29 April 2021

4QFY21 Results Update | Sector: Consumer

Hindustan Unilever

Estimate changes	↓
TP change	↑
Rating change	↔

Bloomberg	HUVR IN
Equity Shares (m)	2,345
M.Cap.(INRb)/(USDb)	5660.2 / 76.4
52-Week Range (INR)	2504 / 1894
1, 6, 12 Rel. Per (%)	3/-12/-44
12M Avg Val (INR M)	7952

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	460	502	576
Sales Gr. (%)	18.6	9.2	14.7
EBITDA	113	132	156
EBITDA mrg. (%)	24.6	26.4	27.0
Adj. PAT	82	94	115
Adj. EPS (INR)	34.8	39.8	48.9
EPS Gr. (%)	11.5	14.4	22.7
BV/Sh.(INR)	201.8	210.5	210.5
Ratios			
RoE (%)	29.5	19.3	23.2
RoCE (%)	39.0	26.3	31.3
Payout (%)	116.3	100.0	100.2
Valuations			
P/E (x)	69.2	60.5	49.3
P/BV (x)	11.9	11.4	11.4
EV/EBITDA (x)	49.6	42.3	35.8
Div. Yield (%)	1.7	1.7	2.0

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	61.9	61.9	67.2
DII	10.7	10.7	6.7
FII	15.0	14.9	12.1
Others	12.5	12.5	14.1

FII Includes depository receipts

CMP: INR2,409 TP: INR2,780 (+15%) Buy

Beat on all fronts; medium-term outlook promising

- Hindustan Unilever (HUVR) reported a good set of numbers on all fronts in 4QFY21, led by a recovery in its Discretionary portfolio and Detergents.
- Two-year average like-to-like sales growth has now improved to 5.8% in 4QFY21 from minor decline in 1QFY21. Ongoing lockdowns would result in a temporary impact on high-margin discretionary product sales, leading to a 4.3% EPS reduction in FY22E; we have retained our FY23E forecasts. We continue to monitor the situation as it unfurls.
- HUVR is likely to resume the strong earnings growth path from the pre-COVID era (~18% CAGR in the four years ended FY20), led by the same factors – a successful Winning in Many Indias (WIMI) strategy, a technological edge, and cost-saving plans, as well as newer factors such as expected synergies from GSKCH and sustained growth and premiumization in Skin Cleansing. Maintain **BUY**.

Performance ahead of expectations

- **Net sales grew 34.6% YoY to INR121.3b in 4QFY21** (est. INR117.2b). EBITDA grew by 43.2% YoY to INR29.6b (est. INR28.3b), PBT grew 37% YoY to INR28.1b (est. INR26.5b), and PAT (bei) was up 43.2% YoY to INR21b (est. INR18.1b).
- Domestic Consumer business sales grew 21% YoY, with underlying volume growth of 16% YoY excl. GSKCH (est. 14%) – we believe volume growth would have been 31% YoY incl. GSKCH (est. 28%).
- **Segmental performance: Home Care** (32% of total sales for 4QFY21) revenues were up 14.6% YoY. **Personal Care** sales (37% of total sales) were up 19.7% YoY. **Food & Refreshment** sales (29% of total sales) were up 96.4% YoY (+26% excluding the impact of the GSKCH merger and VWash acquisition).
- **Segmental EBIT margin: Home Care** margins expanded 220bp YoY to 21.1%. **Personal Care** margins expanded 270bp YoY to 27.5%. **Foods & Refreshments** margins expanded 380bp YoY to 16.4%.
- Overall gross margins for the quarter contracted 120bp YoY to 52.6%.
- As a percentage of sales, lower operating expenses (down 170bp YoY to 12.2%), lower ad spends (down 130bp YoY to 11.6%), and higher staff cost (up 40bp YoY to 4.3%) led to EBITDA margin expansion of 150bp YoY to 24.4%.
- FY21 sales/EBITDA/PAT growth stood at 18.6%/18%/21.3% YoY.
- The company has declared a final dividend of INR17 per share. This, along with interim dividend (INR14 per share) and special dividend (INR9.5 per share), leads to a total dividend of INR40.5 per share for FY21.

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Highlights from management commentary

- The company took price increases in Skin Cleansing in 3QFY21 and 4QFY21 and would take increases going forward as well.
- The company has also taken price increases in Tea and reversed the earlier price cuts in Detergents.In the GSKCH business, penetration and volume growth are the key focus areas; the company delivered volume growth in the high teens, with UVG growth (which includes the mix) in the early double digits.
- In FY21, the company introduced an INR2 sachet for Horlicks and Boost, increased grammage on the INR5 sachet, and increased distribution reach significantly – the benefits of which are likely to reflect in subsequent years.

