Godrej Consumer

BSE SENSEX	S&P CNX
72,500	21,983

CMP: INR1,258 TP: INR1,500 (+19%) Buy

Addressing portfolio gaps; margin headroom adequate

CONSUMER PRODUCTS

Bloomberg	GCPL IN
Equity Shares (m)	1022
M.Cap.(INRb)/(USDb)	1286.4 / 15.5
52-Week Range (INR)	1314 / 894
1, 6, 12 Rel. Per (%)	7/10/12
12M Avg Val (INR M)	1178
Free float (%)	36.8

Financials & Valuations (INR b)

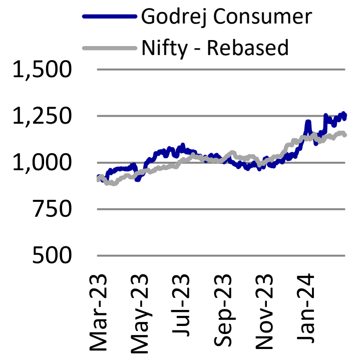
Y/E March	2024	2025E	2026E
Sales	142.5	152.5	165.5
Sales Gr. (%)	7.0	7.0	8.5
EBITDA	29.8	33.4	37.3
EBITDA mrg. (%)	20.9	21.9	22.6
Adj. PAT	20.1	23.2	27.1
Adj. EPS (INR)	19.7	22.6	26.5
EPS Gr. (%)	14.5	15.1	16.8
BV/Sh.(INR)	147.2	161.8	178.3
Ratios			
RoE (%)	14.0	14.7	15.6
RoCE (%)	14.4	14.7	15.8
Payout (%)	30.5	35.3	37.8
Valuations			
P/E (x)	63.0	54.8	46.9
P/BV (x)	8.4	7.7	7.0
EV/EBITDA (x)	43.0	37.9	33.6
Div. Yield (%)	0.5	0.6	0.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	63.2	63.2	63.2
DII	8.4	7.7	6.7
FII	23.0	23.5	24.0
Others	5.5	5.9	6.0

FII Includes depository receipts

Stock's performance (one-year)



- **We note that under Sudhir Sitapati's leadership, there has been a noticeable shift in approach at Godrej Consumer (GCPL) over the last 12-18 months. The company, under his astute guidance, has adopted a growth-centric strategy, including pursuing inorganic growth, cross-selling, entering new categories, expanding the total addressable market (TAM) for existing products, and more. Additionally, there has been an increase in reinvestment, particularly in marketing spending, and the company has made tough decisions such as improving inventory management for RCCL & Indonesia and closing the non-core businesses.**
- **In an environment where demand recovery is being delayed, GCPL's internal initiatives are expected to outperform those of its competitors. The inclusion of incense sticks and liquid detergent not only expands the target market but also showcases GCPL's backend competence and growth-oriented approach. Indonesia and GAUM still offer enough headroom for EBITDA margin expansion in the coming years (details shared in specific sections). With domestic business already outperforming in volume growth, improvements in demand should further lead to a better growth trajectory for GCPL. The stock is trading at 54x and 47x P/E on FY25E and FY26E, respectively. We believe earnings surprises will keep the stock in flavor. Reiterate BUY with a TP of INR1,500.**
- **India business – steady improvement:** GCPL is accelerating growth through new verticals such as expanding the TAM for Home Insecticides (HI), launching liquid detergent for the mass market, and acquiring RCCL. The India business has experienced a sequential increase in volume, and with demand improvement, the company can continue to drive growth trends further. In 9MFY24, GCPL's volume and EBITDA growth stood at 6% and 24%, respectively.
- **Indonesia growth recovering with ample margin headroom:** The consumer index in Indonesia is showing a steady improvement, reflecting a demand recovery. The Goodknight liquid vaporizer has a high-growth opportunity as its market penetration is only 1-2% in Indonesia vs. 25% in India. We view this as a significant opportunity to enable growth and improve margins. The EBITDA margin recovery is healthy during 9MFY24; however, there is still room for margin improvement. Margin is down by 700-800bp vs. the pre-Covid level of 25-28%. With steady growth and stable macros, we model a 200bp margin improvement to 21-22% during FY24-26; nevertheless, there is still a possibility of a beat against our estimates.

Naveen Trivedi – Research Analyst (Naveen.Trivedi@motilaloswal.com
Research Analyst: Pratik Prajapati (pratik.prajapati@motilaloswal.com) | **Tanu Jindal** (Tanu.Jindal@MotilalOswal.com)

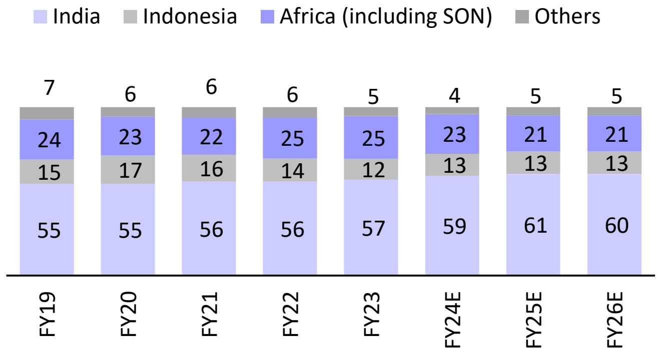
- **GAUM – focusing on relevant businesses:** GCPL has recently divested its stake in East Africa for a consideration of INR300m. This will have an adverse impact of INR5b on consolidated revenue but a positive impact of INR500m on PAT. The transaction is expected to be completed between 4QFY24 and 1QFY25. East Africa was a slow-growing and low-margin business for GCPL. The company is looking to focus on relevant business areas where it has the right to win in the medium term. GCPL is aiming to achieve more than 15% EBITDA margin in the next two years, compared to the historical average of 9%.
- **Valuation:** GCPL is consistently working to expand the TAM for its India business through product innovation to drive customer engagement. Besides, there has been a continuous effort to address the gaps in profitability and growth within its international business. **We reiterate our BUY rating with a TP of INR1,500 (based on 55x FY26E EPS).**

