

Estimate changes

TP change

Rating change



**CMP: INR535 TP: INR620 (+16%)**

**Buy**

## Big miss; estimates cut by 9%/7% for FY22/23E

### A brief view on its 4QFY21 result and stock

- While Dabur reported consolidated sales growth of 25.3% YoY in 4QFY21, it was on a low base. Thus, the average sales growth momentum in the last two-years dipped to a more modest 6.5% in 4QFY21 from 8.9%/11.5% in 2Q/3Q. There will also be some impact from the slower-than-expected recovery in the Beverages business (15% of sales in FY21) due to the lockdowns impacting sales in the key summer season. Along with higher than anticipated tax rates, these factors have led to a 9.4%/6.9% cut in our FY22E/FY23E EPS.
- We maintain that the management's initiatives in the last two years in the form of: a) a spate of new launches, b) sharp increase in advertisements, c) continued expansion in distribution, d) investment in technology and analytics, and e) cost saving efforts plowed back into the business for growth would set Dabur on the right path towards a much stronger topline and earnings growth, commensurate with the inherent potential in its Healthcare, F&B, and HPC business.
- Dabur has delivered double-digit topline growth in two of the past three years unlike most peers. New products now contribute 5% of sales. Earnings growth, after the ongoing investment in these initiatives, will be even stronger than topline growth. **Maintain BUY.**

### Growth strong, though lower than our expectations

- Consolidated sales grew 25.3% YoY to INR23.4b** (est. INR24.6b) in 4QFY21. EBITDA was up 25.6% YoY to INR4.4b (est. INR5.1b). PBT grew 25.4% YoY to INR4.5b (est. INR5.2b). Adjusted PAT rose 27.1% to INR3.8b (est. INR4.1b).
- India FMCG volumes grew 25.4% YoY in 4QFY21.**
- Gross margin contracted 40bp YoY to 48.7%** (est. 49.8%). As a percentage of sales, lower staff cost (down 80bp YoY to 11.5%), higher ad spends (up 120bp to 6.6%), and lesser other expenses (down 80bp to 11.7%) resulted in a flat EBITDA margin at 18.9% (est. 20.8%).
- Ad spends rose 53.8% YoY to INR1.5b in 4QFY21.
- Sales/EBITDA/PAT grew 5.7%/8.3%/7.1% YoY in FY21.
- Standalone sales/EBITDA/adjusted PAT grew 9.9%/11.7%/11% YoY.** EBITDA margin expanded 40bp YoY to 20.9%. The domestic FMCG business grew 28.3% YoY.
- The **international business** registered constant-currency growth of 21% YoY.
- Receivable days saw a considerable improvement of 9 days taking them to an average of 26 days in FY21. Thus, average net working capital days also improved to 20 days from 29 days on a YoY basis.
- CFO/FCF also grew 31.1%/49.1% in FY21, well ahead of EBITDA/PAT growth.
- The company has recommended a final dividend of INR3/share.

Bloomberg	DABUR IN
Equity Shares (m)	1,762
M.Cap.(INRb)/(USDb)	945 / 12.9
52-Week Range (INR)	581 / 421
1, 6, 12 Rel. Per (%)	-2/-16/-36
12M Avg Val (INR M)	1798

### Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	95.6	104.2	118.5
Sales Gr. (%)	10.1	8.9	13.8
EBITDA	20.0	22.1	26.5
EBITDA mrg. (%)	20.9	21.2	22.4
Adj. PAT	16.9	18.2	21.9
Adj. EPS (INR)	9.6	10.3	12.4
EPS Gr. (%)	11.0	7.2	20.4
BV/Sh.(INR)	43.4	46.0	50.9

### Ratios

RoE (%)	23.7	23.0	25.5
RoCE (%)	22.4	21.5	23.6
Payout (%)	49.6	60.0	60.0

### Valuation

P/E (x)	55.8	52.0	43.2
P/BV (x)	12.3	11.6	10.5
EV/EBITDA (x)	44.7	40.6	33.6
Div. Yield (%)	0.9	1.2	1.4

### Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	67.4	67.9	67.9
DII	5.3	5.9	7.6
FII	19.8	18.5	17.4
Others	7.5	7.7	7.1

FII Includes depository receipts

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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.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Highlights from the management commentary**

- Localized restrictions are leading to some last-mile disruptions, but the management is much better prepared than last year to ensure lower supply chain disruptions. Factories continue to operate at a near normal basis.
- The Healthcare portfolio is witnessing an uptick since the second half of Apr'21 and should make up for any loss in the discretionary business in 1QFY22.
- Secondary sales growth in 4QFY21 was broadly in line with that in preceding quarters.
- The outlook for the international business (25% of sales) is strong, and the management expects an improvement in operating margin as well.
- There has been 5-6% inflation in the commodity basket, and despite a 3% price increase in 4QFY21 and another price increase in 1QFY22, gross margin will be under pressure in the current quarter.
- The management reiterated that they don't expect any YoY dip in EBITDA margin in FY22 over FY21 levels.