Valuation and view

- While we have cut our EPS forecasts for FY22E by 4.3% on account of the COVID-led disruption and higher-than-anticipated tax rates, there is no material change to our FY23E EPS. We continue to monitor the situation as it unfurls.
- The company's earnings growth has gained further momentum in recent years before COVID (an ~18% EPS CAGR in the four years ended FY20 v/s a ~12% CAGR over the 10 years ended FY20). This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years.
- HUVR's best-of-breed analytics and execution capabilities (demonstrated via the successful implementation of the WIMI strategy, cost-saving plans, herbals, etc.) are key factors driving the pace of earnings growth. The strong outlook on rural, GSKCH synergies, and sustained growth and premiumization in Skin Cleansing offer further medium-term tailwinds.
- **Maintain Buy** with a TP of INR2,780.

Quarterly performance (Standalone) **(INR b)**

Y/E March	FY20				FY21				FY20	FY21	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Domestic volume growth (%)	**5.0**	**5.0**	**5.0**	**-7.0**	**4.0**	**14.0**	**17.0**	**31.0**	**2.0**	**16.5**	**28.0**	
Net sales	**101.1**	**98.5**	**98.1**	**90.1**	**105.6**	**114.4**	**118.6**	**121.3**	**387.9**	**460.0**	**117.2**	3.5%
YoY change (%)	6.6	6.7	2.6	-9.4	4.4	16.1	20.9	34.6	1.5	18.6	30.0	
Gross Profit	**54.7**	**53.7**	**53.2**	**48.4**	**54.7**	**60.7**	**64.0**	**63.8**	**209.9**	**243.2**	**63.0**	
Margin %	54.0	54.5	54.2	53.7	51.8	53.0	54.0	52.6	54.1	52.9	53.8	
EBITDA	**26.5**	**24.4**	**24.5**	**20.7**	**26.4**	**28.7**	**28.5**	**29.6**	**96.0**	**113.2**	**28.3**	4.4%
YoY change (%)	17.6	21.0	19.5	-11.0	-0.1	17.4	16.7	43.2	11.1	18.0	37.2	
Margins (%)	26.2	24.8	24.9	22.9	25.0	25.1	24.1	24.4	24.8	24.6	24.2	
Depreciation	2.1	2.4	2.3	2.6	2.4	2.5	2.7	2.5	9.4	10.1	2.7	
Interest	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.1	1.1	1.1	0.4	
Other income	1.5	1.8	1.4	2.7	1.6	1.5	1.0	1.1	7.3	5.1	1.3	
PBT	**25.6**	**23.6**	**23.3**	**20.5**	**25.3**	**27.4**	**26.4**	**28.1**	**92.9**	**107.2**	**26.5**	6.1%
Tax	8.1	5.2	6.4	5.8	5.3	6.5	6.8	6.8	25.5	25.4	8.4	
Rate (%)	31.5	22.2	27.4	28.3	21.0	23.8	25.6	24.2	27.4	23.7	31.7	
PAT bei	**17.5**	**18.3**	**16.9**	**14.7**	**18.7**	**20.4**	**19.5**	**21.0**	**67.4**	**79.6**	**18.1**	16.3%
YoY change (%)	11.7	20.4	20.7	-7.6	7.0	11.1	15.4	43.2	10.9	18.1	6.9	
Reported Profit	**17.6**	**18.5**	**16.2**	**15.2**	**18.8**	**20.1**	**19.2**	**21.4**	**67.4**	**79.5**	**18.1**	

E: MOFSL Estimates; Note: Quarterly PAT (bei) is as reported by the company while FY21 PAT (bei) is adjusted PAT

Key Performance Indicators

Y/E March	FY20				FY21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
2Y average growth %								
Volumes	8.5	7.5	7.5	0.0	4.5	9.5	11.0	12.0
Sales	8.9	8.9	6.9	0.0	5.5	11.4	11.8	12.6
EBITDA	19.1	20.5	20.6	1.2	8.7	19.2	18.1	16.1
PAT	16.5	21.8	18.8	2.6	9.4	15.7	18.0	17.8
% sales								
COGS	46.0	45.5	45.8	46.3	48.2	47.0	46.0	47.4
Staff cost	4.5	4.4	4.6	3.9	5.6	4.9	4.7	4.3
Advertising and Promotion	11.5	12.2	11.9	12.9	7.5	10.0	11.7	11.6
Others	11.9	13.2	12.8	13.9	13.6	13.1	13.5	12.2
Depreciation	2.1	2.4	2.4	2.8	2.3	2.2	2.3	2.1
YoY change %								
COGS	6.5	1.1	1.6	-12.1	9.4	19.8	21.6	38.0
Staff cost	-0.2	-0.4	-0.2	-0.1	1.1	0.5	0.1	0.4
Advertising and Promotion	-0.7	0.2	-0.6	1.8	-3.9	-2.2	-0.2	-1.3
Others	-1.5	-0.2	-2.3	0.2	1.7	0.0	0.7	-1.7
Other income	8.9	-41.0	32.1	125.4	6.1	-16.1	-30.7	-59.0
EBIT	14.5	16.8	15.7	-17.2	-1.3	18.8	16.7	49.6