Exhibit 1: Segmental assumptions

Segmental information	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue (INR b)								
India	57	55	63	70	77	84	91	99
Indonesia	15	17	18	17	17	19	20	22
GAUM	24	23	25	30	34	33	32	35
Others	8	6	7	7	7	6	8	8
Total	103	99	110	123	133	143	153	166
Revenue Gr. (%)								
India	8%	-4%	14%	11%	10%	9%	9%	8%
Indonesia	13%	11%	4%	-4%	-3%	13%	8%	9%
GAUM	12%	-5%	8%	22%	12%	-3%	12%	9%
Others	-33%	-27%	19%	12%	-5%	-18%	30%	8%
Total	5%	-4%	11%	11%	8%	7%	7%	9%
Revenue Mix (%)								
India	55%	55%	57%	57%	58%	59%	60%	60%
Indonesia	15%	17%	16%	14%	12%	13%	13%	13%
GAUM	24%	23%	23%	25%	26%	23%	21%	21%
Others	7%	6%	6%	6%	5%	4%	5%	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%
EBITDA (INR b)								
India	15	15	17	17	19	22	25	27
Indonesia	4	4	5	4	3	4	4	5
GAUM	3	2	2	3	4	3	4	5
Others	0.3	0.3	0.8	1.0	0.2	(0.1)	0.2	0.5
Total	21	21	24	25	25	30	33	37
EBITDA margin (%)								
India	27%	27%	26%	25%	24%	26%	27%	28%
Indonesia	25%	27%	28%	23%	19%	20%	21%	22%
GAUM	12%	10%	10%	10%	10%	10%	13%	14%
Others	4%	5%	12%	13%	3%	-2%	2%	6%
Total	21%	22%	22%	20%	19%	21%	22%	23%
EBITDA mix (%)								
India	71%	68%	68%	69%	74%	74%	75%	73%
Indonesia	18%	21%	20%	16%	12%	12%	12%	13%
GAUM	14%	11%	10%	12%	14%	11%	12%	13%
Others	1%	1%	3%	4%	1%	0%	0%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

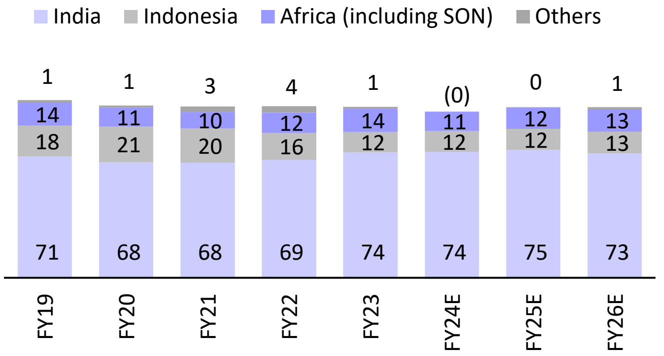
Source: MOFSL, Company

Exhibit 2: Revenue mix



Source: MOFSL, Company

Exhibit 3: EBITDA mix



Source: MOFSL, Company

India business: Adding more legs to the HI business

Leading presence in India and SAARC

#1 Household Insecticides	#2 Fabric Care
#1 Air Care	#2 Personal Wash and Hygiene
#1 Hair Colour	

Source: company

Recent update

- **Best volume delivery among peers:** India business registered a healthy 5% YoY organic volume growth in 3QFY24, outperforming its FMCG peers in terms of volume. Organic volume growth stood at ~6% YoY during 9MFY24.
- **Healthy margin recovery in 9MFY24:** The Indian business not only delivered a healthy volume growth but also reported a sharper-than-expected margin recovery. Gross margin improved substantially by 800bp YoY during 9MFY24 to 58%. The company reinvested a large part of GM gains into higher marketing efforts, with a 50% YoY increase in 9MFY24. However, the EBITDA margin still recorded a 300bp improvement during the period, reaching 26.7%. EBITDA grew 23% YoY over 9MFY24, which is quite strong considering the current weak growth scenario.

Organic volume growth in India in 3QFY24

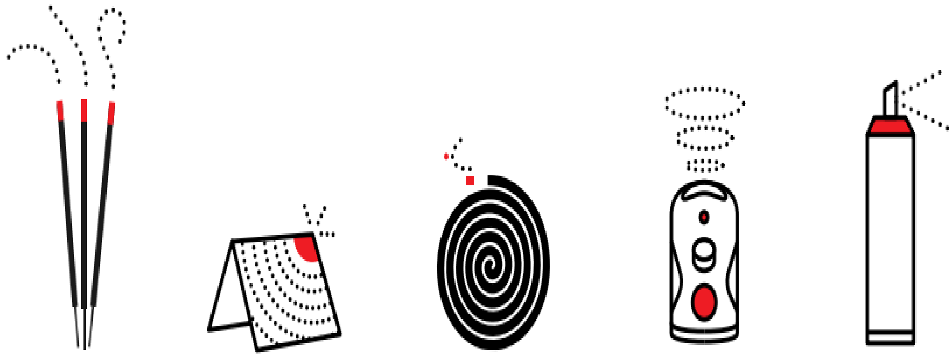
Jyothy	11%
GCPL	**5%**
Dabur	4%
Britannia	3%
Marico	2%
HUL	2%
Colgate	-1%