**Valuation and view**

- Changes to the model have resulted in a 9.4%/6.9% cut to our FY22E/FY23E EPS estimate as a result: of a) some slowdown in the impressive sales momentum in the preceding quarter, b) some near term gross margin pressure, c) delayed recovery in the Beverage business, and d) higher than expected guidance on tax rates in FY22 and FY23.
- As indicated in our [upgrade note](#) in Jul'20, despite the blip in 4QFY21 (two-year average sales growth was still 6.5%), the structural and medium-term narrative on topline growth is highly attractive – led by strong traction in the profitable Healthcare business and an attractive rural growth outlook (~48% of domestic sales from rural). The investment case is being strengthened further, supported by: a) a focus on the core business, b) power brand strategy, c) a spate of new launches, d) an increasing direct distribution reach, e) narrowing gap on analytics v/s domestic peers, and f) cost savings, which are being plowed back into the business in the form of higher advertisements.
- Given the long term earnings growth potential of the business, valuations at 43.2x FY23E do not appear expensive. We maintain our Buy rating, with a TP of INR620 per share (50x FY23 EPS).



## Consolidated quarterly performance

(INR m)

Y/E March	FY20				FY21				FY20	FY21	FY21 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Domestic FMCG vol. growth (%)	9.6	4.8	5.6	-14.6	-9.7	16.8	18.1	25.4	1.4	12.7	35.0	
Net sales	22,733	22,120	23,530	18,654	19,800	25,160	27,288	23,368	86,846	95,617	24,585	-4.9
YoY change (%)	9.3	4.1	7.0	-12.3	-12.9	13.7	16.0	25.3	1.8	10.1	31.8	
Gross profit	11,256	11,235	11,785	9,158	9,784	12,802	13,751	11,390	43,434	47,727	12,244	
Margin (%)	49.5	50.8	50.1	49.1	49.4	50.9	50.4	48.7	50.0	49.9	49.8	
EBITDA	4,576	4,895	4,929	3,523	4,166	5,694	5,742	4,425	17,924	20,027	5,103	-13.3
Margin (%)	20.1	22.1	20.9	18.9	21.0	22.6	21.0	18.9	20.6	20.9	20.8	
YoY growth (%)	18.5	8.6	10.7	-23.0	-9.0	16.3	16.5	25.6	3.0	11.7	44.9	
Depreciation	528	545	544	588	567	596	572	666	2,205	2,401	623	
Interest	153	152	105	86	78	75	69	86	495	308	72	
Other income	733	818	745	758	718	876	809	850	3,053	3,253	813	
PBT	4,629	5,016	5,025	3,606	4,238	5,899	5,911	4,522	18,277	20,570	5,222	-13.4
Tax	834	662	875	627	825	1,067	975	744	2,997	3,611	1,068	
Rate (%)	18.0	13.2	17.4	17.4	19.5	18.1	16.5	16.4	16.4	17.6	20.4	
Adjusted PAT	3,791	4,350	4,137	2,972	3,418	4,817	4,920	3,778	15,250	16,933	4,141	-8.8
YoY change (%)	15.2	15.5	13.0	-31.0	-9.8	10.7	18.9	27.1	1.5	11.0	39.3	

E: MOFSL estimates

## Key performance indicators

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Realization growth (%)	0.9	0.1	-0.6	-2.7	1.3	1.1	0.4	4.9
Average growth in the last two years (%)								
Volumes	15.3	6.5	9.0	-5.2	0.0	10.8	11.9	5.4
Sales	12.7	6.3	9.4	-3.8	-1.8	8.9	11.5	6.5
EBITDA	21.8	8.0	10.5	-14.4	4.8	12.5	13.6	1.3
PAT	16.6	9.8	11.6	-11.1	2.7	13.1	16.0	-1.9
Sales (%)								
COGS	50.5	49.2	49.9	50.9	50.6	49.1	49.6	51.3
Other expenditure	29.4	28.7	29.1	30.2	28.4	28.2	29.4	29.8
Depreciation	2.3	2.5	2.3	3.2	2.9	2.4	2.1	2.8
YoY change (%)								
COGS	9.5	1.2	5.3	-11.2	-12.7	13.5	15.3	26.1
Other expenditure	3.4	6.0	7.4	-6.3	-15.9	12.1	16.8	23.6
Other income	-0.5	0.7	-1.0	14.7	-2.0	7.1	8.7	12.2
EBIT	17.8	19.7	18.6	15.7	18.2	20.3	18.9	16.1

## Exhibit 1: Category-wise performance

Category growth (%)	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Hair Care	11.6	20.6	15.7	24.0	2.6	12.0	7.3	2.8	(20.2)	(22.9)	(2.4)	13.7	26.0
Health Supplements	14.0	27.5	12.3	13.8	10.2	19.6	14.4	12.2	(9.7)	52.6	70.8	34.7	17.7
Oral Care	11.0	17.3	3.9	10.0	8.2	11.4	4.4	8.5	(15.4)	1.4	24.2	28.0	42.1
Foods	1.9	26.1	1.4	11.1	(5.9)	1.6	(5.0)	(1.7)	(20.6)	(34.4)	(3.8)	4.7	27.6
Digestives	7.2	21.6	10.8	22.5	11.9	18.2	10.2	15.9	(9.4)	(11.5)	2.5	(0.3)	20.0
Skin and Salon	8.5	27.1	11.9	19.3	11.2	12.1	1.0	(0.3)	(24.3)	(12.5)	38.1	9.1	37.9
Home Care	1.6	17.4	10.9	8.9	16.2	10.9	7.0	2.5	(18.0)	(30.5)	(10.2)	(1.0)	24.3
OTC and Ethicals	8.8	16.9	7.6	17.6	12.8	15.0	5.7	4.1	(20.9)	21.8	39.8	28.5	36.9
IBD (CC terms)	16.8	10.5	7.0	3.4	1.9	7.7	3.2	12.0	(0.5)	(21.6)	3.5	14.1	21.0