E: MOFSL Estimates

Exhibit 1: Segmental performance

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Segment Revenue (INR b)								
Home Care	34.7	33.7	34.6	33.5	33.9	33.2	34.1	38.4
Personal Care	45.9	45.4	44.1	38.0	40.4	45.4	48.4	45.5
Foods & Refreshments	19.5	18.5	18.7	17.9	29.6	33.8	33.6	35.1
Others	1.1	0.9	0.8	0.7	1.7	2.1	2.6	2.3
Net Segment Revenue	**101.1**	**98.5**	**98.1**	**90.1**	**105.6**	**114.4**	**118.6**	**121.3**
Growth YoY (%)								
Home Care	10.1	9.4	9.8	-4.3	-2.1	-1.6	-1.4	14.6
Personal Care	4.1	5.3	-2.8	-13.5	-12.0	-0.2	9.7	19.7
Foods & Refreshments	9.2	8.4	7.9	-6.7	51.7	82.9	79.9	96.4
Others	-26.2	-32.1	-47.6	-46.3	55.5	130.8	241.3	222.2
Net Segment Revenue	**6.6**	**6.7**	**2.6**	**-9.4**	**4.4**	**16.1**	**20.9**	**34.6**
Salience (%)								
Home Care	34	34	35	37	32	29	29	32
Personal Care	45	46	45	42	38	40	41	37
Foods & Refreshments	19	19	19	20	28	30	28	29
Others	1	1	1	1	2	2	2	2
Total Segment Revenue	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Segment Results (EBIT) - (INR b)								
Home Care	7.0	6.0	6.3	6.4	6.4	6.8	6.5	8.1
Personal Care	13.6	13.2	12.5	9.5	11.3	13.3	14.1	12.5
Foods & Refreshments	3.8	2.9	3.3	2.3	5.8	5.6	4.7	5.8
Others	0.0	0.0	0.0	0.0	0.5	0.6	0.5	0.7
Total Segment Results	**24.4**	**22.1**	**22.1**	**18.1**	**24.0**	**26.2**	**25.8**	**27.1**
PBT	**25.6**	**23.1**	**22.3**	**19.9**	**24.1**	**26.6**	**26.0**	**28.2**
Growth YoY (%)								
Home Care	16.1	19.7	41.0	2.7	-8.9	13.9	2.7	27.7
Personal Care	16.9	15.6	7.5	-22.5	-16.5	1.0	12.9	32.5
Foods & Refreshments	13.5	-0.3	28.0	-35.0	53.6	90.1	41.6	155.6
Others	L/P	0.0	-33.3	100.0	#	#	L/P	#
Total Segment Results	**16.3**	**14.2**	**18.4**	**-17.2**	**-1.5**	**18.8**	**16.7**	**49.6**
Salience (%)								
Home Care	27.3	25.8	28.2	31.9	26.4	25.5	24.9	28.8
Personal Care	53.0	57.0	56.2	47.4	47.0	49.9	54.4	44.4
Foods & Refreshments	14.8	12.7	15.0	11.3	24.1	21.0	18.2	20.4
Others	0.1	0.1	-0.1	0.2	2.0	2.1	1.9	2.4
Total Segment Results	**95.1**	**95.6**	**99.3**	**90.9**	**99.6**	**98.5**	**99.5**	**96.0**
PBT	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Segmental EBIT margin (%)								
Home Care	20.2	17.7	18.2	19.0	18.8	20.4	18.9	21.1
Personal Care	29.6	28.9	28.4	24.9	28.1	29.3	29.2	27.5
Foods & Refreshments	19.4	15.9	17.9	12.6	19.7	16.5	14.1	16.4
Others	1.8	2.2	-2.7	5.6	28.7	26.2	19.5	29.7
Total	**24.1**	**22.4**	**22.6**	**20.1**	**22.7**	**22.9**	**21.8**	**22.3**
EBIT margin change YoY (bps)								
Home Care	104	151	403	131	-139	278	75	216
Personal Care	323	258	271	-291	-152	34	81	266
Foods & Refreshments	72	-139	280	-547	24	63	-381	379
Others	316	71	-57	406	2,684	2,399	2,220	2,419
Total	**201**	**147**	**301**	**-190**	**-136**	**51**	**-80**	**223**

inordinately high number; Source: Company, MOFSL

Conference call highlights

Performance and operating environment

- The management was pleased with the performance during the quarter.
- HUVR is gaining penetration in 87% of the business and gaining volume market share in 82% of the portfolio.
- The reduced mobility is evident, leading to uncertainty, making it difficult to predict demand.
- The first two weeks of Apr'21 reported the same momentum as witnessed in the March quarter.
- Manufacturing and the supply chain have not been affected. Therefore, unlike 1QFY21, the impact even in the last two weeks has been far lower, albeit still significant, on some parts of the portfolio.
- It now has much more flexibility to change in environment. Superior digital capabilities bring in far better flexibility.
- If the second wave does not spread deep into rural, the outlook for this channel appears to be extremely strong.
- Rural grew strongly in 4QFY21 as well, even as urban recovered.
- It would continue to post a premium on volume growth in an uncertain environment as margins are healthy in the 24–25% range.