Source: company
Note: Britannia pack growth

Key initiatives implemented recently

- **Expanding the TAM:** GCPL has entered the INR1.2b anti-mosquito incense sticks market, where illegal sellers currently hold a major portion. Goodknight Agarbatti is the only government-approved anti-mosquito incense stick in India. It is powered by an ingredient known as Renofluthrin (RNF), which is a domestically developed compound that boasts twice the effectiveness of prevalent molecules.
- **Exclusivity of using RNF over the medium term:** GCPL's longstanding partnership with a manufacturer deeply rooted in the HI sector for over 25 years has secured exclusivity on RNF in India for the foreseeable future. Despite the lengthy registration process for new molecules in India, GCPL's commitment to innovation has resulted in the successful registration of RNF, marking the beginning of a transformative era in HI. The company plans to roll out the RNF molecule for other HI products as well.
- **Regulatory hurdles:** Registering a new molecule in India is a lengthy and complex process. While the formulation can be registered relatively quickly, registering the molecule takes several years due to rigorous safety testing. This involves ensuring that the molecule is both effective and safe for use. It typically takes around six to seven years for a molecule to be fully registered. Once registered, the molecule is usually patented for a certain period, with the specific duration varying based on the circumstances. In the case of GCPL's molecule, it was registered around 2015 or 2016 and is expected to go off-patent before the usual 17-year timeframe, possibly by 2032.
- **Pricing and distribution strategy:** Goodknight Agarbatti is manufactured to kill insects and each stick burns for 45 minutes. GCPL's aim is to replace illegal incense sticks, which dominated the market due to their low pricing and effectiveness. GCPL is looking to distribute and raise awareness about sticks. The company is starting with incense stick because it is a large market and management wants to progress rapidly. The company also plans to develop strategies for liquid vaporizers, aerosols, and coils to ensure that GCPL has a presence in every aspect of insect repellents.

Exhibit 4: GCPL continues to innovate and protect Indian consumers for over 40 years



Source: Company, MOFSL

Liquid detergent brand for the mass market

- GCPL currently operates in the liquid detergent market with two key products: Ezee and Genteel. Ezee specializes in woolens and special clothing, mainly in the northern region, where liquid detergents are considered specialty products. On the other hand, Genteel is a high-quality liquid fragrance detergent.
- GCPL has recently introduced a new brand known as Godrej Fab liquid detergent. It is competitively priced at INR99 per liter to appeal to the mass market. This new product has been initially launched in select markets and will gradually expand into other territories.
- The liquid detergent market has experienced significant growth, reaching INR20b in the last two years, with high penetration rates.
- GCPL's focus on this market, particularly in the southern regions of Tamil Nadu and Andhra Pradesh, has revealed ample opportunities, especially in rural areas where liquid detergent sales are strong.
- Despite lower gross margins compared to the overall portfolio, GCPL sees potential in the liquid detergent segment due to its low market penetration and rapid growth.

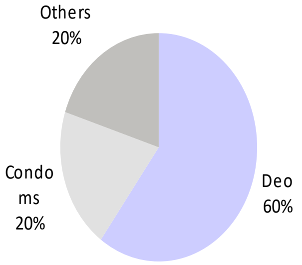
Godrej Fab liquid detergent @INR99/liter

Source: company

RCCL acquisition progressing well

- **Initial settling phases appear over:** GCPL's integration with the RCCL brand is largely completed, and synergies have started to flow from 3QFY24. The company has successfully reduced RCCL's channel inventory from an average of 90 days to 15-20 days through SKU rationalization. The channel inventory is aligned with GCPL's inventory days. The ensuing adverse impact on primary sales is expected to result in revenue contraction in FY24.
- **Synergies from distribution:** The integration of RCCL's distribution network with that of GCPL is largely completed and is starting to benefit from the 400-500bp savings on distributor margins, as well as a significant improvement in RCCL's rural and GT penetration. RCCL is now operating with only ~30% of previous overhead costs. EBITDA margin has seen a sharp improvement, currently hovering around 18-20%, compared to the weak margin in 1HFY24 (due to the impact of inventory rationalization).
- **Focus on the chemist channel**: GCPL is also devising a system to target the chemist channel for both GCPL and RCCL brands.

RCCL's revenue mix (FY23)

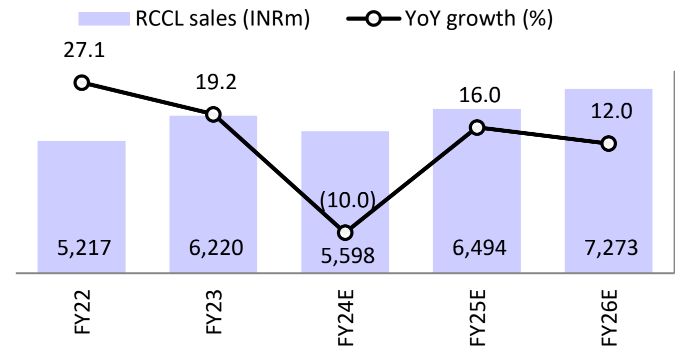


Source: company

Our view:

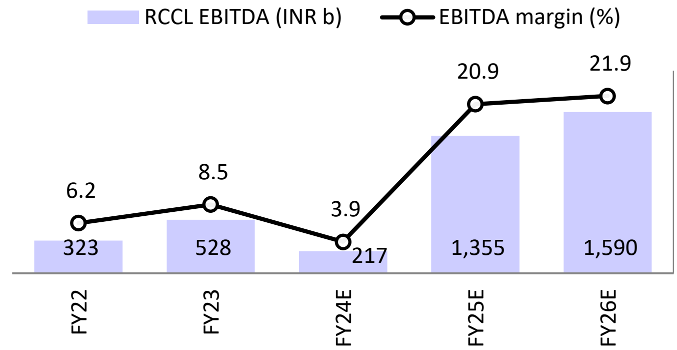
- We believe RCCL's FY24 revenue will be down (by ~10%) due to channel inventory rationalization in 1HFY24. However, this was the initial settling phase, and we model a low double-digit to mid-teens revenue growth over the medium term. RCCL had clocked more than 25% revenue CAGR during FY19-23.
- GCPL has significantly reduced RCCL's other overhead costs (by a sharp 65-70%), which were ~30% of sales earlier. The company has partially reinvested by increasing the advertising expenditures for RCCL. The EBITDA margin has shown a sharp improvement to 18-20% at present vs. pre-acquisition margin of 7-9% for RCCL. Moreover, GCPL still expects further improvement in margin over the medium term and aims to reach its margin band (of 25-26%) through operating leverage and cost synergies.