\*Growth figures refer to like-to-like growth (GST adjusted) till 1QFY19

Source: Company, MOFSL



## Highlights from the management commentary

### Operating environment

- **Localized restrictions are leading to some last-mile disruptions, but the management is much better prepared than last year to ensure lower supply chain disruptions.**
- **Factories continue to operate at a near normal basis.**
- **The Healthcare portfolio is witnessing an uptick since the second half of Apr'21 and should make up for any loss in the discretionary business in 1QFY22.**
- Before the second COVID wave hit, the management was targeting double-digit sales growth in FY22. While Apr'21 witnessed healthy sales, full-year growth depends on how COVID-19 and the lockdowns progress. If the pandemic is contained by May-Jun'21, then Dabur could end with a very good year.
- **Secondary sales growth in 4QFY21 was broadly in line with that in preceding quarters.** Implementation of a continuous replenishment system meant that some of the pre-season loading, typically seen in February and March, did not happen, especially in F&B and Glucose (part of Healthcare) segments. Market share gains across the portfolio have been impressive.
- It had 25 days of channel pipeline in FY20. The same fell to 17 days by FY21 end.
- The HPC portfolio is expected to do much better YoY in 1QFY22 as there have been no major disruptions.
- Health Supplements (60% of Healthcare) are expected to grow in low single-digits in FY22, despite a 42% growth in FY21. OTC and Ethicals are expected to grow in double-digits. Even in Healthcare, the management is confident of double-digit growth beyond FY22.
- Rural demand continues to remain strong.
- The management is confident of double-digit growth in the international business in FY22, with an improvement in margin. Momentum in the second half is likely to continue going forward. Most manufacturing for the international business is done locally in that country, and hence, there will not be any impact from India-based export restrictions.

### Impressive market share gains; management initiatives working well

- Chyawanprash/Honey gained 170bp/230bp market share in 4QFY21.
- Market share in Toothpaste improved 120bp YoY. New launches also did well.
- Market share in Hair Oils were higher by 70bp YoY.
- Shampoo/Home Care saw market share gains of 70bp/90bp.
- Market share in 'juices, nectar, and drinks' were higher by 80bp YoY.
- Homemade revenue stood at INR700m in FY21. The management is targeting a revenue of INR1b/INR5b in FY22/4-5 years. The Ready-to-Eat and Ready-to-Cook segments are growing rapidly.
- NPD contribution is ~5% of overall sales and ~2-3% of Healthcare sales.

**Cost and margin**

- There has been 5-6% inflation in the commodity basket, and despite a 3% price increase in 4QFY21 and another price increase in 1QFY22, gross margin will be under pressure in the current quarter.
- The management expects lower RM costs in 2HFY22.
- It is committed at maintaining operating margin in FY22 vis-à-vis FY21, while ensuring higher volume growth. Cost savings and price increases will be key.
- Cost savings stood at INR500m in FY21. It is targeting savings of ~INR1b in FY22.
- Ad spends may also be lower in 1QFY22. The management is committed to gradually increase ad spends over the medium-to-long-term using cost savings and operating leverage.

**Capex and Balance Sheet**

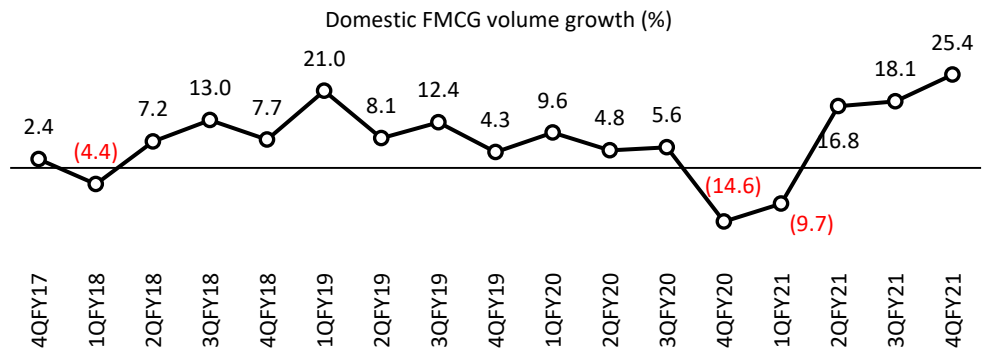
- The management announced a greenfield expansion plan, with a capex of INR5.5b over the next 3-4 years, to serve Central, South, and West India. The investment will be made in Healthcare and HPC.
- The company has already purchased land near Indore for this greenfield facility.