Innovation and other initiatives

- It launched 150 SKUs in FY21, while culling less relevant SKUs.
- Big brand growth accelerated in FY21.
- Market development and premiumization grew 2x against the core, aided by WIMI.

Segmental and pricing highlights

- Liquids and the premium portfolio grew ahead of overall Fabric Wash growth.
- It took price increases in Skin Cleansing in 3Q and 4Q and would take increases going forward as well. Inflation in palm oil costs continues. By end-April, it would see an around 7–8% cumulative increase. The company leads the price increases in this category.
- Price increases were also taken in the Tea category, enabling healthy margins.
- In Home Care, HUVR reversed its earlier price reductions on an increase in crude costs.

Glaxo business update

- Management is pleased with the seamless integration of GSKCH in a challenging environment.
- The company introduced new INR2 sachets for both Horlicks and Boost as well as expanded Boost distribution. The High Science portfolio was also a key focus area.
- It increased grammage on INR5 sachets.
- Penetration and volume growth are the key focus. Volume growth was in the high teens in the GSKCH business, with UVG growth (which includes the mix) in the early double digits.
- It would see benefit from ongoing distribution expansion in subsequent years.
- FY21 EBITDA margins for the GSKCH business were up 370bp YoY to 31.8%.

Sustainability

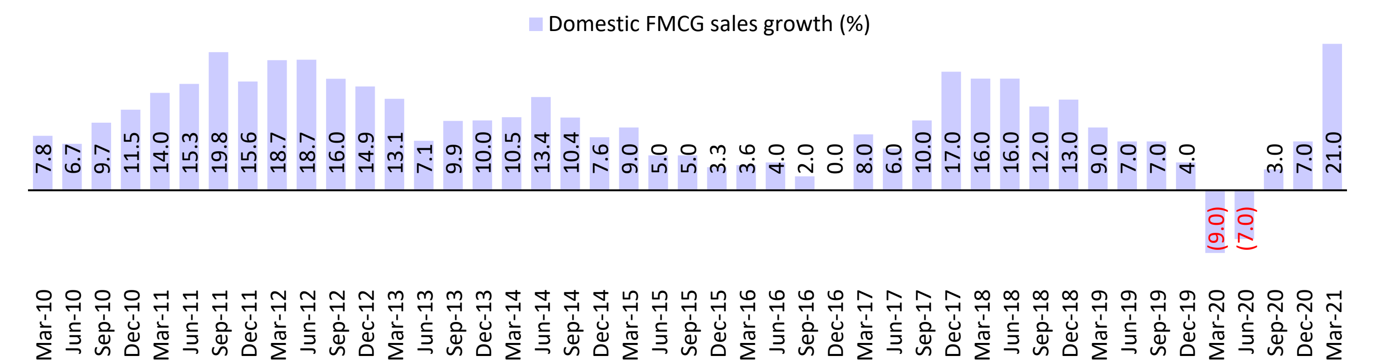
- 67% of plastic was in recyclable form at the end of FY21.

Financials

- While tax rates were lower in the year, they would be closer to 26% in FY22.