Exhibit 5: RCCL's FY24 revenue impact has been due to the inventory rationalization; steady growth expected from FY25



Source: MOFSL, Company

Exhibit 6: Sharp cost control is leading to margin improvement from FY25E



Source: MOFSL, Company

Indonesia business: Impressive recovery underway

Leading presence in Indonesia

- #1 Household Insecticides
- #3 Hair Colour
- #1 Air Care
- #1 Baby Wipes

Source: company

Recent update

- **Healthy recovery in 9MFY24**: The Indonesia business has experienced a recovery in 9MFY24 and reported 14% YoY revenue growth on a favorable base of -7% YoY. The business was hit in FY22 and FY23 due to macro headwinds (the Ukraine-Russia war) and the high base of the Saniter business (which surged during Covid-19). Indonesia revenue declined 3% YoY in FY23; but ex-Saniter, revenue rose 7% in constant currency terms.
- **EBITDA margin under recovery phase**: Indonesia business registered a 24% YoY EBITDA growth during 9MFY24, following improvement in its operating margin. EBITDA margin was 19.2% in 9MFY24 vs. 17.5% in 9MFY23. However, compared to its historical EBITDA margin, which ranged between 25% and 28%, there is still ample room for improvement.

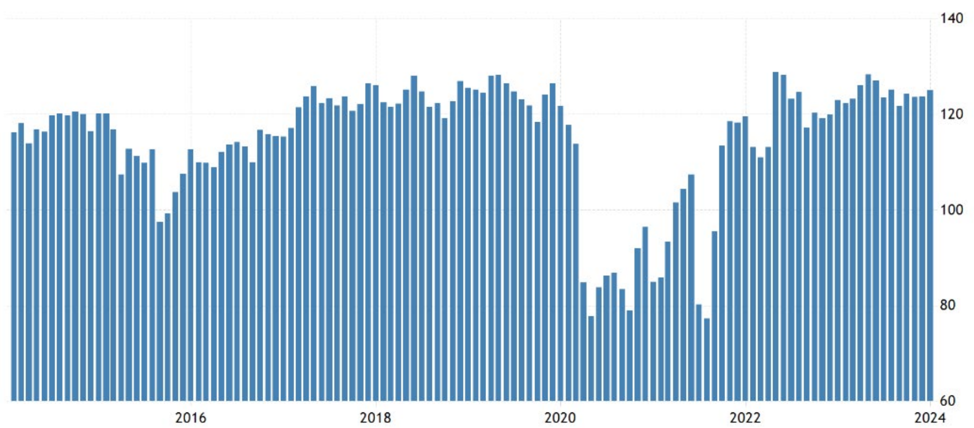
Key initiatives implemented recently

- **New CEO refreshing the distribution strategies:** The new CEO of the Indonesian business, Mr. Rajesh Sethuraman, made a decision last year to change and simplify the sales and distribution system to a two-tier distribution model, as opposed to the previous three-tier distribution system. The new distribution model is quite similar to the India model.
- **Leveraging on cross synergies:** After experiencing significant success in India with Goodknight liquid vaporizer, Godrej shampoo hair color, and Goodknight smart spray, GCPL is now concentrating on expanding these products in Indonesia.
- **Product relaunches**: In Indonesia, the company has relaunched an access pack of the hero brand HIT Aerosol. The company had also launched a low-cost hair coloring solution to cater to consumers shopping for general-grade products. During last year, the company also focused on household sampling in Indonesia.
- **Focus on increasing the share of GT:** Modern trade accounts for nearly 65% of Indonesia business in FY23. It is focusing on revamping its general trade (GT) channel. GCPL is committed to the strategy of simplification by reducing channel inventory in modern trade to 58 days from 95.
- **Further growing digital presence:** The digital penetration in Indonesia is consistently gaining ground, reaching 77% in FY23. The company partnered with content creators that showcased GCPL's products. The company also selected various personas for different brands that catered to diverse consumer interests.
- **SKU rationalization generating efficiencies:** In Indonesia, the company had slashed SKU production by over 50% compared to FY22. It benefitted from reducing packaging costs, simplifying work processes at the customers' end, and reducing obsolete stock provisions by 10%, as GCPL concentrated on eliminating tail SKUs.

Our view

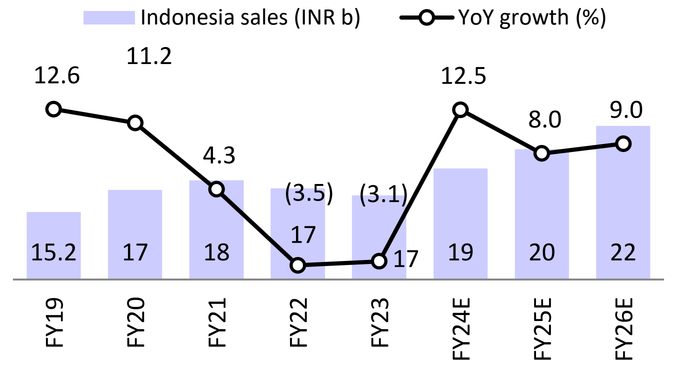
- In terms of macro, Indonesia's consumer index has shown a steady improvement, reflecting the underlying demand recovery. The economic condition has significantly improved during the last two years.
- Goodknight Liquid Vaporizer has a market penetration of 25% in India, whereas in Indonesia, it ranges between 1% and 2%. We view this as a significant opportunity driver for long-term growth and margin enhancement.
- **Revenue growth and EBITDA margin recovery are healthy in 9MFY24. However, there is still enough room for EBITDA margin improvement, which is still 700-800bp lower than the pre-Covid range of 25-28%. With steady growth and stable macros, we model a 200bp EBITDA margin improvement to 21-22% during FY24-26. There is still room for margin improvement though.**

Exhibit 7: Indonesia's Consumer Confidence Index (last 10 years)