**Other points**

- The tax rate would be ~21% going forward.
- **Direct reach:** Dabur reached 1.3m outlets as targeted in FY21 and targets to reach 1.4m by the end of FY22.
- **Rural reach:** It reached 60,000 villages as targeted in FY21 and targets to reach 80,000 villages within the next two years.

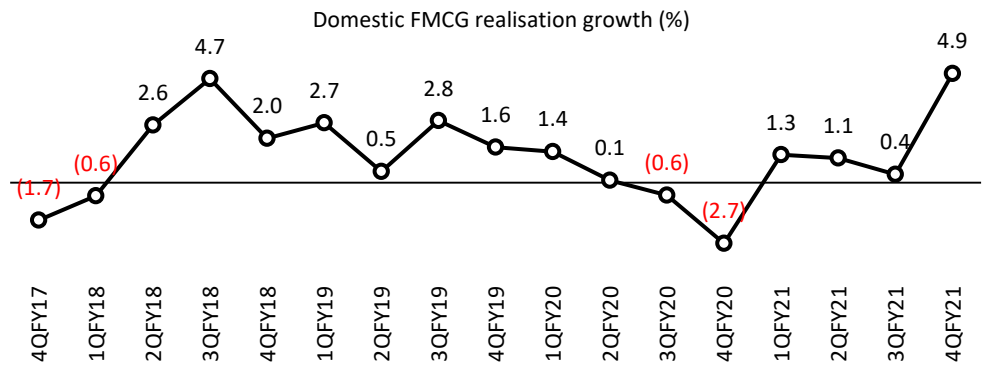
**Key exhibits**

**Exhibit 2: Volumes for the domestic FMCG business grew 25.4% YoY in 4QFY21**



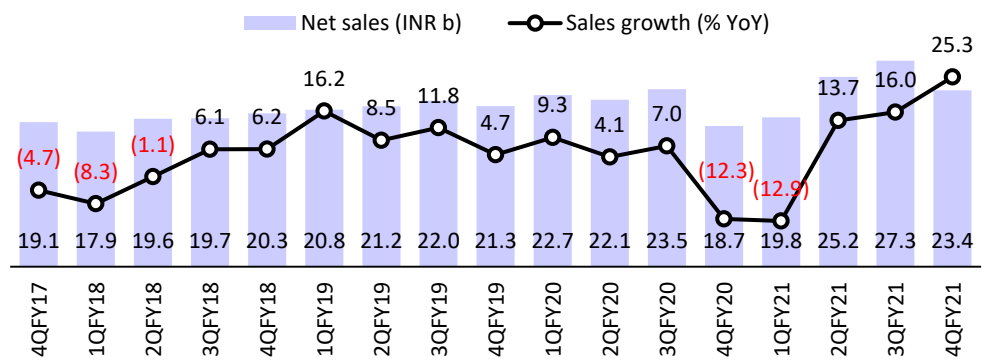
Source: Company, MOFSL

**Exhibit 3: Realization for the domestic FMCG business grew 4.9% YoY in 4QFY21**



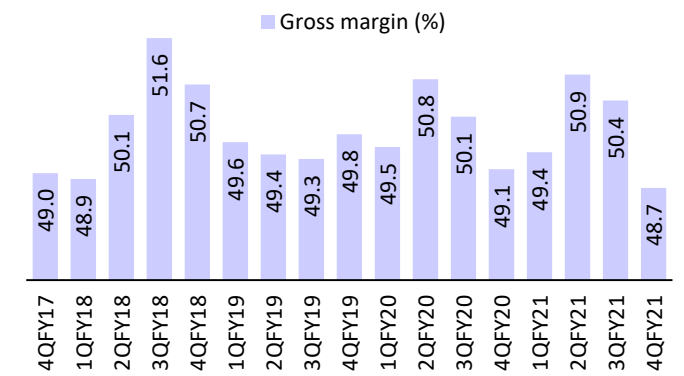
Source: Company, MOFSL

**Exhibit 4: Consolidated reported net sales grew 25.3% YoY to INR23.4b**



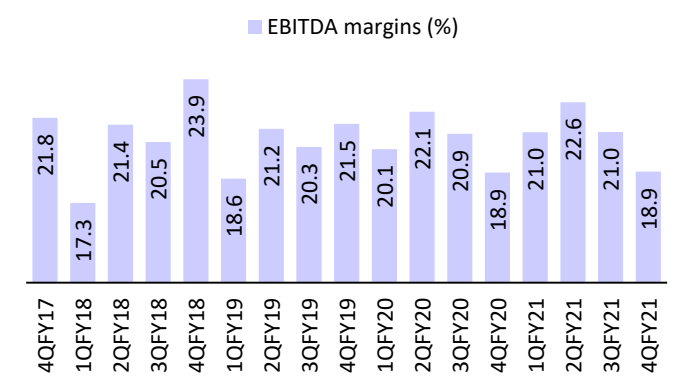
Source: Company, MOFSL

**Exhibit 5: Consolidated gross margin fell 40bp YoY to 48.7%**



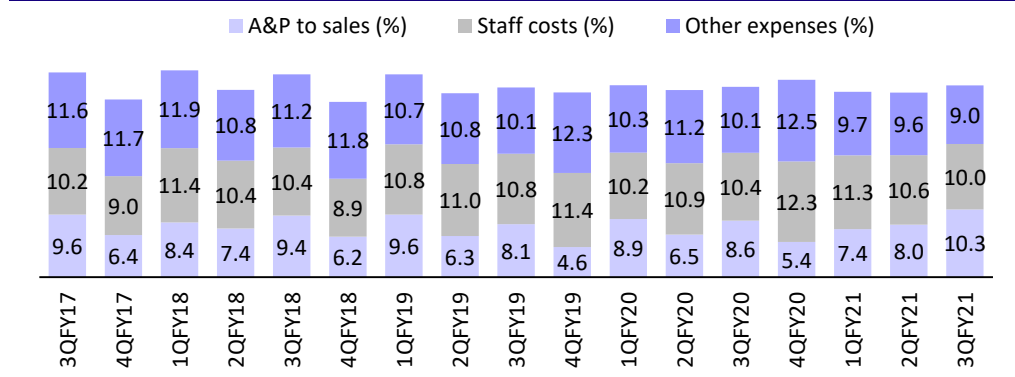
Source: Company, MOFSL

**Exhibit 6: EBITDA margin remains flat YoY at 18.9%**



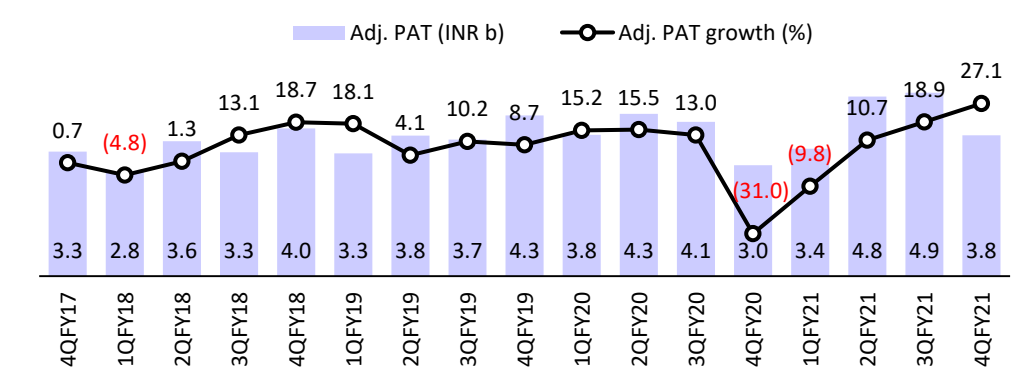
Source: Company, MOFSL