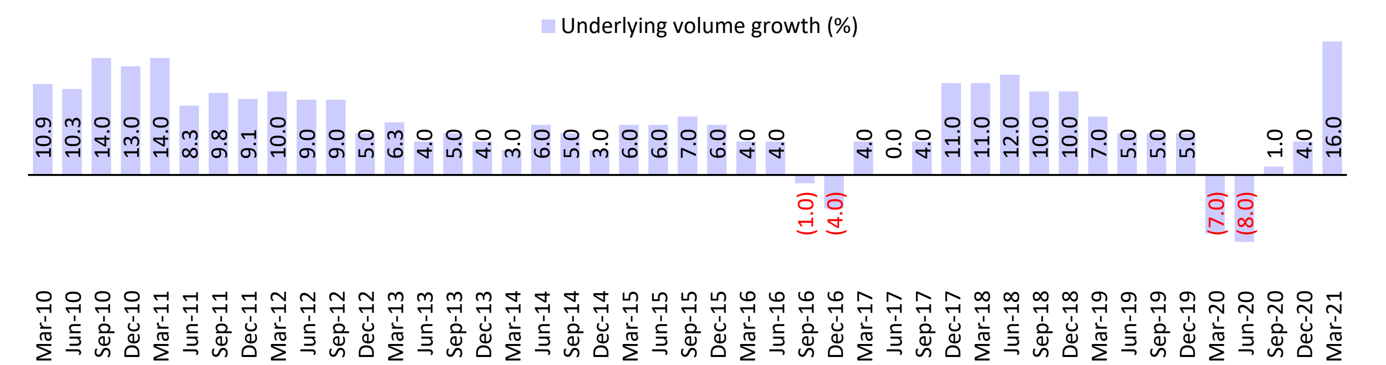
Key exhibits

Exhibit 2: Domestic sales growth of 21% in 4QFY21…



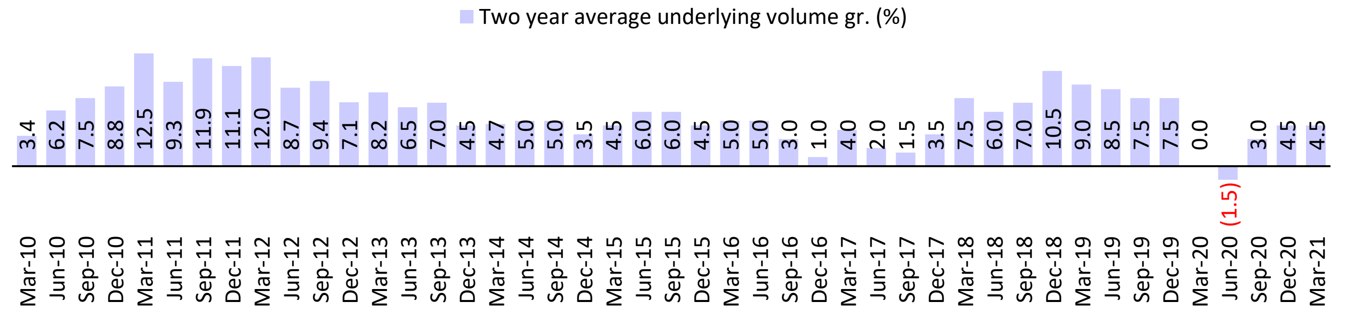
Source: Company, MOFSL

Exhibit 3: …led by underlying volume growth of 16% YoY in 4QFY21 (excluding GSKCH)



Source: Company, MOFSL

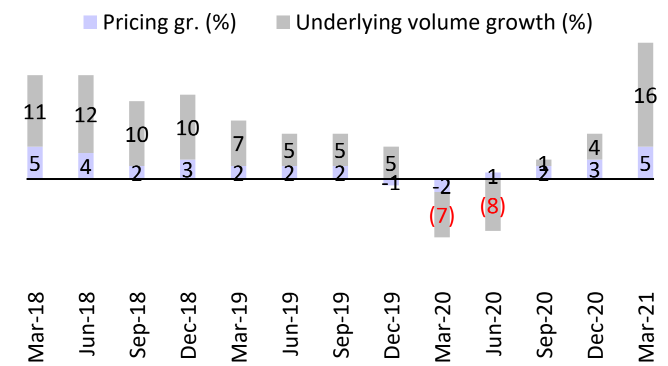
Exhibit 4: On two-year average basis, underlying volumes up 4.5%



Source: Company, MOFSL

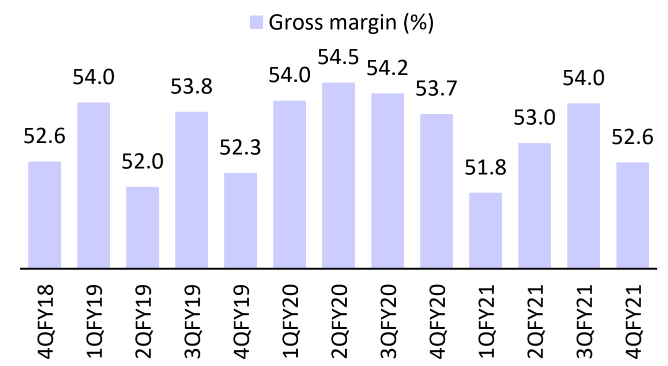
- **As a percentage of sales**, lower operating expenses (down 170bp YoY to 12.2%), lower ad spends (down 130bp YoY to 11.6%), and higher staff costs (up 40bp YoY to 4.3%) led to EBITDA margin expansion of 150bp YoY to 24.4%.

