
- In the past 10 years ended FY20, net sales have grown at an ~16% CAGR, whereas EBITDA and PAT have both grown at an ~20% CAGR. This easily places TTAN among the best performers of this period. Even in the last five years, despite a high base, sales/EBITDA/PAT increased ~12%/~17%/13%. This once again fares among the top performances v/s peers over this period when average consumer peer earnings growth was in the single digits.
- In the past three years, when the impact of the above regulatory and company-driven factors had been the highest, sales/EBITDA/PAT grew spectacularly by ~17%/~29%/~24%.

Our view on the stock

- Changes to the model have resulted in a 30%/20% reduction in FY21/FY22 EPS. While 4QFY20 results were above expectations, negligible Apr'20 sales due to lockdown, 10–15% of normal sales in May'20, and around 40% of normal sales in Jun'20 are likely to render 1QFY21 a near washout. Management expects gradual recovery, targeting normalcy only in 4QFY21.
- In addition to the COVID-19 impact, higher prevailing gold prices and the likely lower share of high-value studded jewelry would weigh on profitability. Moreover, management's reluctance to reduce staff costs, while good for long-term growth, would have an adverse impact on near-term profitability.

- The increasing share of exchange gold and outright gold purchases from customers is also resulting in a reduction in creditor days and lower OCF and ROE. The management is trying to find solutions to these issues.
- While we remain believers in the structural topline growth story, which remains one of the best among Indian consumer plays, valuations are rich at 52x FY22 EPS, leading us to retain our **Neutral** rating.

Exhibit 9: ~30%/20% cut in our PAT forecasts for FY21/FY22

	New		Old		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	164,581	232,991	225,818	275,020	-27.1%	-15.3%
EBITDA	17,724	27,594	24,769	33,689	-28.4%	-18.1%
PAT	10,615	17,150	15,106	21,363	-29.7%	-19.7%

Source: Company, MOFSL

Financials and valuations

Income Statement

(INR M)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Net Sales	112,759	132,608	161,198	197,785	210,515	164,581	232,991
Change (%)	-5.3	17.6	21.6	22.7	6.4	-21.8	41.6
Gross Profit	30,949	37,534	44,336	53,843	58,965	49,997	64,512
Margin (%)	27.4	28.3	27.5	27.2	28.0	30.4	27.7
Other expenditure	21,601	25,979	27,889	33,928	34,046	32,273	36,918
EBITDA	9,347	11,555	16,447	19,915	24,919	17,724	27,594
Change (%)	-19.4	23.6	42.3	21.1	25.1	-28.9	55.7
Margin (%)	8.3	8.7	10.2	10.1	11.8	10.8	11.8
Depreciation	982	1,105	1,314	1,628	3,480	3,051	4,198
Int. and Fin. Charges	424	377	529	525	1,662	1,711	1,726
Other Income - Recurring	739	705	889	1,829	1,532	1,229	1,258
Profit before Taxes	8,681	10,777	15,492	19,591	21,310	14,191	22,928
Change (%)	-17.8	24.1	43.7	26.5	8.8	-33.4	61.6
Tax	1,710	3,021	4,500	6,150	5,770	3,576	5,778
Deferred Tax	-206	261	221	467	-388	0	0
Tax Rate (%)	22.1	25.6	27.6	29.0	28.9	25.2	25.2
Profit after Taxes	6,765	8,018	11,213	13,908	15,152	10,615	17,150
Change (%)	-17.8	18.5	39.9	24.0	8.9	-29.9	61.6
Margin (%)	6.0	6.0	7.0	7.0	7.2	6.4	7.4
Reported PAT	6,765	6,991	11,019	13,887	14,927	10,615	17,150