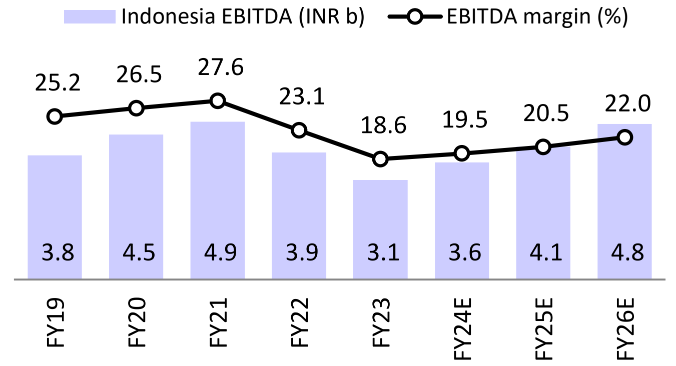
Source: Trading economics

Exhibit 8: Revenue to grow in double digits in FY24E



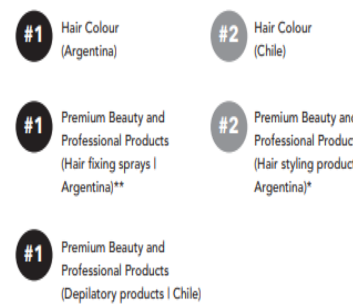
Source: MOFSL, Company

Exhibit 9: EBITDA margin recovery continues



Source: MOFSL, Company

Leading presence in LATAM



Source: company

GAUM Business – focus on improving profitability

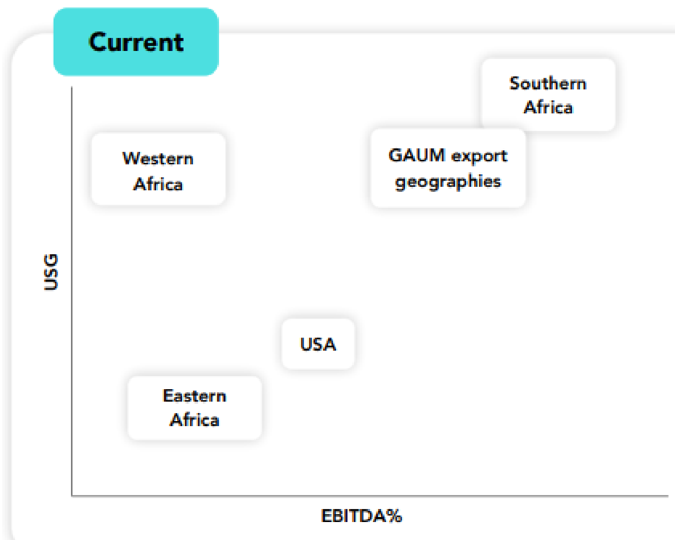
GCPL has recently divested its stake in East Africa for a consideration of INR300m. This will have an adverse impact of INR5b on consolidated revenue but a positive impact of INR500m on PAT. The transaction is likely to be completed between 4QFY24 & 1QFY25. East Africa was a slow-growing and low-margin business for GCPL. The company is looking to focus on relevant business areas where it has the right to win in the medium term. GCPL The company is aiming to achieve more than 15% EBITDA margin in the next two years, compared to the historical average of 9%.

Exhibit 10: GAUM – Divergent historical performance, plans to position itself strategically for long-term success

Business verticals	Sales growth	Profitability (EBITDA margin)	Plan for future
Southern Africa	~ Double digit	High (~20%)	Sustain robust performance
Godrej International / GAUM export geographies			
USA	Low single digit	Medium	Improve profitability
Western Africa	Double digit local currency; Volatile forex	Low to medium	
Eastern Africa	Negative	Low	Re-organise business model

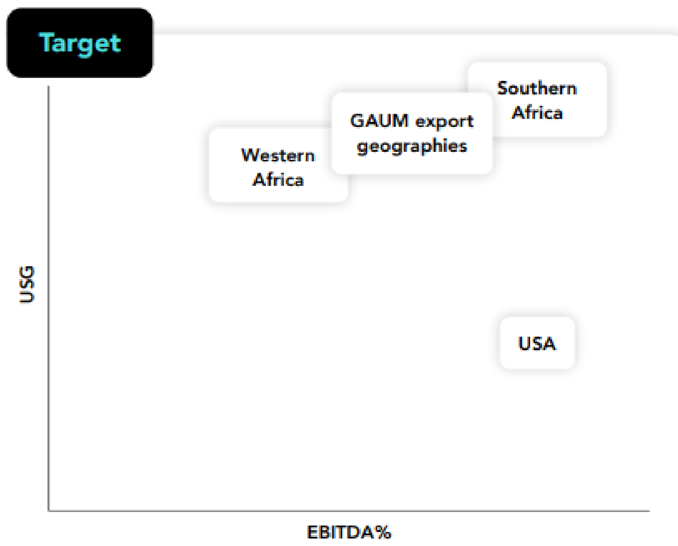
Source: MOFSL

Exhibit 11: GAUM's current financial shape – East Africa dragging growth and margin both



Source: MOFSL, Company

Exhibit 12: GAUM's target financial shape – aims to achieve >15% EBITDAM in the next two years vs. 9% historical margin