Exhibit 5: Realization growth of 5% in 4QFY21



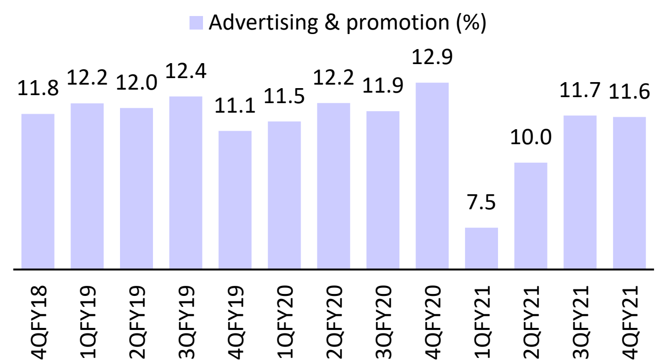
Source: Company, MOFSL

Exhibit 6: Gross margins down 120bp YoY to 52.6%



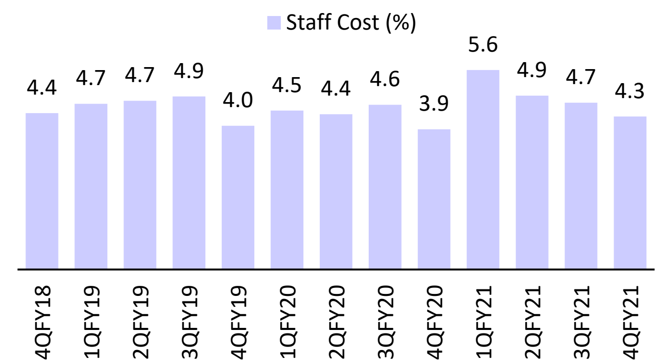
Source: Company, MOFSL

Exhibit 7: A&P spends down 130bp YoY to 11.6% of sales



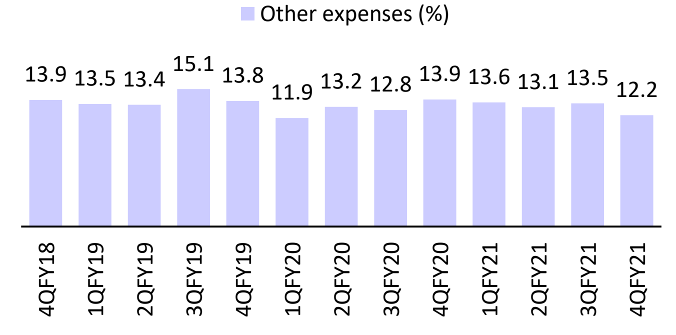
Source: Company, MOFSL

Exhibit 8: Employee expenses up 40bp YoY to 4.3%



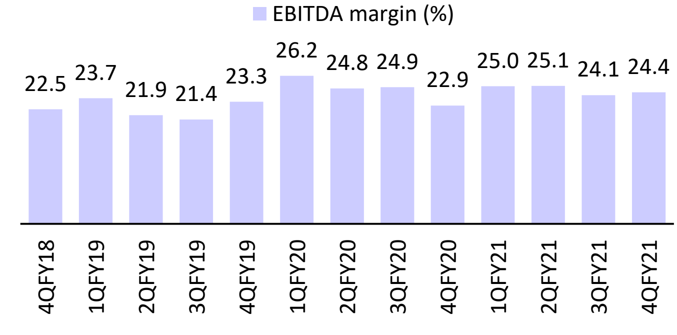
Source: Company, MOFSL

Exhibit 9: Other expenses down 170bp YoY to 12.2%...



Source: Company, MOFSL

Exhibit 10: ...leading to EBITDA margin expansion of 150bp YoY to 24.4%



Source: Company, MOFSL

Valuation and view

Why has HUVR been a strong wealth generator over the last 10 years?

- The company's newfound nimbleness in response to raw material cost and competitive stimuli has reinvigorated earnings momentum to the strong double digits over this period. Best-of-breed analytics have further boosted growth.
- The strong execution of its WIMI strategy has meant that central India growth stands at 1.5x the base growth. The execution strategy for herbal products and the acquisition, more recently, has also been remarkable.
- The focus on premiumization, particularly evident in Detergents and Tea, has meant that even these highly penetrated and large categories have grown smartly. This, in addition to a rigorous focus on cost savings, has resulted in unprecedented EBITDA margin improvement of over 920bp YoY in the past 10 years ended FY20.
- Consequently, despite being the largest consumer company over the past 10 years ended FY20, sales/EBITDA/PAT reported a healthy 8.1%/13.3%/12.4% CAGR. Performance over the last five and three years has been even more impressive on the EBITDA/PAT front – 13.0%/13.1% CAGR and 16.7/16.6% CAGR, respectively. This is particularly impressive given the weak earnings growth posted by peers in recent years.