**Exhibit 7: A&P rose 120bp, while staff cost/other expenses fell 80bp each YoY**

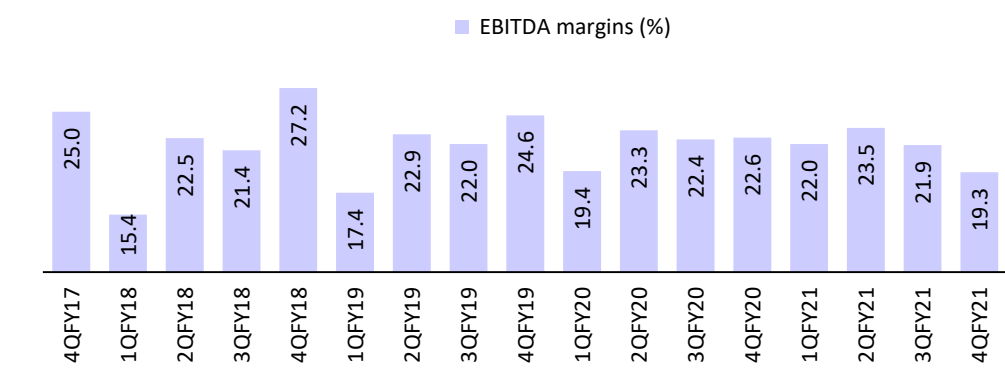


Source: Company, MOFSL

**Exhibit 8: Consolidated adjusted PAT grew 27.1% YoY to INR3.8b**



Source: Company, MOFSL

**Exhibit 9: Standalone EBITDA margin contracts 320bp YoY to 19.3% in 4QFY21**

Source: Company, MOFSL

**Valuation and view****What has happened in the past decade from a business perspective?**

- The company considerably increased its market share in two of its largest categories – Juices and Oral Care – to record highs toward the end of the decade. Following the initial setback from Patanjali, the company was able to recoup lost market share in Honey, Chyawanprash, and Juices.
- For a company that reported a modest INR33b sales in FY10, sales/EBITDA/PAT growth for the last 10 years has been decent, but not remarkable, at 10-12% CAGR. Growth has been even lower in the past five years – sales/EBITDA/PAT stood ~2%/~6%/~7%.
- The inability to increase the pace of growth in its core Healthcare business has been the biggest disappointment.