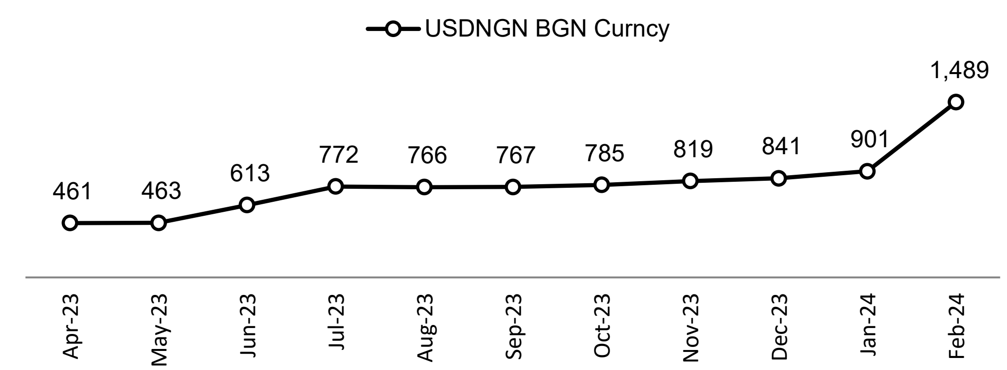


Source: MOFSL, Company

The Nigeria business – currency dents further improvement

- In Nigeria, GCPL is revamping its product distribution strategy. Instead of dealing with multiple distributors, the company is partnering with a single national distributor to leverage its extensive reach.
- The recent devaluation of the Nigerian currency will impact GCPL for a few quarters. Earlier, the official exchange rate was around NGN450/USD1 in May'23, while the parallel market rate stood much higher at NGN750/USD1. GCPL was purchasing dollars at an average cost of NGN650/USD1. The difference between these rates was reflected in GCPL's forex gains or losses.
- Now, with the Nigerian currency floating freely at around NGN750/$1, and possibly declining further, GCPL has raised its product prices to NGN750/USD1 from NGN650/USD1 for consumers. This adjustment aims to maintain GCPL's profits.
- The Nigerian Central Bank is attempting to unify the official and parallel market forex rates. If currency unification is maintained, there will be an accounting impact of INR600m per quarter for the next four quarters (a 2% impact). However, the company expects that this will have an insignificant impact on profits.
- Looking ahead, management believes this change will enhance their competitiveness. With all players compelled to buy at the free-floating exchange rate of NGN750/USD1, GCPL sees an opportunity to expand its market share in the long term.

Exhibit 13: Nigeria's currency chart



Source: Bloomberg, MOFSL

Valuation and view: A tale of two halves

Financial performance

- Over the course of the last decade, the company delivered a sales/EBITDA/PAT CAGR of 8%/9%/9%.
- During FY13-18, GCPL demonstrated a strong performance with a 16%/15% CAGR in EBITDA/PAT. This was followed by a weak performance over the next five years (FY19-23), with a much slower sales/EBITDA/PAT CAGR of 6%/3%/4%.
- Macro headwinds, coupled with weak traction in the domestic business due to seasonality, rural slowdown, and commodity inflation, have impacted the overall earnings performance adversely.

Valuation and view

- GCPL has recently divested its stake in East Africa business, which was a slow-growing and low-margin business for GCPL. This will have an adverse impact of INR5b on consolidated revenue but a positive impact of INR500m on PAT. Besides, RCCL is also experiencing a steady improvement in EBITDA margin led by sharp cost synergies. Hence, we raise our EPS by 2-3% for FY25-26E.
- GCPL has improved its sales growth in the Indian market in recent years. It has delivered an industry-leading volume growth in the India business during 9MFY24, and is likely to record a double-digit EPS growth over FY24-26. The implementation of disruptive innovations, the introduction of access packs, expansion into new growth categories, and increased advertising expenditure are anticipated to contribute to a consistently healthy growth trajectory.
- The profitability outlook for the international business is steadily improving, driven by growth recovery in Indonesia and the management's steady focus on the high-growth/high-margin business in GAUM.
- **We reiterate our BUY rating with a TP of INR1,500 (based on 55x FY26E EPS). We believe earnings surprises will keep the stock in flavor.**

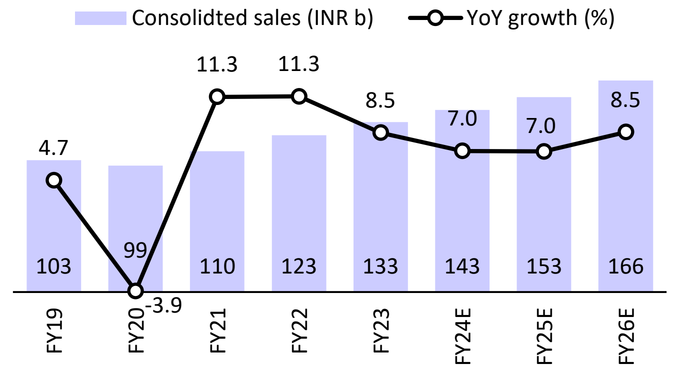
Exhibit 14: No material changes to our EPS estimates

	Old			New			Change		
(INR b)	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Sales	142.9	157.8	171.5	142.5	152.5	165.5	-0.3	-3.3	-3.5
EBITDA	30.0	32.7	36.6	29.8	33.4	37.3	-0.7	2.4	2.0
PAT	20.3	22.6	26.5	20.1	23.2	27.1	-0.8	2.5	2.0