Our investment case for HUVR

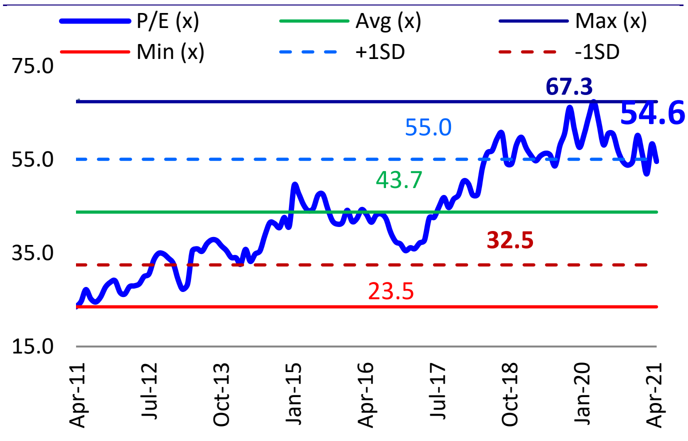
- While we have cut our EPS forecasts for FY22E by 4.3% on account of the COVID-led disruption and higher-than-anticipated tax rates, there is no material change to our FY23E EPS. We continue to monitor the situation as it unfurls.
- The company's earnings growth has gained further momentum in recent years before COVID (an ~18% EPS CAGR in the four years ended FY20 v/s a ~12% CAGR over the 10 years ended FY20). This is particularly impressive given the weak mid-single-digit earnings growth posted by (much smaller) peers in recent years.
- HUVR's best-of-breed analytics and execution capabilities (demonstrated via the successful implementation of the WIMI strategy, cost-saving plans, herbals, etc.) are key factors driving the pace of earnings growth. The strong outlook on rural, GSKCH synergies, and sustained growth and premiumization in Skin Cleansing offer further medium-term tailwinds.
- **Maintain Buy** with a TP of INR2,780.

Exhibit 11: Model changes lead to -4.3%/0.2% change in our FY22/FY23E EPS

	New		Old		Change	
(INR b)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Sales	502.1	575.9	507.6	575.9	-1.1%	0.0%
EBITDA	132.3	155.7	134.8	155.8	-1.8%	-0.1%
PAT	93.6	114.8	97.8	114.6	-4.3%	0.2%

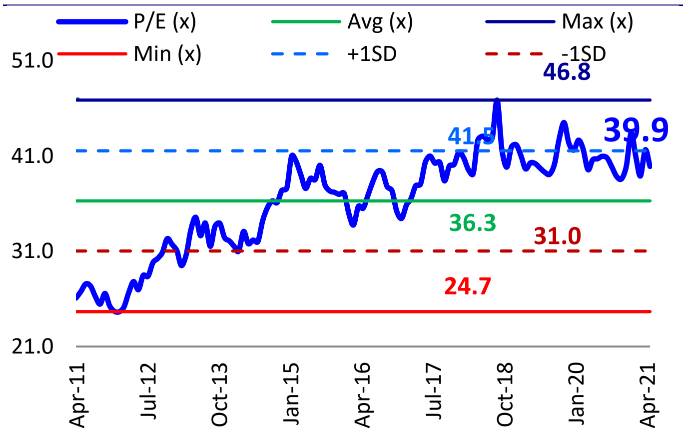
Source: MOFSL

Exhibit 12: HUVR P/E (x)



Source: Bloomberg, MOFSL

Exhibit 13: Consumer sector P/E (x)



Source: Bloomberg, MOFSL

Financials and valuations

Income Statement							(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	**313**	**339**	**377**	**383**	**453**	**495**	**568**
Other Oper. Income	6	6	6	5	7	7	8
Total Revenue	**319**	**345**	**382**	**388**	**460**	**502**	**576**
Change (%)	*2.7*	*8.3*	*10.7*	*1.5*	*18.6*	*9.2*	*14.7*
COGS	157	162	180	178	217	232	263
Gross Profit	**162**	**183**	**203**	**210**	**243**	**270**	**313**
Gross Margin (%)	*50.8*	*53.0*	*53.0*	*54.1*	*52.9*	*53.8*	*54.4*
Operating Exp	102	110	116	114	130	138	158
% of sales	*31.9*	*31.9*	*30.4*	*29.4*	*28.3*	*27.4*	*27.4*
EBITDA	**60**	**73**	**86**	**96**	**113**	**132**	**156**
Change (%)	*5.2*	*20.3*	*18.7*	*11.1*	*18.0*	*16.8*	*17.7*
Margin (%)	*19.0*	*21.1*	*22.6*	*24.8*	*24.6*	*26.4*	*27.0*
Depreciation	4	5	5	9	10	11	11
Int. and Fin. Charges	0	0	0	1	1	1	1
Other Income - Recurring	5	6	7	7	5	7	10
Profit before Taxes	**62**	**73**	**87**	**93**	**107**	**126**	**153**
Change (%)	*3.0*	*19.4*	*19.1*	*6.2*	*15.4*	*18.0*	*21.3*
Margin (%)	*19.7*	*21.7*	*23.2*	*24.3*	*23.7*	*25.5*	*27.0*
Tax	19	21	27	24	25	33	39
Deferred Tax	0	-1	-1	2	1	0	0
Tax Rate (%)	*31.0*	*27.9*	*30.5*	*27.4*	*23.7*	*26.0*	*25.2*
Profit after Taxes	**42**	**53**	**61**	**67**	**82**	**94**	**115**
Change (%)	*1.9*	*24.7*	*14.7*	*10.9*	*21.3*	*14.4*	*22.7*
Margin (%)	*13.6*	*15.6*	*16.1*	*17.6*	*18.1*	*18.9*	*20.2*
Non-rec. (Exp)/Income	2	-1	0	0	-2	0	0
Reported PAT	**45**	**52**	**60**	**67**	**80**	**94**	**115**