**Changes being implemented by the new MD**

- The new CEO said there is a need to grow its core Healthcare segment, which contributes ~30% to sales. The goal is to appeal to the millennial, increase accessibility, and drive penetration through sampling and innovation in Healthcare.
- The management has identified power brands such as: 1) Chyawanprash, Dabur Honey, Lal Tail, Honitus, and Pudina Hara in its Healthcare segment, 2) Dabur Red Toothpaste and Dabur Amla Hair Oil in HPC, and 3) Real in Foods. These brands constitute ~65% of sales, but would contribute a larger portion to incremental sales growth.
- Ad spends are focused on power brands. This would mean that even if overall ad spends rise by only 6-7%, the increase in ad spends on power brands is likely to be in double-digits.
- In the Home Care and Personal Care portfolios, where penetration is very high, the aim is to take market share from peers and plug the gaps in its portfolio and geography.



**Valuation and view**

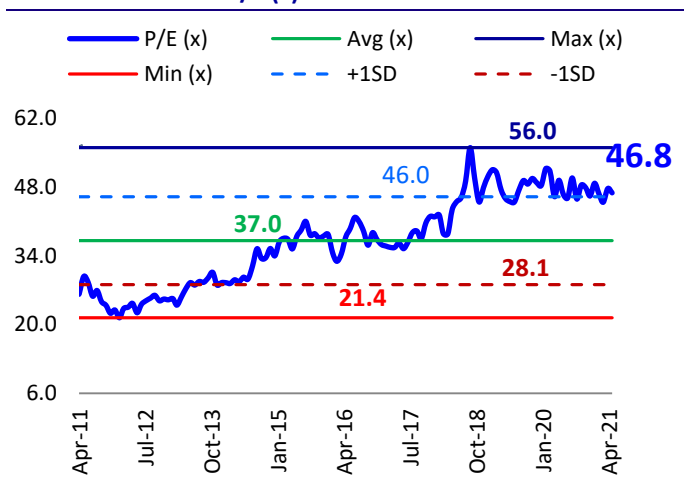
- Changes to the model have resulted in a 9.4%/6.9% cut to our FY22E/FY23E EPS estimate as a result: of a) some slowdown in the impressive sales momentum in the preceding quarter, b) some near term gross margin pressure, c) delayed recovery in the Beverage business, and d) higher than expected guidance on tax rates in FY22 and FY23.
- As indicated in our upgrade note in Jul'20, despite the blip in 4QFY21 (two-year average sales growth was still 6.5%), the structural and medium-term narrative on topline growth is highly attractive – led by strong traction in the profitable Healthcare business and an attractive rural growth outlook (~48% of domestic sales from rural). The investment case is being strengthened further, supported by: a) a focus on the core business, b) power brand strategy, c) a spate of new launches, d) an increasing direct distribution reach, e) narrowing gap on analytics v/s domestic peers, and f) cost savings, which are being plowed back into the business in the form of higher advertisements.
- Given the long term earnings growth potential of the business, valuations at 43.2x FY23E do not appear expensive. We maintain our **Buy** rating, with a TP of INR620 per share (50x FY23 EPS).

**Exhibit 10: Lower our FY22E/FY23E EPS estimate by 9.4%/6.9%**

	New		Old		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Sales	1,04,158	1,18,536	1,09,007	1,24,043	-4.4	-4.4
EBITDA	22,082	26,518	24,023	28,178	-8.1	-5.9
Adjusted PAT	18,160	21,856	20,055	23,463	-9.4	-6.9