Balance Sheet

(INR M)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	888	888	888	888	888	888	888
Reserves	34,178	41,700	49,993	59,955	65,844	65,381	73,956
Net Worth	35,066	42,587	50,881	60,842	66,732	66,268	74,844
Loans	1,131	0	790	318	7,229	5,000	1,000
Lease liabilities	0	0	0	0	12,430	13,673	16,407
Deferred Tax	131	-33	-329	-688	-1,528	-1,528	-1,528
Capital Employed	36,327	42,555	51,342	60,472	84,862	83,413	90,723
Gross Block	13,559	9,858	13,384	15,398	19,907	22,182	24,457
Less: Accum. Deprn.	6,054	1,220	2,137	3,335	6,814	9,866	14,063
Net Fixed Assets	7,506	8,638	11,247	12,063	13,093	12,316	10,394
Intangibles	200	3,337	3,495	3,631	3,960	3,960	3,960
Capital WIP	1,067	1,432	430	290	115	115	115
Right of use asset	0	0	0	0	9,349	10,283	12,340
Investments	26	3,937	16	692	1,136	1,136	1,136
Curr. Assets, L&A	54,624	66,698	79,694	99,735	106,256	82,813	104,507
Inventory	44,472	49,257	59,248	70,388	81,030	57,568	73,968
Account Receivables	1,925	2,076	2,957	4,205	3,116	3,382	4,787
Cash and Bank Balance	1,442	8,159	6,523	11,057	4,255	5,794	8,075
Others	6,785	7,205	10,965	14,085	17,855	16,070	17,677
Curr. Liab. and Prov.	27,095	41,488	43,540	55,939	49,046	27,211	41,729
Current Liabilities	25,794	40,056	41,909	53,881	46,103	24,145	37,916
Provisions	1,302	1,433	1,631	2,057	2,943	3,066	3,814
Net Current Assets	27,529	25,210	36,154	43,796	57,210	55,602	62,778
Application of Funds	36,327	42,555	51,342	60,472	84,862	83,413	90,723

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
EPS	7.6	9.0	12.6	15.7	17.1	12.0	19.3
Cash EPS	8.7	10.2	14.0	17.3	21.0	15.4	24.0
BV/Share	39.5	48.0	57.3	68.5	75.2	74.6	84.3
DPS	5.4	3.6	4.6	7.1	6.8	5.4	9.7
Payout %	70.3	39.7	36.4	45.1	40.0	45.0	50.0
Valuation (x)							
P/E	130.8	110.4	78.9	63.6	58.4	83.4	51.6
Cash P/E	114.7	97.5	71.2	57.5	47.5	64.8	41.5
EV/Sales	7.8	6.6	5.5	4.4	4.2	5.4	3.8
EV/EBITDA	94.7	75.6	53.5	43.9	35.6	49.8	31.8
P/BV	25.2	20.8	17.4	14.5	13.3	13.4	11.8
Dividend Yield (%)	0.5	0.4	0.5	0.7	0.7	0.5	1.0
Return Ratios (%)							
RoE	19.7	20.6	24.0	24.9	23.8	16.0	24.3
RoCE	20.0	21.0	24.7	25.5	22.5	14.1	21.2
RoIC	19.9	24.8	29.8	28.0	23.9	14.1	22.2
Working Capital Ratios							
Debtor (Days)	6	6	7	8	5	8	8
Asset Turnover (x)	3.1	3.1	3.1	3.3	2.5	2.0	2.6
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.1	0.1	0.0

Cash Flow Statement

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
(INR M)							
OP/(loss) before Tax	8,681	9,733	15,298	19,569	21,017	14,191	22,928
Int./Div. Received	-95	31	-81	1,140	-171	-1,229	-1,258
Depreciation & Amort.	982	1,105	1,314	1,628	3,480	3,051	4,198
Interest Paid	-152	-136	-113	-512	677	1,711	1,726
Direct Taxes Paid	2,025	2,768	4,561	6,360	5,577	3,576	5,778
Incr in WC	1,631	-9,158	12,365	3,036	22,715	-3,146	4,895
CF from Operations	5,761	17,123	-507	12,429	-3,289	17,295	16,921
Incr in FA	2,522	2,511	2,993	2,634	3,456	2,275	2,275
Free Cash Flow	3,239	14,613	-3,500	9,796	-6,930	15,020	14,646
Investments	-55	3,254	-4,115	177	-3,183	0	0
Others	-1,058	2,986	-273	197	638	3,212	1,429
CF from Invest.	-1,409	-8,750	1,395	-3,007	-1,096	-5,487	-3,704
Incr in Debt	0	0	0	0	6,934	-2,229	-4,000
Dividend Paid	3,944	36	2,774	3,974	5,356	6,513	5,211
Others	1,104	1,621	-249	915	3,995	1,711	1,726
CF from Fin. Activity	-5,048	-1,656	-2,524	-4,888	-2,417	-10,453	-10,937
Incr/Decr of Cash	-696	6,717	-1,637	4,534	-6,802	1,354	2,280
Add: Opening Balance	2,138	1,442	8,159	6,523	11,057	4,440	5,794
Closing Balance	1,442	8,159	6,523	11,057	4,255	5,794	8,074

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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