Balance Sheet							(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	2	2	2	2	2	2	2
Reserves	63	69	74	78	472	492	492
Capital Employed	**65**	**71**	**77**	**80**	**474**	**495**	**495**
Gross Block	66	72	79	96	565	570	575
Less: Accum. Depn.	-26	-30	-36	-45	-55	-66	-78
Net Fixed Assets incl Goodwill	**40**	**41**	**43**	**51**	**510**	**504**	**497**
Capital WIP	2	4	4	5	6	6	6
Investment in Subsidiaries	3	3	3	3	3	3	3
Current Investments	35	29	27	13	27	30	34
Deferred Charges	2	3	3	3	-60	-60	-60
Curr. Assets, L&A	**66**	**92**	**99**	**123**	**135**	**170**	**190**
Inventory	24	24	24	26	34	39	44
Account Receivables	9	11	17	10	16	21	22
Cash and Bank Balance	17	34	37	50	43	68	77
Others	16	23	21	36	41	42	48
Curr. Liab. and Prov.	**83**	**101**	**102**	**116**	**147**	**159**	**177**
Account Payables	60	70	71	74	86	94	109
Other Liabilities	14	16	16	26	40	42	44
Provisions	9	14	16	16	20	22	23
Net Current Assets	**-17**	**-9**	**-3**	**7**	**-12**	**12**	**14**
Application of Funds	**65**	**71**	**77**	**80**	**474**	**495**	**495**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)							
EPS	**19.6**	**24.5**	**28.1**	**31.2**	**34.8**	**39.8**	**48.9**
Cash EPS	21.5	26.7	30.5	35.6	39.1	44.6	53.7
BV/Share	30.0	32.7	35.4	37.2	201.8	210.5	210.5
DPS	17.0	20.0	22.0	25.0	40.5	39.8	49.0
Payout %	98	99	95	96	116	100	100
Valuation (x)							
P/E	122.7	98.4	85.8	77.2	69.2	60.5	49.3
Cash P/E	112.2	90.3	79.0	67.7	61.6	54.0	44.8
EV/Sales	16.6	15.3	13.7	13.5	12.4	11.3	9.8
EV/EBITDA	85.9	71.2	59.9	53.7	49.6	42.3	35.8
P/BV	80.3	73.7	68.1	64.8	11.9	11.4	11.4
Dividend Yield (%)	0.7	0.8	0.9	1.0	1.7	1.7	2.0
Return Ratios (%)							
RoE incl. Goodwill	66.5	78.1	82.5	86.0	29.5	19.3	23.2
RoCE incl. Goodwill	96.7	108.6	119.1	119.8	39.0	26.3	31.3
Working Capital Ratios							
Debtor (Days)	11	12	16	10	13	16	14
Asset Turnover (x)	4.8	4.8	4.9	4.8	1.0	1.0	1.1
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement (INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(loss) before Tax	62	73	85	91	105	126	153
Financial other income	-1	-3	-1	-2	1	-7	-10
Depreciation	4	5	5	9	11	11	11
Net Interest Paid	-2	-2	-3	-4	-2	1	1
Direct Taxes Paid	-18	-22	-27	-25	-24	-33	-39
(Incr)/Decr in WC	5	9	-3	3	-1	1	7
CF from Operations	**50**	**59**	**57**	**73**	**90**	**100**	**124**
Other Items	0	5	4	-8	12	30	13
(Incr)/Decr in FA	-9	-8	-7	-7	-40	-5	-5
Free Cash Flow	**41**	**51**	**50**	**66**	**50**	**95**	**119**
(Pur)/Sale of Investments	-10	8	3	22	24	-3	-4
CF from Invest.	**-18**	**4**	**0**	**7**	**-4**	**22**	**4**
Dividend Paid	-36	-39	-45	-62	-88	-94	-115
Others	-7	-8	-9	-4	-5	-4	-4
CF from Fin. Activity	**-43**	**-47**	**-55**	**-67**	**-93**	**-97**	**-119**
Incr/Decr of Cash	**-11**	**17**	**3**	**13**	**-7**	**24**	**10**
Add: Opening Balance	28	17	34	37	50	43	68
Closing Balance	**17**	**34**	**37**	**50**	**43**	**68**	**77**

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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