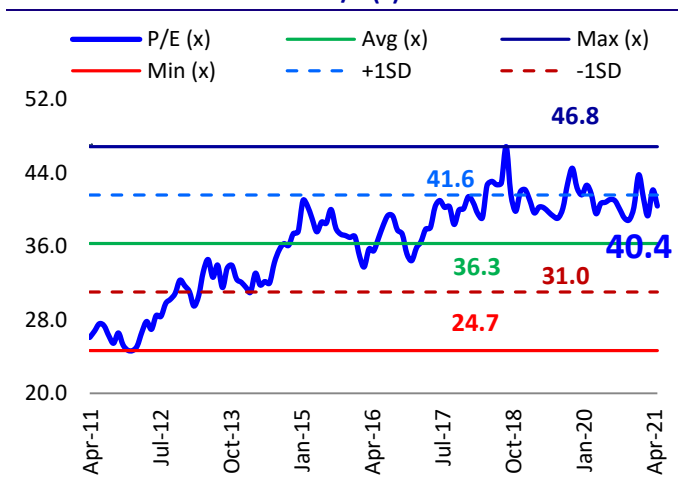
Source: Company, MOFSL

**Exhibit 11: Dabur's P/E (x)**



Source: Bloomberg, MOFSL

**Exhibit 12: Consumer sector P/E (x)**



Source: Bloomberg, MOFSL

## Financials and valuations

### Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Net Sales</b>	<b>77,797</b>	<b>76,136</b>	<b>77,219</b>	<b>85,150</b>	<b>86,846</b>	<b>95,617</b>	<b>1,04,158</b>	<b>1,18,536</b>
Change (%)	-0.6	-2.1	1.4	10.3	2.0	10.1	8.9	13.8
<b>Gross Profit</b>	<b>40,192</b>	<b>38,582</b>	<b>39,019</b>	<b>42,240</b>	<b>43,434</b>	<b>47,727</b>	<b>51,744</b>	<b>59,823</b>
Margin (%)	51.7	50.7	50.5	49.6	50.0	49.9	49.7	50.5
Other Expenditure	25,009	23,493	22,845	24,845	25,510	27,700	29,663	33,306
<b>EBITDA</b>	<b>15,183</b>	<b>15,090</b>	<b>16,174</b>	<b>17,396</b>	<b>17,924</b>	<b>20,027</b>	<b>22,082</b>	<b>26,518</b>
Change (%)	15.3	-0.6	7.2	7.6	3.0	11.7	10.3	20.1
Margin (%)	19.5	19.8	20.9	20.4	20.6	20.9	21.2	22.4
Depreciation	1,332	1,429	1,622	1,769	2,205	2,401	2,555	2,694
Int. and Fin. Charges	485	540	531	596	495	308	284	263
Other Income – Recurring	2,172	2,984	3,052	2,962	3,053	3,253	3,802	4,170
<b>Profit before Taxes</b>	<b>15,538</b>	<b>16,104</b>	<b>17,074</b>	<b>17,993</b>	<b>18,277</b>	<b>20,570</b>	<b>23,045</b>	<b>27,731</b>
Change (%)	16.2	3.6	6.0	5.4	1.6	12.5	12.0	20.3
Margin (%)	20.0	21.2	22.1	21.1	21.0	21.5	22.1	23.4
Tax	2,840	3,443	3,713	4,221	4,854	5,052	4,701	5,657
Deferred Tax	159	-140	-360	-1,284	-1,857	-1,441	138	166
Tax Rate (%)	19.3	20.5	19.6	16.3	16.4	17.6	21.0	21.0
<b>Profit after Taxes</b>	<b>12,539</b>	<b>12,801</b>	<b>13,720</b>	<b>15,056</b>	<b>15,280</b>	<b>16,960</b>	<b>18,205</b>	<b>21,908</b>
Change (%)	15.4	2.1	7.2	9.7	1.5	11.0	7.3	20.3
Margin (%)	16.1	16.8	17.8	17.7	17.6	17.7	17.5	18.5
Minority Interest	28	31	31	30	30	27	45	52
<b>Adjusted PAT</b>	<b>12,511</b>	<b>12,770</b>	<b>13,689</b>	<b>15,026</b>	<b>15,250</b>	<b>16,933</b>	<b>18,160</b>	<b>21,856</b>

### Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	1,759	1,762	1,762	1,766	1,767	1,767	1,767	1,767
Reserves	39,842	46,712	55,304	54,550	64,290	74,868	79,538	88,280
<b>Net Worth</b>	<b>41,601</b>	<b>48,474</b>	<b>57,065</b>	<b>56,317</b>	<b>66,058</b>	<b>76,635</b>	<b>81,305</b>	<b>90,047</b>
Minority Interest	217	248	265	314	365	367	412	464
Loans	8,043	9,787	9,418	7,039	5,267	4,846	7,500	7,500
<b>Capital Employed</b>	<b>49,860</b>	<b>58,509</b>	<b>66,749</b>	<b>63,670</b>	<b>71,689</b>	<b>81,849</b>	<b>89,217</b>	<b>98,011</b>
Gross Block	27,802	24,322	26,342	28,028	32,935	34,733	37,233	39,733
Less: Accum. Depn.	-8,304	-8,843	-10,177	-11,698	-13,768	-16,169	-18,724	-21,417
<b>Net Fixed Assets</b>	<b>19,499</b>	<b>15,479</b>	<b>16,166</b>	<b>16,330</b>	<b>19,167</b>	<b>18,564</b>	<b>18,509</b>	<b>18,316</b>
Capital WIP	448	421	415	638	1,466	1,473	1,473	1,473
<b>Investments</b>	<b>25,239</b>	<b>32,402</b>	<b>38,052</b>	<b>33,588</b>	<b>28,003</b>	<b>42,101</b>	<b>45,565</b>	<b>49,376</b>
<b>Curr. Assets, L&amp;A</b>	<b>26,020</b>	<b>24,916</b>	<b>28,268</b>	<b>30,451</b>	<b>41,326</b>	<b>42,793</b>	<b>45,645</b>	<b>52,270</b>
Inventory	10,965	11,067	12,562	13,005	13,796	17,343	16,393	18,686
Account Receivables	8,097	6,504	7,061	8,336	8,139	5,616	10,109	9,882
Cash and Bank Balance	2,204	3,048	3,061	3,282	8,114	13,290	10,864	13,324
Others	4,754	4,296	5,585	5,828	11,278	6,544	8,280	10,378
<b>Curr. Liab. and Prov.</b>	<b>20,579</b>	<b>17,733</b>	<b>19,177</b>	<b>20,465</b>	<b>21,678</b>	<b>26,484</b>	<b>25,376</b>	<b>26,824</b>
Current Liabilities	16,739	15,895	17,128	18,061	18,926	23,972	22,763	24,026
Provisions	3,841	1,838	2,049	2,404	2,752	2,512	2,614	2,798
<b>Net Current Assets</b>	<b>5,440</b>	<b>7,183</b>	<b>9,092</b>	<b>9,985</b>	<b>19,648</b>	<b>16,310</b>	<b>20,269</b>	<b>25,446</b>
Deferred Tax Liability	-765	-1,080	-1,091	-231	46	40	40	40
<b>Application of Funds</b>	<b>49,860</b>	<b>58,509</b>	<b>66,749</b>	<b>63,670</b>	<b>71,689</b>	<b>81,849</b>	<b>89,217</b>	<b>98,011</b>