Source: Company, MOFSL

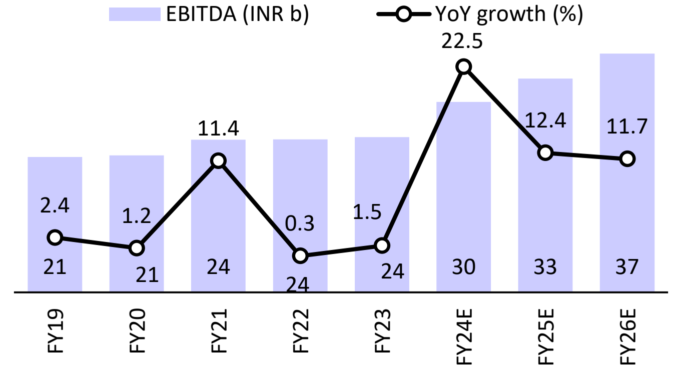
Story in charts

Exhibit 15: Revenue to grow in high single digit…



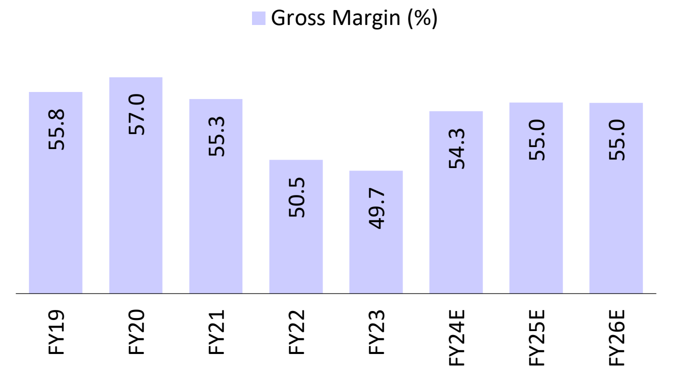
Source: MOFSL, Company

Exhibit 16: …with double-digit growth in EBITDA



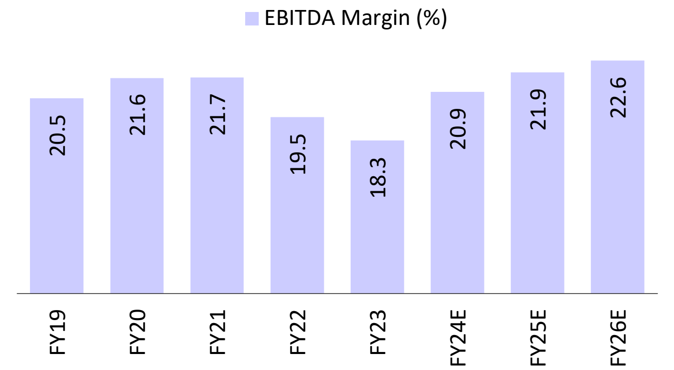
Source: MOFSL, Company

Exhibit 17: Gross margin improving…



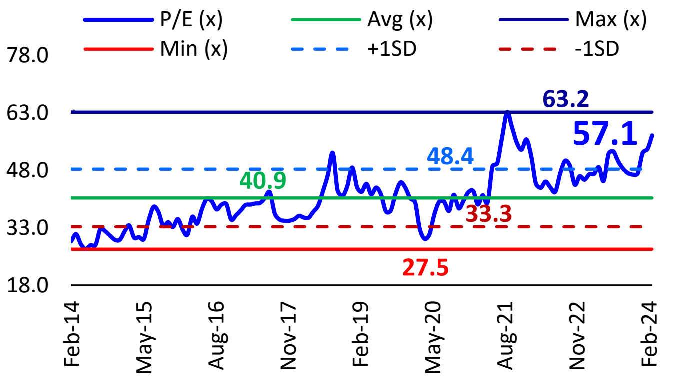
Source: MOFSL, Company

Exhibit 18: …along with EBITDA margin



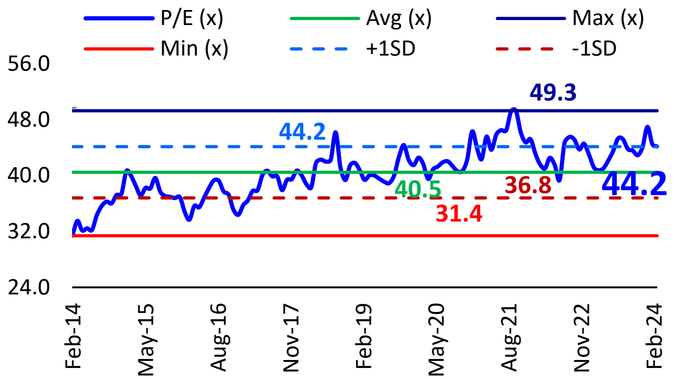
Source: MOFSL, Company

Exhibit 19: P/E ratio (x) for GCPL



Source: MOFSL, Company

Exhibit 20: P/E ratio (x) for the Consumer sector



Source: MOFSL, Company

Financials and valuations

Income Statement

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net Sales	**1,03,143**	**99,108**	**1,10,286**	**1,22,765**	**1,33,160**	**1,42,539**	**1,52,521**	**1,65,528**
Change (%)	4.7	-3.9	11.3	11.3	8.5	7.0	7.0	8.5
Cost of Goods Sold	45,543	42,617	49,294	60,751	67,028	65,081	68,602	74,480
Gross Profit	**57,600**	**56,491**	**60,992**	**62,014**	**66,132**	**77,458**	**83,920**	**91,049**
Margin (%)	55.8	57.0	55.3	50.5	49.7	54.3	55.0	55.0
Total Expenditure	81,967	77,678	86,404	98,814	1,08,855	1,12,775	1,19,075	1,28,185
EBITDA	**21,176**	**21,430**	**23,883**	**23,951**	**24,305**	**29,764**	**33,446**	**37,344**
Change (%)	2.4	1.2	11.4	0.3	1.5	22.5	12.4	11.7
Margin (%)	20.5	21.6	21.7	19.5	18.3	20.9	21.9	22.6
Depreciation	1,700	1,973	2,039	2,099	2,363	2,503	2,650	2,745
Int. and Fin. Charges	2,243	2,174	1,266	1,102	1,757	2,800	2,000	1,467
Other Income	1,088	1,123	671	897	1,684	2,679	2,930	3,926
PBT	**18,321**	**18,406**	**21,248**	**21,647**	**21,868**	**27,140**	**31,727**	**37,057**
Change (%)	-1.4	0.5	15.4	1.9	1.0	24.1	16.9	16.8
Margin (%)	17.8	18.6	19.3	17.6	16.4	19.0	20.8	22.4
Tax	-2,562	2,638	3,595	3,719	4,303	7,020	8,566	10,005
Deferred Tax								
Total tax	-2,562	2,638	3,595	3,719	4,303	7,020	8,566	10,005
Tax Rate (%)	-14.0	14.3	16.9	17.2	19.7	25.9	27.0	27.0
PAT	**20,883**	**15,768**	**17,653**	**17,929**	**17,566**	**20,120**	**23,161**	**27,052**
Change (%)	43.7	-24.5	12.0	1.6	-2.0	14.5	15.1	16.8
Margin (%)	20.2	15.9	16.0	14.6	13.2	14.1	15.2	16.3
Minority interest	-6	-8	0	-3	0	0	0	0
Group Adjusted PAT	**20,890**	**15,776**	**17,653**	**17,931**	**17,566**	**20,120**	**23,161**	**27,052**
Non-rec. (Exp.)/Income	2,526	-811	-445	-98	-541	-2,234	0	0
Reported PAT	**23,415**	**14,966**	**17,208**	**17,834**	**17,025**	**17,886**	**23,161**	**27,052**