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>7.1</b>	<b>7.2</b>	<b>7.8</b>	<b>8.5</b>	<b>8.6</b>	<b>9.6</b>	<b>10.3</b>	<b>12.4</b>
Cash EPS	7.9	8.1	8.6	9.2	9.4	10.9	11.7	13.9
BV/Share	23.6	27.5	32.4	31.9	37.4	43.4	46.0	50.9
DPS	2.0	2.3	7.5	2.8	3.0	4.8	6.2	7.4
Payout (%)	28.0	31.0	96.5	32.3	34.8	49.6	60.0	60.0
<b>Valuation (x)</b>								
P/E	75.2	73.8	68.8	62.9	62.0	55.8	52.0	43.2
Cash P/E	67.9	66.3	62.1	58.3	56.7	48.9	45.6	38.5
EV/Sales	11.8	12.0	11.8	10.7	10.5	9.4	8.6	7.5
EV/EBITDA	60.7	60.7	56.3	52.6	51.0	44.7	40.6	33.6
P/BV	22.6	19.4	16.5	16.8	14.3	12.3	11.6	10.5
Dividend Yield (%)	0.4	0.4	1.4	0.5	0.6	0.9	1.2	1.4
<b>Return Ratios (%)</b>								
RoE	33.3	28.4	25.9	26.5	24.9	23.7	23.0	25.5
RoCE	27.7	24.4	22.6	23.9	23.2	22.4	21.5	23.6
RoIC	50.9	48.7	48.9	50.9	43.6	49.2	54.8	57.8
<b>Working Capital Ratios</b>								
Debtor (Days)	38	31	33	36	34	21	35	30
Asset Turnover (x)	1.6	1.3	1.2	1.3	1.2	1.2	1.2	1.2
<b>Leverage Ratio</b>								
Debt/Equity (x)	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1

### Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(loss) before Tax	15,538	16,107	16,931	17,249	17,276	20,560	23,045	27,731
Int./Div. Received	-13	-1,060	153	1,664	2,325	-186	-3,802	-4,170
Depreciation and Amort.	1,332	1,429	1,622	1,769	2,205	2,401	2,555	2,694
Interest Paid	-1,430	-1,857	-1,991	-2,002	-2,001	-2,300	284	263
Direct Taxes Paid	-2,805	-3,221	-3,249	-3,507	-3,089	-3,213	-4,701	-5,657
(Incr.)/Decr. in WC	-752	872	-2,575	-181	-581	3,884	-6,385	-2,717
<b>CF from Oper.</b>	<b>11,870</b>	<b>12,269</b>	<b>10,890</b>	<b>14,991</b>	<b>16,135</b>	<b>21,147</b>	<b>10,995</b>	<b>18,143</b>
(Incr.)/Decr. in FA	-1,892	-4,858	-2,003	-2,250	-4,005	-3,063	-2,500	-2,500
<b>Free Cash Flow</b>	<b>9,978</b>	<b>7,411</b>	<b>8,887</b>	<b>12,741</b>	<b>12,130</b>	<b>18,083</b>	<b>8,495</b>	<b>15,643</b>
(Pur.)/Sale of Invt.	-6,883	-5,111	-5,837	3,175	-3,646	-13,611	-3,464	-3,811
Others	91	1,933	2,706	3,187	6,777	6,838	1,069	4,003
<b>CF from Invest.</b>	<b>-8,683</b>	<b>-8,036</b>	<b>-5,134</b>	<b>4,112</b>	<b>-874</b>	<b>-9,836</b>	<b>-4,895</b>	<b>-2,307</b>
Issue of Shares	172	149	0	5	1	0	0	0
(Incr.)/Decr. in Debt	715	1,682	-545	-2,402	-1,751	-278	2,654	0
Dividend Paid	-3,517	-3,963	-3,963	-13,247	-5,125	-5,921	-10,896	-13,113
Others	-1,114	-1,257	-1,235	-3,238	-3,555	64	-284	-263
<b>CF from Fin. Act.</b>	<b>-3,743</b>	<b>-3,390</b>	<b>-5,744</b>	<b>-18,882</b>	<b>-10,430</b>	<b>-6,134</b>	<b>-8,526</b>	<b>-13,376</b>
<b>Incr./Decr. in Cash</b>	<b>-556</b>	<b>844</b>	<b>12</b>	<b>221</b>	<b>4,832</b>	<b>5,177</b>	<b>-2,426</b>	<b>2,460</b>
Add: Opening Bal.	2,760	2,204	3,048	3,061	3,282	8,114	13,290	10,864
<b>Closing Balance</b>	<b>2,204</b>	<b>3,048</b>	<b>3,061</b>	<b>3,282</b>	<b>8,114</b>	<b>13,290</b>	<b>10,864</b>	<b>13,324</b>

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

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