Balance Sheet

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Share Capital	1,022	1,022	1,023	1,023	1,023	1,023	1,023	1,023
Reserves	71,647	77,961	93,367	1,11,302	1,36,920	1,49,479	1,64,458	1,81,283
Networth	**72,669**	**78,984**	**94,389**	**1,12,325**	**1,37,942**	**1,50,502**	**1,65,481**	**1,82,306**
Loans	28,757	26,637	17,683	16,077	10,340	21,340	11,340	9,340
Deferred Liability	-4,728	-5,701	-6,378	-6,796	-6,412	-6,412	-6,412	-6,412
Capital Employed	**96,699**	**99,920**	**1,05,695**	**1,21,606**	**1,41,870**	**1,65,429**	**1,70,408**	**1,85,233**
Gross Block	42,091	45,229	46,302	49,078	54,129	57,129	60,629	64,129
Less: Accum. Depn.	4,569	6,308	8,553	10,652	13,015	15,519	18,168	20,913
Net Fixed Assets	**37,522**	**38,921**	**37,749**	**38,425**	**41,114**	**41,611**	**42,461**	**43,217**
Capital WIP	521	570	574	1,164	454	454	454	454
Goodwill	49,180	53,393	51,299	53,768	58,223	85,473	85,473	85,473
Non Curr Investments	347	348	194	1,711	8,393	8,893	9,393	9,893
Current Investments	4,813	6,372	6,572	8,443	21,897	16,897	18,897	20,897
Currents Assets	**43,825**	**43,498**	**39,672**	**47,279**	**37,880**	**39,916**	**43,378**	**57,337**
Inventory	15,586	17,031	17,163	21,299	15,372	19,627	21,001	22,792
Account Receivables	12,929	11,573	10,045	11,163	12,453	13,330	14,263	15,480
Cash and Bank Balance	8,947	7,702	6,722	7,843	3,907	499	1,321	11,840
Loans and Advances	225	259	264	1	1	1	1	1
Other Current Assets	6,138	6,934	5,479	6,974	6,147	6,459	6,792	7,224
Curr. Liab. & Prov.	**39,509**	**43,182**	**30,366**	**29,185**	**26,091**	**27,814**	**29,648**	**32,038**
Account Payables	25,399	24,805	20,124	21,631	18,232	19,516	20,883	22,664
Other Liabilities	12,519	16,648	8,371	5,723	6,073	6,459	6,870	7,406
Provisions	1,591	1,729	1,871	1,832	1,786	1,839	1,895	1,969
Net Current Assets	**4,316**	**316**	**9,307**	**18,094**	**11,789**	**12,102**	**13,730**	**25,300**
Net Assets	**96,699**	**99,920**	**1,05,695**	**1,21,606**	**1,41,870**	**1,65,429**	**1,70,408**	**1,85,233**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Basic (INR)								
EPS	**20.4**	**15.4**	**17.3**	**17.5**	**17.2**	**19.7**	**22.6**	**26.5**
Cash EPS	22.1	17.4	19.3	19.6	19.5	22.1	25.2	29.1
BV/Share	71.1	77.3	92.3	109.8	134.9	147.2	161.8	178.3
DPS	12.0	6.0	0.0	0.0	0.0	6.0	8.0	10.0
Payout (%)	58.7	38.9	0.0	0.0	0.0	30.5	35.3	37.8
Valuation (x)								
P/E	60.7	80.4	71.8	70.7	72.2	63.0	54.8	46.9
Cash P/E	56.1	71.4	64.4	63.3	63.6	56.1	49.1	42.6
EV/Sales	12.5	13.0	11.6	10.4	9.5	9.0	8.3	7.6
EV/EBITDA	60.8	60.0	53.5	53.2	52.1	43.0	37.9	33.6
P/BV	17.4	16.0	13.4	11.3	9.2	8.4	7.7	7.0
Dividend Yield	1.0	0.5	0.0	0.0	0.0	0.5	0.6	0.8
Return Ratios (%)								
RoE	30.9	20.8	20.4	17.3	14.0	14.0	14.7	15.6
RoCE (Post-tax)	25.1	17.9	18.2	16.6	14.4	14.4	14.7	15.8
RoIC	29.3	20.0	20.6	18.7	16.8	16.4	16.1	17.9
Working Capital Ratios								
Debtor (Days)	46	43	33	33	34	34	34	34
Asset Turnover (x)	2.7	2.5	2.9	3.1	3.2	3.4	3.6	3.8
Leverage Ratio								
Debt/Equity (x)	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1

Cash Flow Statement

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Profit before Tax	18,328	18,415	20,804	21,553	21,327	25,716	31,727	37,057
Net interest	1,375	1,412	916	506	802	1,460	535	-496
Direct Taxes Paid	-4,351	-3,441	-3,972	-4,475	-4,185	-7,020	-8,566	-10,005
(Inc)/Dec in WC	6	-2,613	-452	-5,362	933	-3,721	-806	-1,050
Others	1930.9	2108.6	3000.5	2284.4	2628.5	4737.523	2649.573	2744.694
CF from Operations	17,289	15,881	20,296	14,506	21,507	21,172	25,539	28,251
Inc in FA	-2,077	-1,520	-1,639	-2,765	-2,197	-30,250	-3,500	-3,500
Free Cash Flow	**13,280**	**12,252**	**15,657**	**9,456**	**16,681**	**-13,815**	**19,389**	**22,006**
Pur of Investments	4,846	-1,305	-289	-4,744	-16,377	4,500	-2,500	-2,500
Others	-325	-1,348	-1,186	-2,081	1,075	758	1,465	1,963
CF from Investments	**2,444**	**-4,173**	**-3,114**	**-9,589**	**-17,499**	**-24,992**	**-4,535**	**-4,037**
Inc in Debt	-3,447	-1,280	-16,194	-2,198	-6,344	11,000	-10,000	-2,000
Dividend Paid	-14,786	-9,859	0	0	0	-6,136	-8,182	-10,227
Interest Paid	-2,147	-1,519	-1,589	-1,123	-1,116	-2,800	-2,000	-1,467
CF from Fin. Activity	**-20,387**	**-12,953**	**-18,162**	**-3,795**	**-7,943**	**2,064**	**-20,182**	**-13,694**
Inc/Dec of Cash	**-655**	**-1,246**	**-979**	**1,121**	**-3,936**	**-1,756**	**822**	**10,519**
Add: Beginning Balance	9,602	8,947	7,702	6,722	7,843	3,907	499	1,321
Closing Balance	**8,947**	**7,702**	**6,722**	**7,843**	**3,907**	**2,151**	**1,321**	**11,840**

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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Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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